

# I. Preface

Since the resumption of Japan's Official Development Assistance (ODA) to Vietnam in 1992, the Government of Japan has actively worked to support human resources training and reform of policies and mechanisms through technical cooperation as well as construction of transport infrastructure, electricity supply, etc. through financial cooperation (including ODA Loans and Grant Aid) with the aim to make contribution to Vietnam's socio-economic development. Since the commencement of ODA provision, the prominent feature of Japan's ODA has been seen as the close combination of technical cooperation and financial assistance.

Since October 2008, because of the restructure in the implementation process of Japan's ODA policies, Japan International Cooperation Agency (JICA), one of the Japanese Government's agencies in charge of ODA implementation, has become the sole agency responsible for both technical cooperation, a carry-over from its previous activities, and ODA loans, which were formerly managed by the overseas economic cooperation section of the Japan Bank for International Cooperation (JBIC).

With the vision "Inclusive and Dynamic Development," and new organizational structure, JICA aims at high-quality international cooperation activities to meet the needs of developing countries. We look forward to further understanding and cooperation between our two nations. Japan's ODA, through JICA, will continuously contribute to the sustainable development of Vietnam and strengthen the friendship as well as strategic cooperation relationship between Vietnam and Japan.

March 2012  
JICA Vietnam Office

## II. Role of ODA and JICA

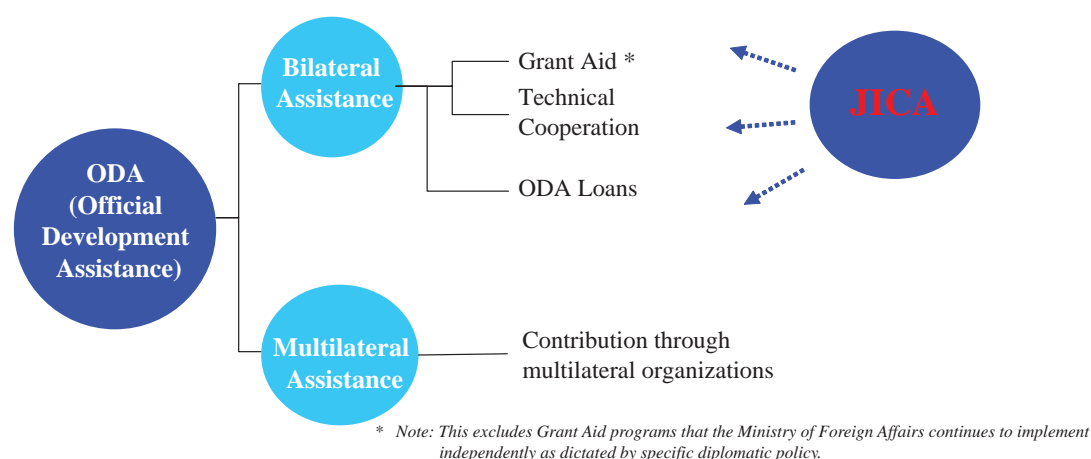
### 1. Role of ODA and JICA

#### What is ODA?

To support socio-economic development in developing countries, various groups and organizations including the central government, international organizations, NGOs, and private companies carry out financial assistance. In these activities, public assistance by the Government of Japan to developing countries is called Official Development Assistance (ODA).

In order to clarify the concepts and principles of Japan's ODA, Japan's ODA Charter states: "Japan's ODA is to contribute to peace and development in the international community and thereby help ensure Japan's own security and prosperity."

ODA Loans are divided into bilateral assistance and cooperation through United Nation Organizations and International Organizations. Bilateral assistance is composed of technical cooperation and financial assistance (ODA Loans and Grant Aid).



#### JICA ~ Implementing International Cooperation with higher quality by coordinating technical cooperation and ODA Loans

The Japan International Cooperation Agency (JICA) is the only agency responsible for implementing ODA of Government of Japan through 3 schemes: Technical Cooperation, ODA Loans and Grant Aid.

With the vision "Inclusive and Dynamic Development", JICA is providing comprehensive assistance that most effectively addresses the needs of developing countries from large-scale social infrastructure construction to technical cooperation at a grassroots level.

## 2. Progresses and achievements of JICA in Vietnam

Under Doi Moi policy launched in 1986, Vietnam has implemented the modernization of the country toward a market-based economy and restarted integration into the international community. The country's socio-economic situation at that time was experiencing extreme difficulties. Areas in need of improvement included all the basic social services, namely, popular education, health care, infrastructure construction like transportation and electricity. In order to assist Vietnam, in November 1992 Japan, prior to other countries, resumed ODA to Vietnam. Since 1993, following Japan's lead, the World Bank (WB) and the Asian Development Bank (ADB) together with other developed countries started their assistance to Vietnam and the first Consultative Group of Donors (CG) meeting was held in October 1993. In more than 15 years since Vietnam began receiving ODA, Japan has always been the biggest donor to Vietnam and Vietnam is one of Japan's most important ODA recipients.

One outstanding characteristic of Japan's ODA to Vietnam is the implementation of financing for the construction of infrastructure that is indispensable for the country's development, together with the implementation of technical cooperation to train the country's human resources and to improve its policy. JICA's major achievements in financial and technical cooperation since 1992 to date are as follows:

### Financial cooperation

#### 1) ODA Loans (Yen Loans)

ODA loans for Vietnam started with a Commodity Loan totaling 45.5 billion yen in November 1992. In 1993, implementation of project-type loans was started with a focus on construction of infrastructure as the basis for Vietnam's economic development. Right from the beginning, Vietnam was considered a focused and consecutive recipient country (country that received ODA loans in consecutive years). Total committed loan volume has been increased every year: 95.1 billion yen in JFY 2006, 97.9 billion yen in JFY 2007, 83.2 billion yen in JFY 2008, nearly reaching 100 billion yen per year. In 2009, the committed amount reached a record figure of 145.6 billion yen including the assistance to support the responding to the world economic turndown (USD 500 million), and in 2010, loan volume is 86.6 billion yen making the accumulative committed amount, by the end of 2010, reached 1,556.1 billion yen. On the other hand, the total disbursement (counted on calendar year) has been 79.2 billion yen in JFY 2007, 71.8 billion yen in JFY 2008, 121.4 billion yen in JFY 2009, 84.1 billion yen in JFY 2010. So Vietnam is one of the biggest loan recipient (in term of net disbursement) among JICA partner countries.

The major target sectors of ODA loans belong to infrastructure, including mainly transportation and electricity (accounting for 40% and 30% of the committed amount respectively). The concrete achievements in each sector are as follows:

#### (1) Transportation



Bai Chay Bridge in Ha Long Bay



Bach Ho Bridge, Hue city (Rehabilitation of bridges along Hanoi – Ho Chi Minh City railway)

During the 90s, JICA supported through the rehabilitation and construction of Northern inter-provincial roads connecting Hanoi – Hai Phong – Ha Long and bridges (Bai Chay Bridge in Ha Long, Binh Bridge in Hai Phong), the expansion of seaports (Hai Phong Port and Cai Lan Port), the rehabilitation of National Highway



No. 1 connecting the North and the South and the rehabilitation of bridges along Hanoi – Ho Chi Minh City railway. After that, it was the construction of Hai Van Tunnel which had been the trouble spot of transportation in Central Vietnam, and the rehabilitation of Tien Sa Port in Da Nang city.

Thanks to these works, commodity transportation of the North, the Central region and the North – South backbone has improved, and many industrial zones have been established in the surrounding areas, contributing to economic development through foreign investment, including from Japan. Since 2000, after the completion of the International Terminal of Tan Son Nhat Airport using ODA loans, JICA has assisted the construction of 2nd terminal of Noi Bai Airport which is the gateway of the capital, the development of Cai Mep – Thi Vai Southern port, Lach Huyen port – the first deepwater port in the north, and the construction of the North – South Express Highway (Ho Chi Minh City - Dau Giay; Ben Luc – Long Thanh, Da Nang – Quang Ngai section) and other projects as well.

**(2) Electricity**



Dai Ninh Hydro Power Plant

JICA has assisted the construction of many important power plants to meet the increasing demand due to economic development. Those are plants using rich coal resource in the North (Pha Lai Thermal Power Plant), plants using hydro power and gas off-shore the Central and the South (Ham Thuan – Da Mi Hydro Power Plant, Dai Ninh Hydro Power Plant, Phu My Thermal Power Plant and O Mon Thermal Power Plant). At the Phu My Thermal Power Plant, after the completion of the ODA loan-assisted construction phase one, the second phase has been implemented under IPP (Independent Power Producer) type with participation of Japanese enterprises. This is the

symbol of cooperation between the Public and the private sector in constructing electricity transmission system using Loan assistance. Similarly, following the first phase of Nghi Son Thermal Power Plant construction in the North, the second phase is planned to be executed under IPP type.

**(3) Urban Transportation, Water Environment Improvement**

To reduce traffic congestion in Hanoi, JICA has used ODA loans to expand the main roads in the city, changing the seriously congested spots into leveled interchanges. In addition, to form the ring roads, the construction of the Nhat Tan Bridge (Vietnam – Japan Friendship Bridge) was begun after the construction of the Red River Bridge. Similarly, in Ho Chi Minh City, JICA has provided ODA for the construction of East – West Highway, the axis running across the city to redevelop the urban area and to improve the city’s transportation. Moreover, with an aim to further improve urban transportation in major urban areas, JICA has started the sky train in Hanoi (route No.1) and metro construction projects in Hanoi (route No.2) and Ho Chi Minh City (route No.1).

Weak drainage capacity resulted in flooding and environmental degradation in urban areas. To improve this situation, JICA has implemented projects on water quality and waste water improvement for Hanoi and Ho



East – West Corridor, Ho Chi Minh City



Ho Chi Minh City Water Environment Improvement  
(Wastewater Treatment Factory)

Chi Minh City. Phase I is complete and phase II has been started. In addition, similar projects have been started in Hai Phong, Hue, and Binh Duong.

#### **(4) Rural Infrastructure, Small and Medium Enterprise Support**

Since 1993, JICA has assisted the rehabilitation of roads, water and power supply in rural areas. Rehabilitation work has been followed by continual loan programs to meet the diversified demands for rural infrastructure including small-scale irrigation and forestation to improve rural infrastructure in provinces, contributing to the economic development as well as the improvement of living condition of the localities.

Moreover, in the middle of the 1990s, in order to promote production industries, JICA has provided loans to support small and medium sized enterprises through the State Bank of Vietnam and commercial banks. In addition, JICA has cooperated with other donors like the World Bank in providing policy loans for the poverty reduction plan of Vietnam.

#### **(5) Ensuring Construction Quality and Safety**

To strengthen Vietnam's economic competitiveness and sustainable development, infrastructure construction like transportation and electricity needs to be elevated to new heights. Thus JICA's financial cooperation projects have been recently focused on construction works of large scale and hi-technology like the North – South Express Highway, and the urban railway in Hanoi and Ho Chi Minh City. JICA is implementing technical cooperation to improve quality and safety of the construction works while cooperating with other donors to help improve policies necessary for the smooth implementation of the construction works, namely policies on land clearance, resettlement, and procurement procedures.

## **2) Grant Aid**

Along with financial cooperation activities, Grant Aid<sup>1</sup> combined with technical cooperation focusing on improving people's living standards (basic human needs) has been implemented mainly in healthcare and rural development sectors. Grant Aid was actually resumed in 1992 through the upgrading of Cho Ray Hospital (the hospital was constructed by Japan in 1974) and then continuously carried out to support the improvement of major hospitals in Hanoi, Hue and Hoa Binh; construction of schools in areas of difficulties; construction of rural bridges and roads; water supply; and afforestation. All completed with the yearly assistance volume of approximately six ~ nine billion yen. In recent years, to meet new demands in the health care sector, JICA has assisted the construction of one measles vaccine production plant and assembling a high bio-safety laboratory for the National Institute of Hygiene and Epidemiology to administer necessary tests to strengthen measures against infectious diseases like avian influenza. In addition, JICA has also provided equipment like a large-sized X-ray machine to strengthen customs capacity. However, along with the economic development of Vietnam, the yearly assistance volume is decreasing. In recent years, the total yearly grant aid volume has been cut down to 3 billion yen.



Measles Vaccine Production Plant



Provision of medical equipment to National Hospital of Pediatrics

<sup>1</sup> Before the establishment of New JICA in October 2008, all types of grant aid cooperation were implemented by Japanese Ministry of Foreign Affairs. JICA carried out surveys and promoted the implementation only.

## Technical Cooperation

### 1) Supporting Development Plan Formulation

Technical cooperation activities were started in 1993. JICA has assisted Vietnam's socio-economic development in a comprehensive manner through Development Studies (including Master Plans and Feasibility Studies) like the Master Plan on Transport Development in the Northern Part, and the Master Plan on Water Environment in Hanoi. More recent development studies have helped formulate highly prioritized plans to serve the national construction plans of Vietnam, such as: Master Plan Study on the National Transport Development Strategy; Master Plan Study on the Electric Power Development; Master Plan on Energy Efficiency; urban development plan or transportation planning for Hanoi and Ho Chi Minh City; Master Plan Study on North-Western Area Development; Master Plan Study on Development for Da Nang and Central Vietnam; and Master Plan Study on National Transport Safety. These studies have become the basis for assistance in infrastructure construction using Japan ODA loans.

### 2) Technical Cooperation Projects

JICA has implemented training of Vietnam's human resources and transfer of Japan's techniques and experience by dispatching long-term experts (from two to five years), and receiving Vietnamese counterparts to training in Japan under technical cooperation schemes in priority areas, namely: Healthcare, agriculture, rural development, and environment improvement.

In the area of health care, JICA has continuously dispatched Japanese experts to three major hospitals in the North (Bach Mai Hospital), the Central region (Hue General Hospital) and in the South (Cho Ray Hospital), assisting the training of human resource for healthcare sector. In addition, through the strengthening of training systems in these major hospitals targeting provincial hospitals, JICA has contributed to the improvement of healthcare quality across the aforementioned regions. Similarly, JICA has implemented technical cooperation with Hoa Binh General Hospital to set up and strengthen cooperation with district hospitals, contributing to the improvement of the province's local healthcare quality.

In agricultural and rural development sector, following assistance provided to the Hanoi Agriculture University and research institutes to increase productivity, JICA has implemented technical cooperation projects for the Northern rural areas aiming at participatory irrigation management by the farmers and strengthening capacity of agriculture cooperatives to increase farmers' living standards. The achievements of these cooperation projects have been expanded to other localities.

In the environmental sector, apart from technical cooperation to improve urban water quality and to promote forest management, JICA has selected Hanoi as the model city to cooperate with public organizations and non-governmental organizations (NGOs) to implement activities for disseminating 3R concept (reduce, reuse and recycle) towards a recycling society.



Human resource training for Water Sector, Central Region



Participatory Rural Development in Gia Lai



### 3) Policy and Institutional Improvement

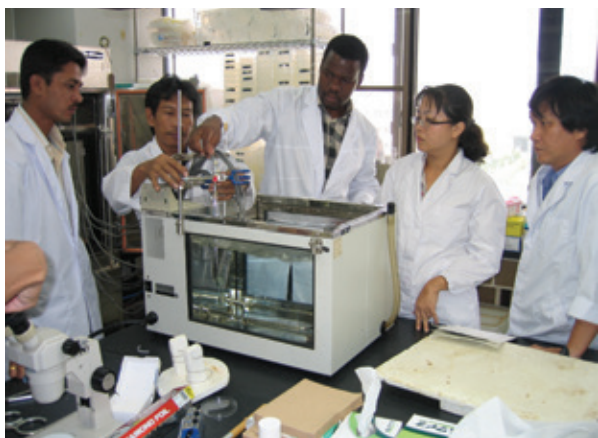
In the area of economic policies, during a six-year period starting from 1995, the Study on the Economic Development Policy in the Transition toward a Market-Oriented Economy (Ishikawa project) had been conducted through surveys by a group of Japanese academics who subsequently made recommendations for improvement in various sectors, namely, economic policy, finance and banking, production development, agriculture, and state enterprise reform. This study greatly contributed to Vietnam's transition policy towards a market economy, and development strategy. JICA has also dispatched experts as policy advisors to the Ministry of Agriculture and Rural Development, Ministry of Natural Resource and Environment, and Ministry of Health. In the financial sector, through the dispatch of Japanese experts to the State Bank of Vietnam, JICA has implemented technical cooperation to assist in professional skills like financial policies, bond insurance, and banking supervision.

Cooperation between the public and private sector of both Vietnam and Japan has become an important pillar to improve Vietnam's investment environment. In Vietnam, supported by the Embassy of Japan and the Japanese Business Association, a Vietnam - Japan Public - Private Partnership named "Vietnam - Japan Joint Initiative" aimed at perfecting business environment was inaugurated in 2003. The Initiative has brought about concrete recommendations to the Vietnamese Government for the improvement of its investment environment with the cooperation of the Ministry of Industry and Trade, the Vietnam Chamber of Commerce and Industry, and mainly with the Ministry of Planning and Investment to promote the implementation of those recommendations. Based on those recommendations, JICA has assisted the improvement of Vietnam's investment environment through the dispatch of Japanese experts to the Ministry of Planning and Investment (the Foreign Investment Agency), General Department of Taxation, and General Department of Customs. Besides, dispatching experts to Enterprise Development Agency and General Department of Vocational Training helps a lot for not only the improved business environment but also the practical advice on establishment and implementation of corresponded policies.

In addition, since the mid-90s, JICA has continuously dispatched groups of judges, lawyers and procurators to Vietnam to help formulate bills on civil code, and to assist in the training of human resources in the judicial sector to help set up a legal system that is the basis for Vietnam's socio-economic modernization and judicial mechanism improvement.

### 4) Reception of Trainees

In 1991, JICA resumed reception of Vietnamese trainees. Being closely linked to the agency's technical cooperation, the training program in Japan implements training for Vietnamese core officials together with courses aimed at improving the policy mechanism. Based on Vietnam's human resources training needs, main target training sectors are supporting economic policy improvement, transportation, health care, agriculture and rural development, environment, and governance. To date, there are approximately 600 Vietnamese participating training courses in Japan per year. Upon their return, the trainees have become core counterparts of JICA-supported activities in Vietnamese administrative agencies, and have been contributing to the improvement of Vietnam policy mechanism.



Phyto-sanitary (Country-focused Training)



Vocational Training course (Young Leader Training Program)



Class for Disable Children



Participatory Disaster Prevention in Hue

### 5) Volunteer activities, Partnership Cooperation Program

JICA started sending Japanese Overseas Cooperation Volunteers (JOCVs) to Vietnam in 1995 in the areas of health care, agriculture, Japanese language teaching, and support to disabled children. By the end of Dec 2011, there were 320 JOCVs dispatched to Vietnam. In addition, since 2001, JICA has sent senior volunteers (SVs) to support small and medium sized enterprises or supporting industries. In the end of Jan 2012, there were 45 JOCVs and 23 SVs working in provinces nation-wide, from Quang Ninh province to Ca Mau province.

The Partnership Cooperation Program is JICA's grassroots technical cooperation implemented by Japan-based non-governmental organizations (NGOs), universities and local authorities. Started in 2002 with the objective of bringing direct benefits to the local people, to date, activities in the following areas have been completed/implemented: maternal and child nutrition improvement, fresh water supply, education support for poor areas, strengthening community-based natural disaster resilience capacity, and the promotion of training for disable children... In addition, under the framework of cooperation with Japanese local authorities, and with the cooperation of prefectures of Chiba, Fukuoka, Okinawa, Yokohama and Kitakyusyu city, projects to mobilize Vietnamese localities to improve water quality, water refining operations and maintenance capacity strengthening, 3R, and environment education promotion, have been implemented by JICA.



Bridge Pagoda (Hoi An City) – A World Cultural Heritage



Preservation of Relics in Hoi An City



## Progress of JICA in Vietnam

1992	Japan resumed ODA for Vietnam
1994	Japan Overseas Economic Cooperation Fund (OECF) opened its Representative Office in Vietnam Exchange of Note on Japan Overseas Cooperation Volunteer (JOCV) Program was signed
1995	JICA Vietnam Office was officially established JICA started dispatching JOCVs to Vietnam
1998	The Japan-Vietnam Technical Cooperation Agreement was signed
10/1999	Japan Bank for International Cooperation (JBIC) was established by merging OECF and Japan Bank for Export and Import (JEXIM)
2002	JICA Ho Chi Minh Liaison Office was opened
10/2008	New JICA was launched as merger of Overseas Economic Cooperation Operations (OEEO) of the former JBIC and JICA

## Achievements of JICA

### (1) Financial assistance (Commitment amount, Unit: Hundred million Yen)

Fiscal year	2006	2007	2008	2009	2010
ODA Loan	950.78	978.53	832.01	1,456.13 (*)	865.68
Grant aid	27.49	17.94	13.08	28.26	34.6

Note: This excludes grant aid for human security at grassroots level.

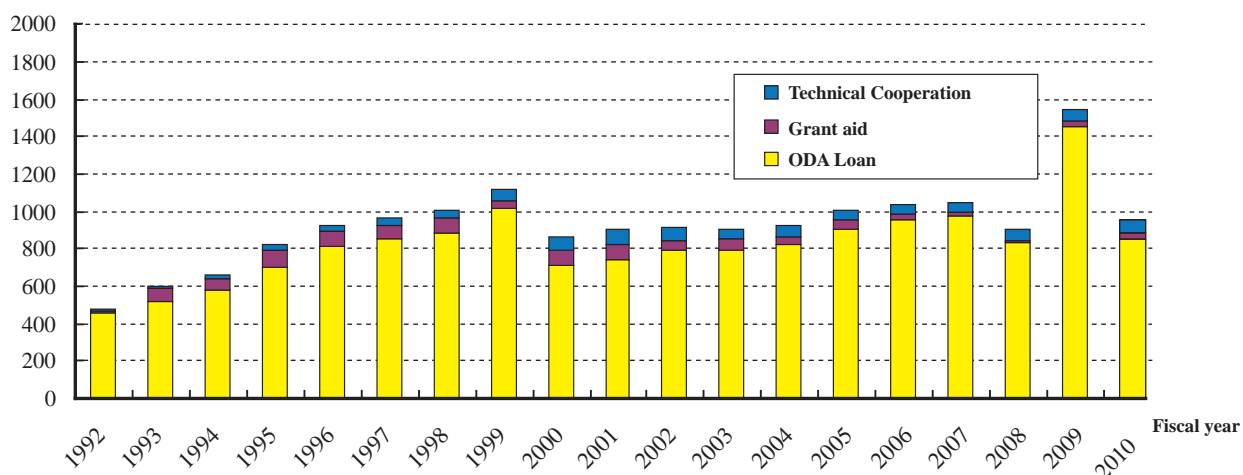
\* ODA Loan of FY 2009 includes Yen 47.9 bil. of economic stimulus package

### (2) Technical Cooperation

Fiscal year	2006	2007	2008	2009	2010
Technical Cooperation Expenses (Hundred million Yen)	52.75	51.98	59.65	61.42	71.52
Training Participants	1,410	1,221	1,597	983	1,176
New Expert (Long-term)	448	443(23)	423(21)	556 (28)	793(52)
New JOCV	22	49	53	69	39

## Achievements of Japan's ODA for Vietnam

Hundred million Yen



### 3. JICA's cooperation schemes

In October 2008, new JICA was launched to synthesize the implementation of Japan's ODA policies. In addition to its mandate on managing technical assistance, new JICA is responsible for ODA loans and a part of Grant Aid. This enables JICA to provide comprehensive assistance with a higher level of effectiveness.

#### ● Technical Cooperation

JICA conducts technical cooperation projects through the dispatch of Japanese experts to developing countries, where they work with counterpart agencies to provide technical guidance, and acceptance of training participants for technical knowledge and skill training. Also JICA promotes the cooperation at grassroots level to take full advantage of experience and techniques cumulated by universities, NGOs, etc. in Japan.

Currently, JICA has been conducting more than 40 technical cooperation projects with a dispatch of nearly 70 Japanese long-term experts to Vietnam.

#### ● ODA Loans

These long-term yen loans with preferential and low interest rates are extended to developing countries needing assistance in priority areas including support in the purchase of equipment and construction of infrastructure, power, transport, improvement of water environment in urban areas, rural development, development of small and medium-sized enterprises, and tertiary and post-graduate education, etc.

*\* Conditions for ODA Loans (fiscal year 2010)*

- Standard conditions: Interest rate of 1.4% with 30-year repayment period (of which, grace period is 10 years), untied condition
- ODA Loans with special terms STEP: Interest rate of 0.2%, with 40-year repayment period (of which, grace period is 10 years), tied condition: Japanese participation.

#### ● Grant Aid

Under this scheme, funds are provided without repayment obligation to developing countries. Grand Aid is provided to support the improvement of basic human needs such as health care services, etc. A typical example is the Project on construction of three important hospitals in Hanoi, Ho Chi Minh City and Hue.

#### ● Sending volunteers

Under this scheme, JICA sends Japanese volunteers who desire to help developing countries. The two types of volunteer programs include: “Japan Overseas Cooperation Volunteers” volunteers aged between 20 and 30, and “Senior Volunteers” with volunteers aged 40 and more.

#### ● Emergency Disaster Relief

Emergency relief supplies such as funds, commodities and human resources that are necessary for relief activities in disaster-affected countries are provided under this scheme. In Asian region, JICA has provided emergency relief for flood disaster of Thailand and flood disaster in Mekong Delta of Vietnam in 2011.



Binh Bridge



Emergency relief for Mekong Delta flood disaster



# III. JICA’s activities in Vietnam

## 1. Current situation in Vietnam

Having experienced fierce wars for a national unification until 1975 and following a period of low economic development, Vietnam has applied the “Doi Moi” policy since 1986 and implemented the national industrialization, modernization based on a socialist-oriented market economy. From 2001 to 2007, Vietnam reached an annual growth rate of 7.5%/year, and about 6.8% in 2010, ranking second in Asia after China. Furthermore, in January 2007, Vietnam joined the WTO. The economy has developed strongly with the poverty rate reduced from 58% in 1993 to 37% in 1998 and down to 12.3% in 2009. Moreover, the Five-Year Socio-Economic Development Plan 2006-2010 sets the goals to become a modern industrialized country by 2020 and in 2010, GDP per capita has reached over USD 1,000 which means that Vietnam has become a middle income country and was no longer a low income country.

On the other hand, there are many issues needed to be solved to obtain the aforementioned targets. In the trend of rapidly global economic integration, Vietnam has lacked of strengthening the economic competitiveness for a stable economic development. Therefore, it is necessary to establish infrastructure such as transport system, stable power supply and improve institutional frameworks to develop domestic industry and attract foreign investment. Also, the gaps between the rich and poor and between the rural and urban development appear as the other side of a medal of quick economic development. Environmental degradation caused by urbanization and industrialization becomes more serious. Moreover, it is necessary to cope with big impacts from climate change which has gradually caused storm-flood damages in the North and the Central, flood in the big cities, flood-tide in Mekong delta.



Development Criteria of Vietnam	
Total size ( Thousand km²)	332
Population (Million people)	86.92
Population growth rate (%/year)	1.1 (compared with last year)
GDP per capita (US\$)	1,169 (2010)
Economic growth rate (%)	5.9 (2011)
Price index fluctuation	18.58 (compared with 2010)
Human development index (2007)	0.593 128 <sup>th</sup> out of 187 countries
Adult literacy rate (%)	92.8
Net primary enrolment rate (%)	94
Maternal mortality ratio, reported (per 100,000 live births) (%)	56
Under-five mortality rate (per 1,000 live births)	24
Life expectancy at birth, annual estimates (years)	75.2
Percentage of people having no access to clean water (%)	9.3
CO <sub>2</sub> emissions per capital (%)	1.5

Source: UNDP “Human Development Report 2011”, General Statistics Office “Statistical Yearbook of Vietnam 2010” and UNICEF “The State of the World’s Children 2011”

## 2. Basic policy and directions of the assistance to Vietnam

Based on the Country Assistance Program for Vietnam of the Government of Japan and with the aim to carry out Vietnam's national target, which is to get out of the list of under-developed countries and become a middle-income country by 2010 and to become modern industrialized country by 2020. To achieve these ends, JICA will implement the cooperation activities along four pillars, including: 1) Promotion of Economic Growth and Strengthening of International Competitiveness; 2) Improvement in Living and Social Conditions and Corrections of Disparities; 3) Environmental Conservation; 4) Strengthening of Governance. The following are concrete orientations:

### 1) Priority areas of assistance

#### **(1) Promotion of Economic Growth and Strengthening of International Competitiveness**

In the context that Vietnam has faced fiercer international competition since its accession to WTO in January 2007, and in order to be able to reach the objective of becoming modern industrialized country, Vietnam needs to maintain strong economic growth and sharpen the international competitiveness. For this purpose, JICA will provide various support activities including soft skills with the focus on formulating and executing economic policies and mechanisms, human resources development for economic sectors, and on the other end with the focus on construction and operation of infrastructure for economic industries. Specifically, JICA will assist Vietnam in the reform of state-owned enterprises, development of medium and small enterprises with supporting industries, development of urban, and improvement of transport infrastructure and stable supply of electricity.

#### **(2) Improvement in Living and Social Conditions and Corrections of Disparities**

In order to enable Vietnam to both develop the economy and establish equality in society, it is necessary to implement the activities to improve social welfare and living standards as well as adjust social disparities. JICA will provide assistance in improving social services such as in health care and education; developing the rural areas through capacity building for farmers' organizations; building rural infrastructure such as rural roads, safe water supply systems, irrigation systems, and developing local handicrafts. In addition, to cope with natural disasters such as typhoons, floods, etc., in the recent years, JICA has also provided assistance in strengthening capacity in natural disaster research and prevention based on Japan's experience.

#### **(3) Environmental Conservation**

Vietnam has faced serious environmental pollution, including water pollution, air pollution, and etc., resulting from rapid economic growth and urbanization. Therefore, thanks to Japan's experience on pollution prevention and environmental protection, JICA will carry out cooperation activities aiming at improving water drainage, waste water treatment, solid waste treatment in urban areas together with afforestation, forest management, and water resources management.

#### **(4) Strengthening of Governance**

Together with the transformation to a market economy and decentralization, the strengthening of the legal system and administration capacity is also a matter that needs attention. On the other hand, the Government of Vietnam also considers anti-corruption an important issue. Strengthening of governance is the foundation for the development of Vietnam. Therefore, JICA will emphasize this sector and provide effective support to the three aforementioned sectors.

### 2) Priority regions

JICA would focus on regions that are the economic centers such as Hanoi city and neighboring areas in the North, Ho Chi Minh City and neighboring areas in the South, Da Nang and neighboring areas in Central Vietnam. For correction of disparities and poverty reduction, JICA would provide support to North mountainous area, Central Highlands and Mekong River Delta.



## 3. Priority Areas of Assistance

### 3-1 Promotion of Economic Growth and Strengthening of International Competitiveness

#### 1) Business Environment Improvement and Private Sector Development

Vietnam's recent high growth has been due mainly to the increase in direct investment by foreign companies because of improvements in the business environment, institutional reforms, and infrastructure development. To maintain high growth and to achieve Vietnam's national targets, which are "by 2010, Vietnam will get out of the list of under-developed countries and become a middle income country", and "by 2020, Vietnam will become modern industrialized country", it is imperative that Vietnam builds the foundations for making the private sector internationally competitive. This requires further improvements in the business environment such as reform of state-owned enterprises and the financial sector. Especially the formulation and strict implementation of policies and systems in accordance with WTO's regulations. In addition, because most direct investment in the manufacturing sector is made in the assembly industry based on the inexpensive labor force, local small and medium enterprises (SMEs), which constitute a form of the supporting industry to manufacture spare parts, are expected to grow. Therefore, it is necessary to apply supporting measures such as training of technical teams, Vietnamese management staff, improvement of policies for the development of small and medium enterprises, funding support, and etc.

In this circumstance, JICA will support Vietnam with the four main areas as follows:

#### (1) Business Environment Improvement and Private Sector Development

In the context of Vietnam joining the WTO and signing the Japan -Vietnam EPA, to improve international competition for the world's economic integration, it is necessary to improve the establishment and formulation of economic systems statistics, intellectual property rights, standardization/conformity assessment, competition policies, customs administration, tax administration, investment promotion, and etc. In support of the aforementioned issues, JICA has actively carried out technical cooperation projects and dispatched experts to the related Ministries and agencies in Vietnam - Japan Joint Initiative (the forth phase has been deployed from July 2011 to December 2012).



Business training course (Vietnam – Japan Human Resources Cooperation Center)



Production quality management (Senior volunteer)

## **(2) Reform of the Financial and Banking Sector**

Japan supports the strengthening of functions of the State Bank of Vietnam as the central bank and the strengthening of financial supervision functions, financial policy formulation and human resource training as well as support in strengthening of risk control systems in Vietnam Development Bank through training programs and dispatch of experts.

## **(3) Development of SMEs**

To support the policies on development of SMEs promulgated by the Government of Vietnam, JICA has provided funds under ODA Loans to SMEs as well as support for improvement of policy systems through the dispatch of experts to Ministry of Planning and Investment (MPI) (Enterprise Development Agency) etc. On the other hand, JICA also provides support programs such as technical and management guidance to SMEs, support to vocational training schools for their provision of skilled manufacturing workforce and to facilitate enterprises' access to funds.

## **(4) Development of Industrial Human Resources**

To produce industrial human resources (engineers and managers) who will play a leading role in the further development of the Vietnamese economy, Japan provides cooperation in acceptance of trainees, training of technical human resources at a tertiary level, the development of human resources in the IT field, etc. Moreover, for the purpose of training necessary human resources for the development of SMEs and supporting industry, Japan dispatches senior volunteers who are willing to transfer techniques and experience accumulated in Japanese companies.

Besides, JICA has launched the Project for human resources development of technicians at Hanoi University of Industry since January 2010 as one of the active measure for the industrial human resource development.

## **2) Stable Supplies for Resource and Energy**

In the past 10 years, electricity consumption has increased by over 13-14% per year on average. It is expected that the demand for electricity will increase from 46,000 GWh in 2005 to 257,000 GWh by 2020 (an increase of 5.6 times) in the future. Meanwhile, the quantity of domestically produced crude oil and gas have been gradually decreasing and Vietnam will shift to a net energy-importing country around 2015. To enable Vietnam to supply energy in a stable manner, JICA would provide support with the four following main items:

### **(1) Improvement of Power Supply Capacity**

JICA would emphasize cooperation in the fields such as development of power generation plants and construction of power transmission and transformation networks, construction of infrastructure for promoting investment of private sector (such as construction of ports in the areas where thermal power plants using imported coal, etc. will be located), support for the development of human resources for the maintenance of power facilities, formulation and dissemination of power technical and safety standards, and support for efforts to strengthen the environmental management system (such as support for the introduction of advanced environmental technologies into power facilities).



O Mon Thermo Power Plant constructed by yen loan



550KV Transmission line Phu My – HCM City constructed by yen loan



## **(2) Ensuring a Stable Supply of Gross Energy Sources**

JICA would support for the formulation of plans to ensure the stable supply of energy sources (coal, oil, gas) that are necessary for electricity generation.

## **(3) Promotion of Energy Conservation**

JICA has been supporting in the construction of energy conservation works and enforcement of energy conservation policy through the formulation of Master Plan and legal documents on energy conservation, and the strengthening of functions of energy conservation centers.

## **(4) Formulation of Comprehensive Energy Development Master Plan**

JICA would provide support for the formulation of Energy Development Master Plan and establishment of statistical database on energy, etc.

# **3) Urban Development, Network Development for Transportation and Communications**

JICA has consistently supported Vietnam with the improvement of roads, seaports, airports, etc. made possible through ODA Loans. To sustain its economic growth, Vietnam needs to keep up with the increasing demand for transportation and rapid urbanization by creating a traffic network for smooth and safe passenger and freight transport.

The current transport network contains various existing issues. Specifically a maintenance and operation system has not been adequately established. Most of the main railway tracks are single-track and un-electrified, with deteriorated bridges and railroads. Moreover, deep water ports which can accommodate large vessels have not been adequately constructed. Airports cannot keep up with the growing volume of passengers and freight as well as demand for higher quality services and increasing traffic congestion caused by rapid motorization and lack of traffic safety measures.

This requires proper solutions for several issues, not only improvement in the infrastructure but also the development of human resources for securing the quality of maintenance, the operation of expanded infrastructure stock, the enactment of traffic safety measures, and planning an appropriate sector-development strategy from a long-term viewpoint. Japan would mainly provide support for the following five items:

## **(1) Urban Planning**

To keep up with rapid urbanization, Japan supports Vietnam's urban planning for large and medium-sized cities, and assists with capacity enhancement in formulating and managing urban development plans. In addition, to disseminate know-how in urban planning to other cities, Japan supports the improvement of urban planning and management capabilities of cities throughout Vietnam.

## **(2) Strengthening Arterial Traffic Networks**

With regard to main roads, railways, seaports and airports, and freight transport, Japan considers prioritizing and making roadmaps for each. To do so, Japan provides selective and concentrated support through ODA loans in combination with technical cooperation including human resources training, and establishment of necessary management systems on operation after the completion of construction works. Examples of such



Can Tho Bridge

support can be found in the following projects: passenger station in Noi Bai International Airport, Lach Huyen Port in the North, the North-South Highway, and the North-South high-speed railway.

Moreover, from the viewpoint of ASEAN as a whole, Japan will also consider supporting the establishment and improvement of air traffic management systems as well as supporting the activation and facilitation of regional economic corridors, such as the East-West Economic Corridor (Vietnam - Laos - Thailand - Myanmar).

**(3) Improvements in Urban Transportation**

Japan supports improvements in the traffic networks in Hanoi City and HCMC where the population is remarkably concentrated. This support includes construction, operation and maintenance of urban ring roads, suburban bypasses, and urban mass transport systems (urban railways).

**(4) Traffic Safety**

Due to the growing volume of cars and motorbikes, traffic accidents have become an alarming issue in Vietnam. With the vision to expand support in both hard and soft aspects relating to traffic safety measures, JICA will transfer the achievements from technical cooperation projects in Hanoi to other provinces through the ODA scheme.

**(5) Strengthening of Maintenance and Operation Capabilities**

Japan considers supporting the development of skilled human resources that can deal with the high-level technologies necessary for the construction of arterial and urban transport networks. To strengthen capacity in maintainance and repair of the increasing volume of transport infrastructure works, JICA will consider supporting the establishment of database, human resources training, and system of policies.

In addition to these five items, Japan will support improvements in the telecommunications field, focusing on the improvement of infrastructure for local telecommunications and the development of human resources that can maintain and manage these facilities.



Nga Tu So Flyover



Thanh Tri Bridge



Kim Lien Underpass



Traffic Safety in Hanoi

## Improvement of Urban Transport in Hanoi

In Hanoi, the Capital of Vietnam, due to the economic growth since 1990s and the increase in urban population, the number of motorbikes has seen a dramatic rise. This has led to a failure of the transportation network in Hanoi to meet the increase in traffic volume. With the lack of public transport such as buses, etc., traffic congestion is frequently a problem, especially in rush hour. Traffic accidents are another serious issue that Hanoi is facing now.

### Improvement of Urban Transport Infrastructure

JICA has provided support in construction of Hanoi transport infrastructure. Within the framework of “Hanoi Urban Infrastructure Development Project” two flyovers and one underpass were constructed at main intersections in Hanoi that helped to dramatically improve the chaos in traffic flow there. These are the first fly-overs and underpass constructed in Hanoi. JICA also supported the expansion of road sections that were formerly bottlenecks to the transport network in the city. To facilitate the land clearance and resettlement of these construction works, JICA has also supported the construction of infrastructure in rehabilitation areas.

In addition, to facilitate the transportation of goods from Hanoi to Hai Phong via National Highway No.5, and from Hanoi to the South via National Highway No.1. In addition to the construction of national roads connecting Hanoi with neighbouring areas, JICA has also provided support to construct ring road (Ring Road No.3) and Thanh Tri Bridge, which crosses Red River to connect Ring Road No. 3. Also, JICA has supported the construction of Nhat Tan Bridge (the so-called “Vietnam - Japan Friendship Bridge”). The section of high-way connecting the head of Nhat Tan Bridge with Noi Bai Airport is expected to be financed through yen loan.

In addition to the aforementioned infrastructure works, two other projects have been undertaken with financing through yen loans: “Hanoi City Urban Railway Construction Project” with the line No.1, which will make the available railway going through Hanoi become “elevated railway” and the line No.2 (subway). It is expected that by constructing an urban railway, a kind of large-scale public means of transport, urban transport will be dramatically improved.

In the framework of “The Comprehensive Urban Development Programme in Hanoi” (2004-2007), JICA has formulated the comprehensive development strategy for Hanoi City up to 2020. Based on the proposals within this Program, the Government of Vietnam has approved the Master Plan of the transport network in Hanoi up to 2020 with the Decision of the Prime Minister.

### Transport Safety Measures through Technical Cooperation

To minimize traffic accidents, in addition to infrastructure improvement, the improvement of enforcement by traffic police and educational activities for the strict implementation of traffic regulations also play an important role. Within the framework of ongoing “Project for Traffic Safety Human Resource Development in Hanoi (2006-2009)”, with the improvement of model intersections to streamline the chaos in traffic flow, JICA has been applying comprehensive measures such as the improvement of enforcement by traffic police and educational activities. As a result, officers in Hanoi City are now directly involved in implementation of measures to reduce traffic accidents and solve the traffic chaos at intersections. Especially, traffic lights for turn-left vehicles have been installed for the first time in Hanoi in 2004 in accordance with the proposals of JICA experts, and the installation of additional lights has been successfully carried out in many areas in Hanoi.