

Japan's ODA and the economic development of Vietnam

1. VN and JP are two countries in the Asia region.

Vietnam is located in the South East Asia with population of more than 88million people, ranking the third in Southeast Asia, area about over 3000 square km (From the Hanoi- capital of VN to Tokyo is about 3650 km) (From HN to Osaka is over 3000 km)

2, This is the Vietnam map, like S shape. Nowadays, VN is still an agricultural country, more than 70% people are farmers, living in the rural areas. In the structure of the economy, agriculture accounted for 22% of GDP

VN achieved high economic growth of more than 6% on average in the 2000s, GDP of VN in 2012 reached 136 billion US\$; GNI per capita in 2012 reached over 1,500\$ (there is a big gap with GNI of Japan, nearly 40,000 US \$)

3. Since the introduction of Renovation Policy in 1986, VN has push forward to market economy aiming at integration into the world economy, and became a member of ASEAN in 1995, a member of WTO in 2007.

4. (*GDP and performance of Vietnam*) This table shows some data of GDP and the growth rate of GDP in the recent years.

Vietnamese economy has showed steady growth since the 1990s (Reference (1))

In 2012, Vietnamese GDP had achieved 136 (one hundred thirty six) billion US\$, GNI per capital- 1540 \$ (one thousand five hundred forty), Vietnam has successfully reduced poverty, while achieving its national goal which aims to become a lower middle income country Its poverty rate decreased from 37.4 (thirty seven. four) % in 1998 (nineteen ninety eight) to 10.4 (ten. four) % in 2010 (two thousand and ten)

You can see some data to show the growth performance of Vietnam.

The growth rate of GDP per year on average is above 6%. In 2012 GDP of VN is about 2,856, 000 Billion VND (equal to 136 billion us\$)

VN is one part of the Eastern West Corridor and Southern Corridor- plays an important role in the economic development of the Mekong Region, the importance of VN is increasing from the view point of promotion of further regional cooperation and economic integration as one of driving economic force of the region.

According to the World Bank, compared with some countries in East Asia and the Pacific, since 2000 the economic growth rate of Vietnam is still better.

5. *The strategical goals for social- economic growth and the capital demand*

Nevertheless, Vietnam is still a poor country. In the social- economic strategy to 2020, Vietnam has to improve environment for businesses and investments and enhance international competitiveness, through structural reform of its economy and administration, including qualification human resource, improvement of the financial system as well as

infrastructures, in order to continue to achieve its economic growth and mid and long-term macroeconomic stability.

At the same time, Vietnam needs to respond to the vulnerabilities. It has to increase the income of citizens in the rural areas, who account for about 70 percent of all the population in the country and has to reduce poverty rate

In addition, VN has to improve sanitary conditions, which has been worsening along with its urbanization. It also has to mitigate the impact of climate change and become more adaptable to it, because it is called to be one of the most susceptible countries to climate change in the world.

6. However, there are still a lot of issues to limited development of Vietnam, such as:

- lack of capitals,
- backward technology,
- less management knowledge,
- no clear an advantage position in process of global integrated economy

7. In order to overcome these barriers, The Vietnamese Government has issued many polices to attract more capitals (both domestic and foreign direct investments) for economic development, in which FDI and ODA are two important sources contribute to the total investment for Vietnam economy

12. Nowadays, Actual capital from outside poured into Vietnam including: remittances, FDI and ODA

In 2012, Vietnam received \$ 10 billion from remittances

About FDI, Total FDI in VN 2011 reached around 16 billion USD.

Some countries have a huge FDI in Vietnam: Hong Kong, Japan, Singapore, S.Korea and China. In which , HK- over 3 billion USD, Japan – nearby 3 Billion, Singapore- over 2 billion, S.Korea: one thousand five hundred and China – around eight hundred million.

(Accumulated projects are valid until 11.2012 (November of two thousand and twelve)

Top ten countries with number of projects and total capitals include:

Japan, Taiwan, S.Korea, Singapore. Thailand

Japan ranks in the first with an investments of nearby 30 (thirty billion)

And about ODA, According to the Government's report, total ODA signed between 1993 and 2012 reached 56.05 (fifty six) billion U.S. dollars,

(accounting for 71.69% of total ODA commitments) . In particular, incentives ODA reached USD 51.607 billion and accounted for 88.4%, non-refundable ODA reached USD 6.76 billion, accounting for 11.6%.

I would like to present more deeply about the JP-VN relations and Japan's ODA in VN

13. The Japan- Vietnam relations and Japan's ODA in Vietnam

14 Japanese ODA Loans have an important role to economic development of Vietnam. In order to help us overcome the challenges of economy

Japan is supporting Vietnam to achieve its industrialization goal by 2020. Japanese ODA will focus on promoting economic growth, increasing competitiveness, as well as the restructuring of State-owned companies, the financial sector and public services

It also contributes to improve irrigation systems in the rural areas, to create a better urban environment and to promote implementation of climate change measures for the sake of overcoming its vulnerabilities.

16. Back in the past, the relationship between Vietnam and Japan had been starting from 14-15 centuries, when the two countries engaged in friendly trade. Along with Siam (Thailand) and Malaysia, Japanese red seal ships frequented Vietnamese ports, hundreds of Japanese traders were already residing at the port of Hoi An (Da Nang).

Vietnam traders brought silver, copper and bronze from Japan in exchange for Vietnamese silk, sugar, spices and sandalwood, which earned a huge profit back in Japan.

In order to handle the influx of traders, a Japanese district call Nihon-machi was set up at Hoi an. Traders from Japan often donated money to the locals and were treated well.

The wedding of Shogun Tokugawa Ieyasu's son (Araki Shitaro) and Lord Nguyen's daughter (Princess Ngoc Khoa) had made warmer relations between the two countries

17-18. Nowadays, in Hoi an (quảng nam province) there is a bridge named Bridge Pagoda, a stamp of the Japanese traders living in Vietnam and

19. This is the scene in the evening of the Bridge Pagoda

20. This picture is now printed on the 20000 VND

21. Today, relations between the two countries are based on VN's developing economy and Japan's role as an investor and foreign aid donor.

Japan is an important economic partner of Vietnam.

VN- JP total import-export volume is continuing to increase.
In 2012, this figure is close to 25 Billion USD.

Vietnam imported from Japan 11.6 billion US, and exported to Japan: 13 US billion.
Table 1. The Vietnam-Japan total Import- Export volumes (US million)

21. Some of Vietnam's major products imported from Japan market include: machinery, iron and steel products, computer and electronic components, chemical products, chemicals, fabric material,

22. The main products of Vietnam's exports to Japan include crude oil, machinery, marine products, iron and steel products, textiles, furniture, vehicles and spare parts, coffee, chemical products, footwear ...

23. Japan is an important economic partner of VN and ASEAN.

The two countries agree to give for each other MFN tariffs (MFN -Most favored nation) since 1999.

The two countries signed the Agreement on Promotion and Protection of Investments 11/2003:

12/03 both parties agreed General Initiatives to improve the investment environment in Vietnam.

Total imports- exports volumes continue to increase. Total trade increase to \$ 25 billion, in 2012

27. About the Japan's ODA. Japan is the largest donor of ODA to Vietnam, compared to other countries in Southeast Asia, Vietnam received the most incentives from Japanese ODA

From 1992 to 2012 VN reach about \$ 8.7 billion, accounting for about 30% of the total volume of international community ODA commitment for Vietnam,

Since 2001, Japan cut ODA budget by 10% while maintaining and increasing ODA for Vietnam. By 2012, total Japanese ODA for Vietnam, up to 1900 (one thousand nine hundred billion yen (equal to 2000 \$ million), In which, the grant aid tends to decrease and increase the loan aid.

29. The two sides agreed long-term aid program (to Vietnam) focus on 5 main areas:

- Human resource development and institution strengthening
- Support for upgrading and implementing power and transportation projects
- Support for agricultural development
- Support for the development of education and health
- Support for environment protection

30. Three main goals of new Japan's ODA policy for VN are :

- Promoting the economic growth
- Improving quality of life and solving social issues
- Amending the legal system

These are some major projects from Japan's ODA in Vietnam.

32-33. The Bai Chay Bridge is a cable-stayed bridge on Highway 18, connecting Hon Gai with Bãi Cháy (In Quang Ninh Province)

QN is the province, where owns Halong Bay- one of most beautiful place for traveling in Vietnam

- Bai Chay Bridge is the first central-line cable-stayed bridge in Vietnam.
- Length: 1,106 meters (3,629 ft)

- Width: 25 meters (82 ft) (4 lanes and 2 pedestrian lanes)
- Cost: about VND 1046 billions, 40-month construction period, to November 30, 2006 termination
- Design consultant - Monitor: Institute of bridges and structures in Japan
- Construction Contractor: Shimizu-Sumitomo-Mitsu

34-35. Nhat Tan

- ▶ The Nhật Tân Bridge is a bridge in Hanoi scheduled for completion in 2014. And it has been defined by the Government as a national key project
- ▶ The bridge is also called the Japan-Vietnam Friendship Bridge.
- ▶ As designed, it is a six-span cable-stayed bridge with a total length of 1,500m. It has five gigantic towers which are 110m high, symbolizing the five city gates of Hanoi. The bridge has a unique structure of multi-spans which will be a prominent structure in the history of bridges in the world.
- ▶ After completion, the Nhat Tan Bridge will connect downtown Hanoi with the northern provinces and the industrial parks in North Thang Long,
- ▶ In the future, it will help reduce the congestion pressure from downtown Hanoi to Noi Bai International Airport
- ▶ Nhat Tan Bridge will be the longest cable-stayed bridge in Vietnam and will be a focal point in the landscape architecture of the capital.

Furthermore you can see some other constructions like: NB International airport terminal 2 and Thanh Tri bridge

37. Impacts of Japan's ODA have shown on the three main aspects

- Boosting the economic growth
- Improving the living condition and social affairs
- Improving the legal system and institutions

With a view to supporting Vietnam to achieve its socio-economic development strategy up to 2020, projects with Japan's support aim at economic development and improving international competitiveness.

Thank to this ODA source, many high priority projects that contributes to socio-economic development of Vietnam were implemented, especially those in transportation and power.

Japan's ODA policy strongly emphasizes infrastructure development to lay the foundation for economic development, human resource development and solving social issues in education, health, poverty and sustainable development. The role of Japan's ODA is expressed clearly in the following aspects:

In transportation Japan supported projects aim to upgrading transport system, the key road network of Vietnam such as the North-South axe, Highway No 5, Highway No 1; building important bridges like Bai Chay, Can Tho, Nhat Tan; upgrading the port of Da Nang; building T2 section for Noi Bai international airport, Thanh Tri bridge. Noteworthy is that Japan-supported projects have contributed to addressing a major part of the transport hold-up in pick hours of Hanoi.

in 2012 the population of Hanoi reached over seven million people. Its large population has caused many difficulties, such as in housing, the environment and employment and especially with traffic problems.

To solve the problem, Hanoi has mobilized the ODA. Transport has always been given top priority in ODA-funded projects. By the end of 2012, ODA funds for traffic in Hanoi accounted for 36.28% of the ODA disbursement (over 1.8 billion USD).

October 2012, a flyover highway above the section of Mai Dich- Northern Linh Dam Lake on the Belt Road No.3 was built, that improve the traffic at the gate to the city.

It is the most modern flyover highway route in Vietnam using ODA from Japan.

This route not only solves the problem of traffic jams but also connects with other routes, (such as Highways 1, 5 and 18, and the Phap Van- Ninh Binh, Lang – Hoa Lac and Thang Long – Noi Bai highways,) creating a transport system linking the south to the north of Hanoi.

In 2012, with ODA, Hanoi built and put into use 5/18 overpasses at the intersections of Chua Boc – Tay Son, Lang Ha – Huynh Thuc Khang, Lang – Le Van Luong, Lang – Tran Duy Hung and Nam Hong Crossroads.

The effectiveness of these projects, : the division of lanes has been easier and the waiting time for the red light has been shortened, thus considerably reducing the traffic jams.”

Besides the traffic projects, Japan is a pioneer in investing in traffic soft skills with the project “Northern Vietnam National Roads Traffic Safety Improvement” with 65 million USD in loans from the Japanese International Cooperation Agency (JICA).

Also with this ODA from Japan, other transport problems have quickly found solutions, reducing the distance and time to move from the centre to suburban, cutting transport fee, creating a new model for the transport system of Vietnam.

In power: Japanese government provides support to invest in big power plants such as the thermo power plant of Pha Lai, hydro power plant of Dai Ninh and power transfer network. These projects play very important role in power supply for Vietnam.

The above mentioned projects contribute to increasing the dimension of power supply and the transport system to meet the ever increasing demand of the industrialization process of Vietnam.

In information technology: Japan’s ODA was provided for the installing of the North-South under water cable and for upgrading the telecommunication system for rural areas aiming to reduce the level of difference between regions of Vietnam.

- *In the road sector,*

JP provide support to developing new high-standard roads, which connect Noi Bai International Airport, the gateway to the airlines in the capital Hanoi, and the center of Hanoi City, and bridges and approach roads over the Red River running through Hanoi City, as well as renovating and replacing about 80 fragile bridges on the national roads and provincial roads across the country. (Noi Bai International Airport to Nhat Tan Bridge Connecting Road Construction Project (II), Nhat Tan Bridge (Vietnam-Japan Friendship Bridge) Construction Project (III), Second Transport Sector Loan for National Road Network Improvement)

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Besides the traffic projects built with ODA funds, the traffic software projects have also been proven effective. Japan is a pioneer in investing in traffic soft skills with the project “Northern Vietnam National Roads Traffic Safety Improvement” with 65 million USD in loans from the Japanese International Cooperation Agency (JICA).

- **In the railway sector,** JP support replacement of the severely aging 44 bridges in the Hanoi - Ho Chi Minh City Railway Line which connects Hanoi and Ho Chi Minh City (Hanoi - Ho Chi Minh City Railway Line Bridges Safety Improvement Project (III)), and construction of a railway complex necessary for both the new Urban Railway Line 1 which will run through Hanoi City, and the existing railways for passengers and freight. (Hanoi City Urban Railway Construction Project (Line 1) Phase I - Ngoc Hoi Complex(I))
- In the port sector, JP support development of a deep water port which can be accessed by large ships in Ba Ria–Vung Tau Province in the South (near Ho Chi Minh City). (Cai Mep - Thi Vai International Port Construction Project (II))

Besides ODA, Japan would provide support and transfer the large project construction technology to Vietnam. This is clearly shown at the Nhat Tan Bridge and Terminal 2 projects where the Vietnamese and Japanese contractors have coordinated to build the world’s most

advanced construction technology of traffic projects.

In the power sector, JP provide support to building a new fuel oil-/gas-fired power plant in the Mekong Delta region, southern Vietnam. (O Mon Thermal Power Plant Unit No.2 Construction Project (II))

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***In information technology:** Japan's ODA was provided for the installing of the North-South under water cable and for upgrading the telecommunication system for rural areas aiming to reduce the level of difference between regions of Vietnam.*

In addition to the improvement of these infrastructures, JP support a variety of reform of policies and systems, such as stabilization of the financial sector, enhancement of fiscal discipline, administrative reform, improvement of management of state-owned enterprises, improvement of public investments and development of business environment, through policy dialogues and others. (Economic Management and Competitiveness Credit(I))

- **Improving the living condition and social affairs**

Improving living conditions and social affairs means laying good foundation for the establishment of criteria to further economic development. Therefore Japanese government pays great attention to support to health, education, community development and sustainable development and have pushed these issues to their prioritized agenda for ODA support.

In education and health, non-refundable ODA invest in projects of upgrading elementary schools in typhoon hit areas in central Vietnam, upgrading elementary schools in mountainous areas in northern Vietnam, upgrading the faculty of Agricultural Science of Can Tho University, upgrading Bach Mai Hospital, Central Pediatric Hospital, Cho Ray Hospital, Central Hue City Hospital, with a total fund of 13,7 million USD during the period of 2004-2007, and the project of building a centre to produce vaccines against rubella in Vietnam at the cost of 16.3 million USD.

In development of rural areas and urban environment. Vietnam is an agricultural country with more than 70% of its population living in rural areas. However rural areas encounter a lot of problems relating to lack of or bad fresh water supply system, while peasant's awareness for hygiene is still limited, public services such as telecommunication, electricity, information either not available or very limited. In this conjuncture, Japanese ODA tend to relieve these difficulties in some areas like: extension of water supply system for Hai Duong province; upgrading the fresh water supply for the North; procuring equipment of controlling and treating wastes; development and popularization of specific forest technology for sour soil areas in Mekong Delta.

The strong economic sensor encounters with it many environment problems (air pollution, industrial waste water, misbalance of ecosystem...) and raises actual problems that Vietnam is facing. Japanese ODA contribute to ease this burden of Vietnamese economy.

Joining Vietnam's efforts, the Government of Japan has contributed very much in the program of poverty reduction in Vietnam. Besides aids provided for developing electricity, telecommunication, fresh water, environment hygiene in schools, public health in rural areas, the Government of Japan also provides expertise, human resource training, especially training for team working in poverty reduction, which greatly help in pushing up Vietnam national program for poverty reduction. It's a pleasure for us to say that thanks to such aids and support, population living level is seriously improved in many areas, particularly remote areas or areas of minorities.

In Vietnam, the population in the rural areas accounts for about 70 percent of all the population in the country, and its poverty rate is higher than that of the urban areas. Therefore, it is a vital issue to raise the income of citizens in the rural areas, through increasing agricultural production. In order to resolve this issue, we support upgrading the large irrigation systems in Nghe An Province in the North Central, and development of training centers to increase the capacity to maintain and manage the irrigation equipment. (North Nghe An Irrigation System Upgrading Project)

While Vietnam has gone through rapid economic growth and urbanization, water environment in Hanoi City, including rivers, waterways, lakes and groundwater, has been facing heavy pollution load. Therefore, we provide support to developing sewerage systems including a largest sewage plant in Hanoi City for the densely populated city center. (Hanoi City Yen Xa Sewerage System Project (I))

Furthermore, Vietnam has a very long coastline extending approximately 3,400 kilometers and a vast delta area. It is considered to be one of the most prone countries to climate change. Thus, we support the Government of Vietnam in its policy-making and implementation of climate change measures, through policy dialogues and others. (Support Program to Respond to Climate Change (III))

Improving the legal system

In addition to the improvement of these infrastructures, JP support a variety of reform of policies and systems, such as stabilization of the financial sector, enhancement of fiscal discipline, administrative reform, improvement of management of state-owned enterprises, improvement of public investments and development of business environment, through policy dialogues and others. (Economic Management and Competitiveness Credit(I))

Human factor serves as the link in the relationship impulse between Japan and Vietnam. ODA projects contributed to training local qualified personnel and workers to meet the demand of sustainable development of the economy. During the project implementation, Vietnamese staff learn from foreign experts the practice of working, are trained to use new facilities and equipment, to accustom to new methodology, to acquire advanced technology and expertise, to be familiar with new efficiency and management practice in project doing.

Tell about the efficiencies of the Japan's ODA project:

According to researcher's evaluation, the "impact of Japan's ODA on Vietnamese national economy" is measured by combined effect of ODA on the national macro economy: in 2005 Japanese aids helped to foster Vietnam's GDP by 1.57%, budget reserve by 4.65%, export growth by 3.48%, import thriving by 5.94%. In the meantime, the impact is recognized based on the internal rate of return (IRR), with macro IRR being calculated from the point of view of the country receiver. Taking Japan's ODA as "cost" and Vietnam's GDP growth impacted by these ODA as "profit", the IRR obtained is 19%.

These figures physically show: Japan's ODA is used effectively and brings benefits to Vietnam national economy in the balance with input budget.

In conclusion,

After 20 years of ODA support to Vietnam, where the total amount is growing from year to year, these financial aids have a sound impact on Vietnam's socio-economic development: increase social investment; familiarization with technological achievements; adjustment the structure of economy towards modernization; assistance in resources improvement; fostering FDI attraction and investment expansion; speeding up economy growth and contribution to Vietnam's policy for poverty reduction.

During 20 years, Japan has been the largest provider of ODA to Vietnam for 20 years, with a total of more than JPY1.8 trillion.

Furthermore, Japan has sent around 5,000 experts and 500 volunteers to Vietnam, and trained 18,000 Vietnamese employees in Japan .

Now Japan will help Vietnam achieve its industrialisation goal by 2020. Japanese ODA will focus on promoting economic growth, increasing competitiveness, as well as the restructuring of State-owned companies, the financial sector and public services.

Japan considers Vietnam a leading partner in terms of ODA and will continue to provide a high level of aid to Vietnam.

Japanese ODA has contributed to improving the friendship between both Governments and peoples.

2013 marks the 40th year of diplomatic relationship between Vietnam and Japan (1973 – 2013) and the 20th year of Japanese ODA support provided to Vietnam. Japan continues to commit to providing aids to Vietnam in order to invest in important infrastructural projects. Japanese government wants to express its confidence for Vietnam's ability in project execution and appreciates Vietnam potential development, looks at the bilateral cooperation a strategic relationship for mutual benefit of both countries.