

Presentation of Evaluation Results and Recommendations on Japanese ODA for Vietnam

Study Background

Purposes of this evaluation study:

- To assess the impact of Japanese ODA for Vietnam.
- To have recommendations for improvement of future Japanese ODA.

Japanese ODA (Infrastructure) Since 1992 - 2000 (Page 4)



Japanese ODA (Education, Health, Agriculture and Rural Development, Environment)

Since 1992 - 2000

(Page 5)



Methodologies Used in this Evaluation Study

- Quantitative Analysis (Econometrics)
- Survey (143 governmental officials and business persons)
- Key Informant Interview (1): Governmental Officials
- Key Informant Interview (2): Donor Representatives
- Site Visit & Direct Observation

Sectors the Evaluation Conducted

- Infrastructure Development
- Human Resource Development and Institutional Building
- Education Sector
- Health Sector
- Agricultural and Rural Development
- Environmental Sector

Overall evaluation

Overall Evaluation

- ✓It is evaluated that Japanese ODA activities in each sector are consistent with and contributed to achieve both the Vietnamese and the Japanese objectives.

Overall Evaluation

- ✓ It is especially pointed out that Japanese ODA have contributed to Vietnam's transition toward Market-oriented economy mainly through (1)infrastructure development and (2)human resource development.
- ✓ On the other hand, Japanese ODA have been contributed to Vietnam's social development and consideration, such as health, primary education and environment.

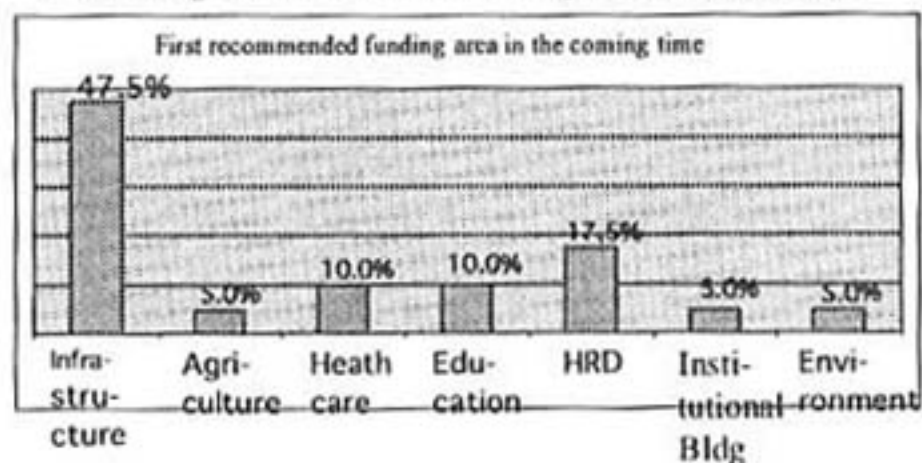
Some Survey Results (p32)

Impact on Business: The way Japan's ODA projects benefit surveyed businesses
(Total 68 firms)(Multiple Choice)

➢ Your business is to enjoy better infrastructure.	50.0%
➢ Your business has more opportunities to supply goods and services to Japan's ODA projects.	37.5%
➢ Your business is to enjoy more "open" policies under the impact of Japanese funded projects on mechanism, policy and institution reforms.	25.0%
➢ Export to /import from Japan become easier.	25.0%
➢ Japanese investment to Vietnam increases.	22.9%
➢ Your business receives direct support from Japan's ODA Projects	6.3%
➢ Others	8.3%

Some Survey Results (p32)

➢ Funding Areas Recommended by Business Persons



(Total 68 firms: State-owned 34.7%, Foreign-invested 24.6%, Non-state (Vietnamese private) 40.7%)

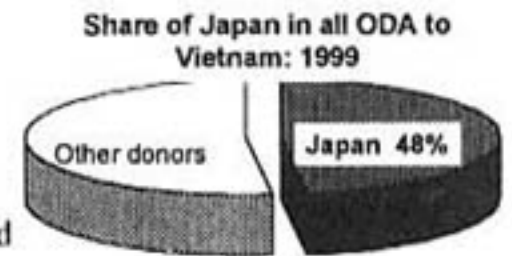
Assessment of Impact on the Vietnamese Macro-Economy

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Assessment of Impact on the Vietnamese Macro-Economy

• Japanese ODA to Vietnam

- (1) infrastructure development
- (2) human resource development
- (3) health and education
- (4) rural development, and so on.



Assessment of Impact on the Vietnamese Macro-Economy

• Japanese ODA to Vietnam

- 74.1% of the total deficit of Vietnamese governmental budget in 1999.
- 10.7% of total budget expense in 1999.

⇒ It is appropriate to evaluate Japanese ODA as indispensable for Vietnamese governmental budget for economic and social development.

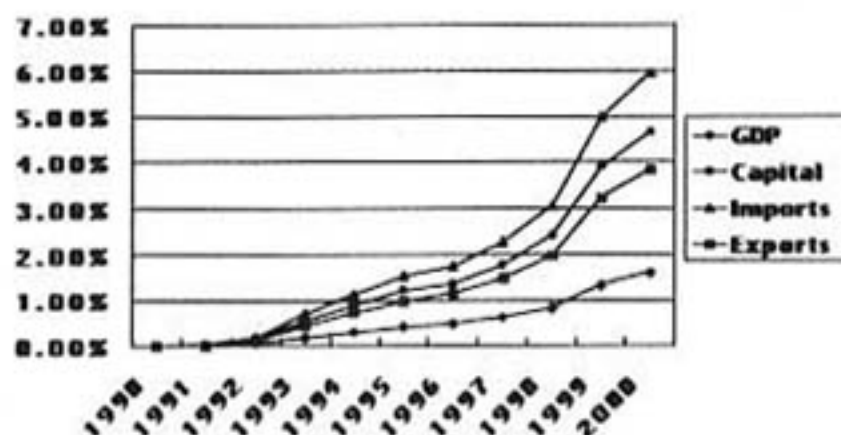
- Japanese ODA was invested not only into economic infrastructure but also into social infrastructure.

Impact of Japanese ODA on the Vietnamese Macro-Economy

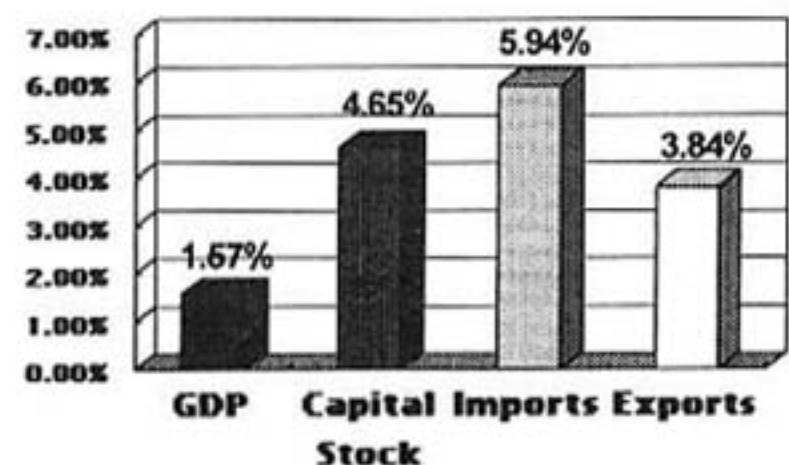
• Macroeconomic impacts of Japanese ODA

- The study team estimated the impacts of Japanese ODA on Vietnamese economy for the last 10 years using econometric and simulation techniques.
- Compare the macroeconomic conditions of the Vietnamese economy with and without Japanese ODA for 1991-2000 and measure the cumulative impacts of Japanese ODA.

Macroeconomic impacts of Japanese ODA



Macroeconomic impacts of Japanese ODA as of year 2000



Macroeconomic impacts of Japanese ODA

- The study team also estimated the 'macro-IRR' of the Japanese ODA to Vietnam for 1991-2000.
 - Macro-IRR: Applied the idea of the IRR to macroeconomic evaluation of aid.
 - It measures how efficiently ODA fund is used from the recipient's economic (rather than financial) point of view.

Macro-IRR of the Japanese ODA

- Macro-IRR of Japanese ODA to Vietnam (1991-2000) was estimated as **19%**
 - Considering the total amount of Japanese ODA as 'cost' and an increase in Vietnamese GDP due to Japanese ODA as 'benefit.'
- ⇒ Japanese ODA to Vietnam was efficiently implemented and it has generated enough benefits to Vietnamese economy, compared with its inputs.

Evaluation on macroeconomic impacts of Japanese ODA

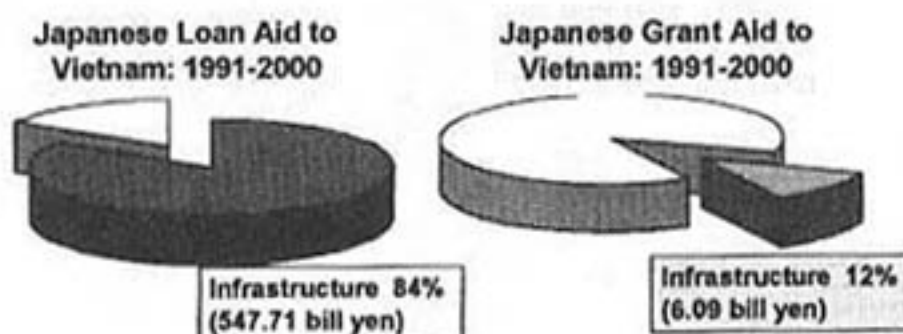
- The study team concluded that Japanese ODA has generated concrete enough impact to satisfy the intention of the investment.
- However, the impact of the ODA has not been fully realized yet.
 - Just a few years have passed since the actual execution remarkably increased in 1999.
 - Projects financed by Japanese ODA loan will be completed in the coming years and their impacts will be gradually realized in the long period.

Infrastructure Development

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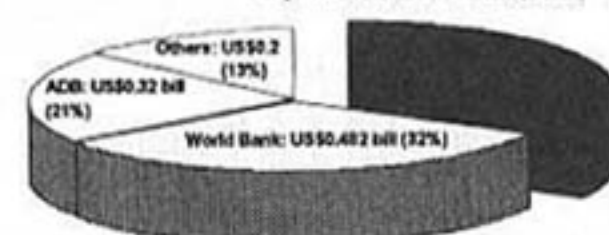
Infrastructure Development

- The largest portion of Japanese ODA to Vietnam is into infrastructure development.



Infrastructure Development: Evaluation Results

- **Transportation**
 - Total approved ODA for transportation sector in Vietnam (1992-1997) was US\$ 1.5 billion (World Bank's estimation)



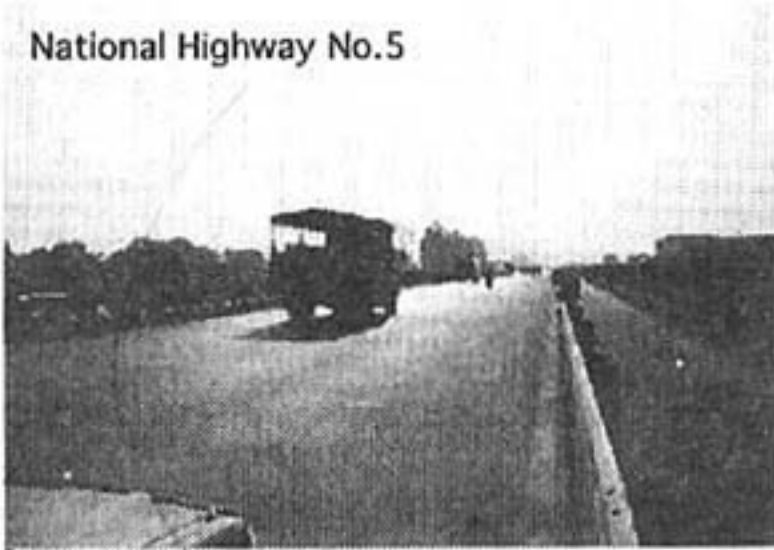
Infrastructure Development: Evaluation Results

- According to officials of MOT
 - Japanese ODA projects have effectively contributed to the transportation development in Vietnam.
 - These projects has also contributed to socio-economic development and poverty reduction in Vietnam.

Evaluation Results: Transportation Sector

- Major projects
 - National Highway No. 5 Improvement Project
 - Improvement of the existing highway and the extension from two-lane to four-lane highway for the length of 91 km.
 - Hanoi - Hai Phong: 5 hours \Rightarrow 2 hours
 - Hai Phong Port Rehabilitation Project
 - Its container handling capacity was substantially improved.
 - Annual Container handling capacity : 30,000 – 50,000 TEU (1993) \Rightarrow 220,000 TEU (2000)

National Highway No.5



Hai Phong Port



Infrastructure Development: Evaluation Results

- Electric Power
 - Contribution of Japan's ODA (Completed projects only)
 - Capacity of electric power supply: 1,865 MW (23%)
 - 38% of the increased capacity in 1992-2001.

Share of the capacity financed by Japan's ODA: 23% (1,865MW)



Total capacity of electric power supply in Vietnam: 8,038MW

Increased capacity financed by Japan's ODA: 38% (1,865MW)

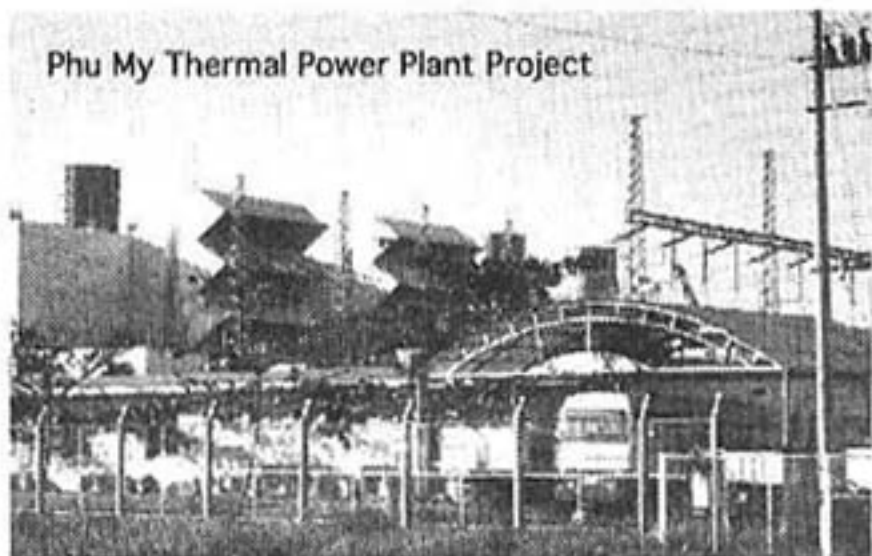


Increased capacity of electric power supply in 10 years: 4,881MW

Evaluation Results: Electric Power Sector

- Major projects
 - Phu My Thermal Power Plant Project
 - Pha Lai Thermal Power Plant Project
 - Ham Thuan –Da Mi Hydropower Project
 - Dai Ninh Hydropower Project

Phu My Thermal Power Plant Project



Evaluation Results:

Overall Evaluation

- Intensive assistance in infrastructure development is consistent with both Vietnamese and Japanese objectives.
- Many of the approved loan assistance projects are behind the schedule and have not been completed yet due to various causes.
- Thus, it is expected that many of the social and economic benefits of the Japanese ODA in infrastructure development are yet to be realized.

Evaluation Results:

Overall Evaluation

- Vietnamese side highly appreciated Japanese ODA having focused on infrastructure development.
- A continued assistance in transportation and electricity power was also requested.

Infrastructure Development:

Recommendations

- It is appropriate for Japan to continue to provide assistance to the transportation and electric power sectors.
- Japan should consider increasing aid to telecommunication infrastructure projects.
- It may be clever that Japanese ODA is more focused on projects for that private-based assistance is less likely.
 - e.g., mountainous and rural areas

Environmental Sector

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Environmental Sector

- Environmental sector:
 - (1) Natural environment conservation
 - (2) Residential environment improvement
 - (3) Pollution prevention.
- Main focus was on (2):
 - Water supply, drainage, and sewage system in various cities including Hanoi, Ho Chi Minh City, and Hai Phong.