Chapter 2

Progress in FY2017

July 2018

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Chapter 2

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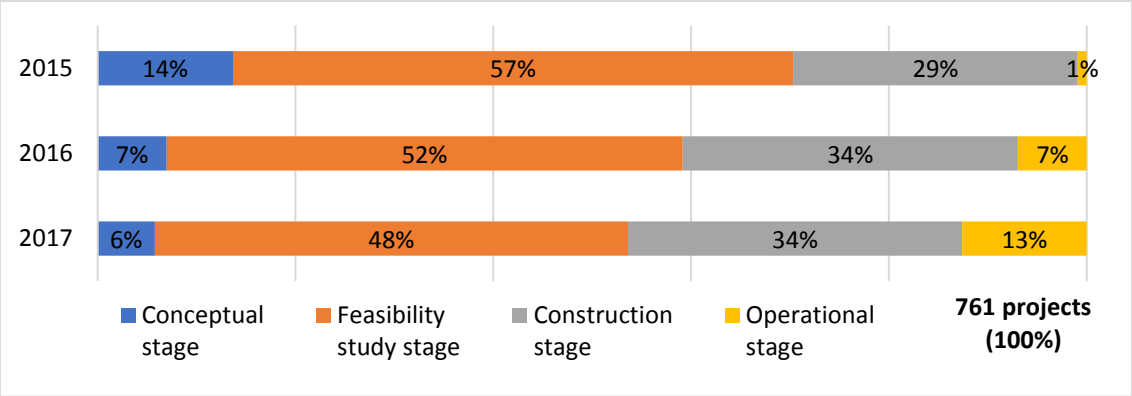
2.1. Progress of all projects

Figure 1: Project Status (2015-2017)



Source: East Asia Industrial Corridor (EAIC) Team.

Regarding the progress of all projects, the percentage of projects in the operational stage is 13% (increase of 6 percentage points compared with FY2016) and in the construction stage 34% (no change). This shows that infrastructure development is progressing steadily (47% of projects either in the operational or construction stage).

On the other hand, the percentage of projects in the conceptual stage is 6% (1-point decrease) and in the feasibility study stage 48% (4-point decrease). This means that almost half of the projects have not yet started construction. This is due to policy changes following a regime change, problems of land acquisition, and failure of financing. Moreover, there are some projects that have already been cancelled.

In terms of classification by sector, the percentage of projects in the operational stage in the Road/Bridge sector is 11% (4-point increase) and in the construction stage 37% (1-point increase). In particular, there are many Tier 2 projects in Cambodia and Myanmar that have already been completed. For example, Long Binh (Long An)–Chrey Thom Bridge (No. 736), a cross-border project between Cambodia and Viet Nam, was completed in April 2017. This bridge is located at the closest border with Viet Nam, about 70 kilometres (km) from Phnom Penh. It is expected that the traffic between Phnom Penh and Can Tho in Viet Nam, which is an important position in the Mekong

Delta, will be improved. Cambodian Prime Minister Hun Sen stated that the bridge will contribute to the achievement of the US$5 billion trade target between Cambodia and Viet Nam.

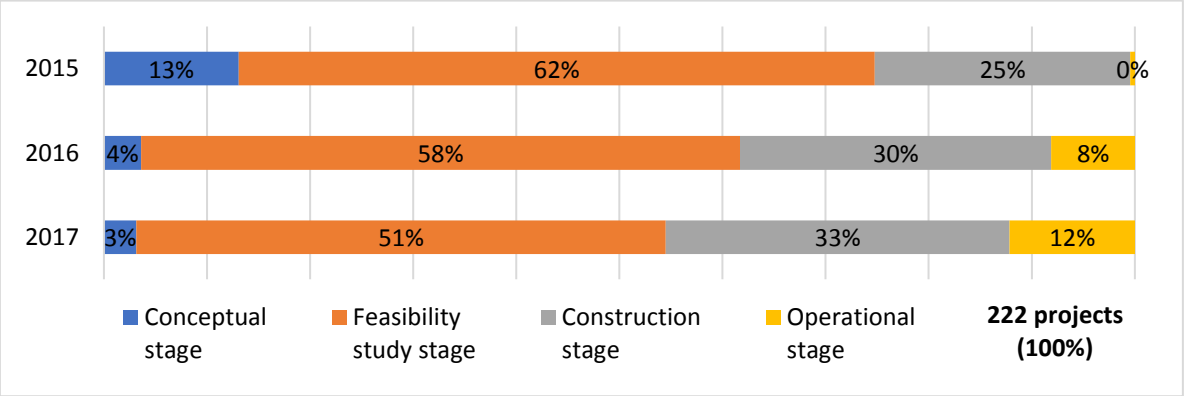
In the Railway sector, the percentage of projects in the operational stage is 6% (2-point increase) and in the construction stage 26% (3-point increase). It is difficult for railway projects to easily progress from the feasibility study stage to construction because of the land acquisition and financing problems. Further, due to the longer construction periods, the projects do not advance to the operational stage quickly. However, in FY 2017, there were several reports about successful financing and start of construction in connection with the urban railway in Tier 1. Regarding the high-speed railway project, construction has started on some parts of the railway between Bangkok, Vientiane, and Kunming, which is part of China's 'One Belt One Road Initiative'. There have also been reports of delay in constructing the high-speed railway between Jakarta and Bandung in Indonesia (No. 97) and the start of the tender for the high-speed rail link between Kuala Lumpur and Singapore (No. 750).

In the Industrial Estate/SEZ sector, the percentage of projects in the operational stage is 13% (6-point increase) and in the construction stage 29% (4-point decrease). Three projects have moved into the operational stage: Industrial Estate Development in Pakse SME SEZ, Champasak Province (No. 221); Da Nang Hi-Tech Park (No. 648); and Sojitz–Motherson Industrial Park (No. 724). In the Energy/Power sector, the percentage of projects in the operational stage is 18% (7-point increase) and in the construction stage 35% (2-point decrease). In Cambodia, where power problems are common, 5 projects have been completed, including the Coal Power Plant in Sihanoukville (Phase 2: 135 MW) (No. 55) and Transmission Line (230 KV) Phnom Penh–Bavet (No. 61).

2.2. Progress by Tier

2.2.1 Tier 1

Figure 2: Project Status in Tier 1



Source: EAIC Team.

The percentage of projects in the operational stage is 12% (4-point increase) and in the construction stage 33% (3-point increase). Though more than half of projects are in the feasibility study stage (51%, 7-point increase), the percentage of projects in the conceptual stage is only 3% (1-point decrease). We can thus see that feasibility studies have been started steadily. Regarding urban areas in Tier 1, alongside economic growth and increase in the population of the countries, infrastructure demand is increasing, especially in the Transportation sector. Construction of infrastructure has accelerated, but land acquisition problems in urban areas are still a bottleneck to progress, especially in the Railway sector. On the other hand, new infrastructure projects are now also planned because of sudden changes in the social situation.

Viet Nam's progress in FY 2017 stands out the most. In the northern area (Hanoi, Hai Phong), Hanoi Ring Road: No. 1 (East–West axis) (No. 558) and Highway: Tan Vu–Lach Huyen (No. 578) were completed. In the southern area (Ho Chi Minh City), Tan Hiep Water Plant Phase II (No. 693) was completed. In the central area, in time for the holding of the Asia–Pacific Economic Cooperation (APEC) Summit in Da Nang, the projects for Expansion of Da Nang International Airport (No. 642) and Da Nang Hi-Tech Park (No. 648) were completed and the project for improvement of Da Nang Port (No. 634) was started. Viet Nam's Socio-Economic Development Strategy, adopted in 2011, regards 'infrastructure development in traffic and urban' sectors as one of the most important breakthroughs and focuses on infrastructure development in major cities like Hanoi and Ho Chi Minh City towards becoming the chair in ASEAN in 2020.

In Indonesia, Tanjung Priok Access Toll Road (No. 85) was completed. This is a 12.1 km road with three lanes each way connecting an existing expressway to the north in East Jakarta with Jakarta Outer Ring Road (JORR). It took about 9 years from the start of

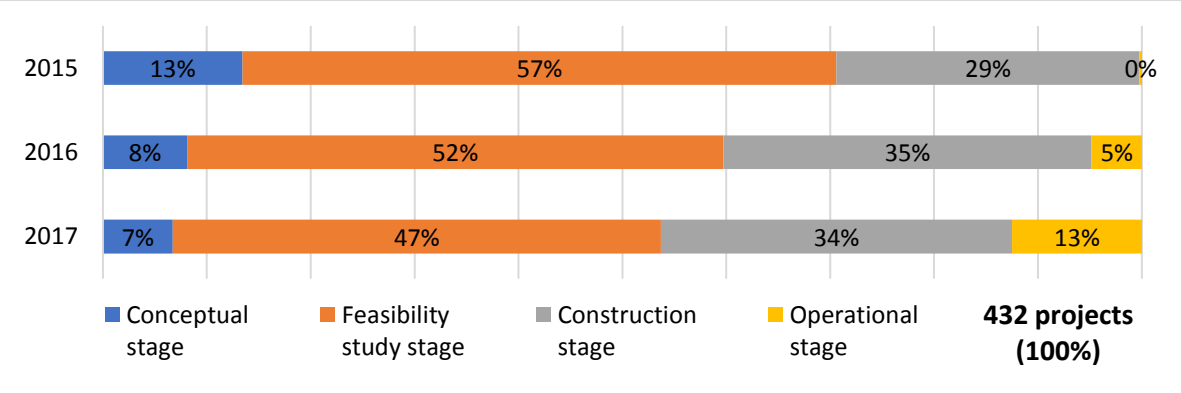
construction until completion because of a problem in land acquisition and reconstruction of piers caused by a careless plan.

In Tanjung Priok Port (No. 118), the largest port in Jakarta, the expansion of the terminal is ongoing. The construction will almost double the port capacity up to about 11.5 million TEU (twenty-foot equivalent unit). Once the dredging is finished, a large container ship will be able to dock. It is expected that storage periods of cargo will be shorter and logistics cost will be cut drastically.

Tanjung Priok Access Toll Road is expected to shorten the travel time from Tanjung Priok Port to an industrial estate located in East Jakarta. At present, construction of the second JORR (Cibitung–Cilincing) is planned, which is expected to ease traffic congestion and improve access to the port.

2.2.2 Tier 2

Figure 3: Project Status in Tier 2



Source: EAIC Team.

In Tier 2, the percentage of projects in the operational stage is 13% (8-point increase) and in the construction stage 34% (1-point decrease). So far, Tier 2 progress in Cambodia and Myanmar has been outstanding. The number of projects in the operational stage is 13 in Cambodia and 11 in Myanmar. In Cambodia, road renovation projects in Phnom Penh and around Phnom Penh and projects in the Energy/Power sector have made progress. In the Road/Bridge sector, projects involving National Road 1, 5, and 6 in the Southern Economic Corridor have made progress. The Cambodia Industrial Development Policy 2015–2025, drawn up in 2015, lists improvement of logistics in the Southern Economic Corridor as the priority.

Regarding National Road 1 connecting Phnom Penh with Bavet (Border with Viet Nam), National 1 (Phase 4: 4 km from Phnom Penh) (No. 7) was completed with assistance from Japan. Further, construction started for the National Road No. 5 Improvement

Project (Battambang–Sri Sophorn Section) (North: 81.2 km) (No. 12) after the loan contract for up to US$100 million from Japan was signed. As regards National Road 6, National Road No. 6A (PK44 to PK290) (No. 15) was completed with assistance from China.

In Myanmar, the government has announced 12 basic policies that should be tackled in the coming 5 years, in the second term of the National Comprehensive Development Plan (NCDP), which is a 20-year plan from 2010 to 2030. These policies include development in traffic and port infrastructure.

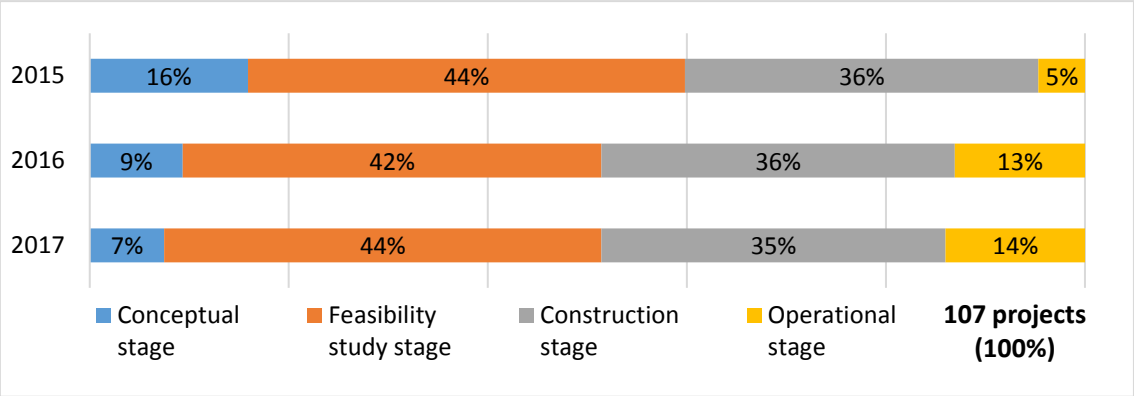
In 2017, Yangon Flyover Construction Project (No. 285) was completed. Seven flyovers are already operational in Yangon. In addition, Yangon Region Transport Authority (YRTA) introduced Yangon Bus Service (No. 310), which went operational with 2,000 buses imported from China. This service is operated by a public–private partnership (PPP).

Eight companies operate buses until 10 p.m. with the fare costing K300 (US$0.30). Existing routes were renovated and the number of the routes was decreased drastically to improve the service. It is expected to solve problems of traffic congestion in Yangon.

Moreover, construction of the Thailand–Myanmar Second Friendship Bridge (No. 286) connecting Myawaddy in Myanmar with Mae Sot in Thailand over Moei River was completed. The immigration office, customs, and a connecting road to the bridge are being constructed and they will be completed in October 2019. This bridge is designed for 40-tonne containers to be able to pass through. On the Myanmar–Thailand First Friendship Bridge, trucks exceeding the weight limit have to transfer their cargo to small or mid-sized trucks. This will no longer be necessary once the Thailand–Myanmar Second Friendship Bridge is completed. In March 2017, Myanmar and Thailand signed a basic agreement regarding entry across the border for up to 100 trucks respectively. The Thailand–Myanmar Second Friendship Bridge is expected to improve the logistics between Myanmar and Thailand in the East–West Economic Corridor.

2.2.3 Tier 3

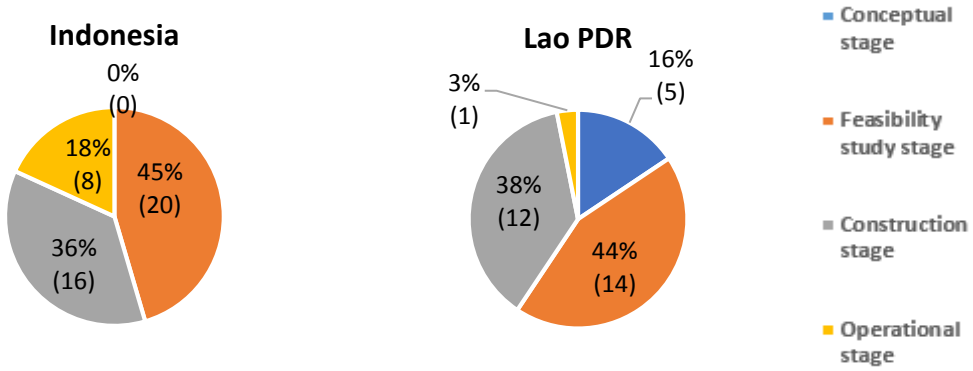
Figure 4: Project Status in Tier 3



Source: EAIC Team.

In Tier 3, the percentage of projects in the operational stage is 14% (1-point increase) and in the construction stage 35% (1-point decrease). Compared to other tiers, the percentage in the operational stage is the highest. Amongst the 107 projects in Tier 3, 44 are in Indonesia and 32 in the Lao PDR, the two countries accounting for about 70% of the projects in Tier 3.

Figure 5: Project Status in Indonesia (Left) and Lao PDR (Right) in Tier 3 (2017)



Source: EAIC Team.

In Indonesia, the percentage of projects in the operational stage is 18% and in the construction stage 36%. That is more than half of the projects (54%) are in one of the two stages. As of FY 2017, the number of projects in the operational stage is eight: one in the Port/Maritime sector, four in the Airport sector, and three in the Energy/Power sector. President Joko Widodo (Jokowi) has focused on infrastructure development besides Java Island to narrow the development gap between urban and local areas, and

this effort has been bearing fruit. The President also set the Maritime Doctrine, focusing on maritime infrastructure development. In the expansion plans of 24 important ports in the Tol Laut Strategy in the National Medium Term Development Plan 2015–2019 (RPJMN 2015–2019), nine projects are included in Tier 3, one project has been completed, and construction of six projects has started.

The Indonesian government also expects to advance geothermal energy. As of the first quarter of 2018, the country's capacity to generate geothermal power was 1,920 megawatts (MW), the second largest in the world. The number of projects in the Energy/Power sector in Tier 3 is six: three in the operational stage, two in the construction stage, and one in the feasibility study stage. Power generation of 330 MW in Sarulla geothermal power plant (No. 152) started in May 2017.

On the other hand, the percentage of projects in the Lao PDR in the operational stage is 3% and in the construction stage 38%. Compared with Indonesia, progress is slower. The Lao PDR has suffered from a constant 'twin deficit' (budget deficit and current-account deficit). The number of projects in the public sector in the Lao PDR in Tier 3 is 22, but the government cannot allocate the budget for public investment. For that reason, infrastructure development in the Lao PDR has stagnated.

However, in contrast with geothermal power generation in Indonesia, the Lao PDR has a high potential of water power generation and electric power is one of the country's main exports. Of the 25 projects in the Energy/Power sector in the Lao PDR (including cross-border projects), 14 are for water power plants, of which 10 are under construction aiming to be operational in 2020.

The Lao PDR, sometimes called the 'Battery in Indochina', has a water power generation capacity of 20,000 MW. Water power plants are being constructed steadily in a basin of the Mekong River and along the neighbouring rivers, not only for domestic use but also for selling power to surrounding countries.