

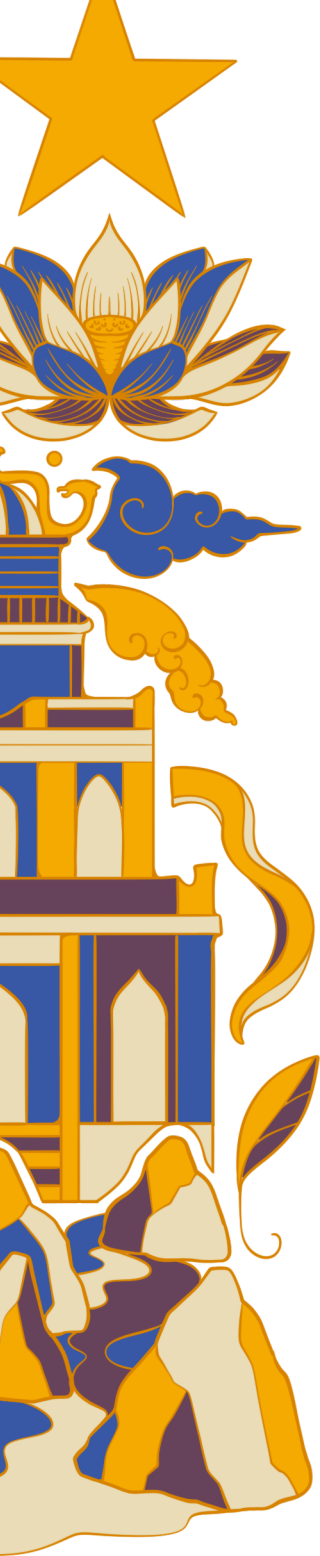


Chapter 3

The Role of Japanese Official Development Assistance in Viet Nam's Socio-economic Development

Motonori Tsuno

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Introduction

Japan's official development assistance (ODA) to Viet Nam marked its 30th anniversary after its resumption at the end of 1992. After independence in 1945, Viet Nam had been unable to move forward with nation-building due to years of warfare and remained internationally isolated after the end of war (1975), when the country was reunified from north to south. Following the establishment of peace in Cambodia in 1991, Japan became the first country to resume ODA to Viet Nam, paving the way for its return to international society and international assistance, including from the World Bank and the Asian Development Bank (ADB). The first donor meeting was held in November 1993 and since then, Japan has been the largest donor of ODA to Viet Nam.

Immediately after ODA resumed, the author was dispatched to the Embassy of Japan in Ha Noi from the Overseas Economic Cooperation Fund (OECF), the implementing agency for Japan's ODA loan (Yen Loan). At that time, the embassy was in a corner of an apartment complex outside the centre of Ha Noi, symbolising the difficult relationship between Japan and Viet Nam since the establishment of diplomatic relations in 1973. Embassy staff lived in the same apartment, enduring conditions considered one of the worst amongst Japanese embassies across the world.¹ ODA changed their previous work and lifestyle, and they spent their days building relationships with Vietnamese government ministries and gathering information. At the time, although Viet Nam was opening to the outside world through its Doi Moi (renovation) policy, a movement permit was required in advance to travel outside Ha Noi, and National Highway 5 to Haiphong was narrow and poorly paved road, making the round trip a day-long event. In response to Vietnamese expectations that the region would be a key development hub, Japanese ODA initially targeted improvements to National Highway 5 and Hai Phong Port. Before the projects, the surrounding area was covered with rice fields as far as the eye could see, with women working hard to irrigate the fields by hand using buckets and tilling the fields using water buffaloes, and no one could imagine what it would look like today, with so many industrial parks and factories lining the highway. The dramatic change brought about by infrastructure development illustrates the large impact of ODA. Along with transport and electricity infrastructure, the results of

¹ In 1993, the Embassy of Japan in Ha Noi was in one of the three worst locations based on the six-level evaluation criteria of the Ministry of Foreign Affairs. Almost all its about 15 staff members were posted without their families. Only 70-odd Japanese residents, including embassy staff, were in Ha Noi at that time. There are now some 8,600 in Ha Noi and 22,000 nationwide (Ministry of Foreign Affairs, 2022). Viet Nam has become a popular destination for Japanese, not only for tourism but also for work assignments.

Japanese ODA have spread throughout the country, including policy and institutional improvement of the market economy and legislation, as well as human resource development. Viet Nam, one of the poorest countries in the world when ODA resumed, joined the group of middle-income countries about 15 years later. The process is highly regarded internationally as a model of development that has simultaneously achieved economic growth and poverty reduction.

Japan–Viet Nam relations, including cultural exchanges, have flourished. The year 1993 marked the 20th anniversary of the establishment of diplomatic relations between the two countries, and the first Japan Festival was held in Ha Noi for a month in October, where Japanese culture was introduced, such as through Japanese-style fireworks and traditional Okinawan performing arts. Ha Noi's atmosphere became brighter and more open, and its energy overflowed to other parts of Viet Nam, including Ho Chi Minh City, attracting many Japanese people and businesses and deepening the friendly relations between the two countries' provinces. With China's growing presence in Asia, Viet Nam is now a core strategic partner of Japan, and relations between the two countries are good in all areas, including diplomacy, economy, culture, and security. ODA was the foundation of the relationship.²

Viet Nam will need to further upgrade its infrastructure, human resources, and policies to break out of the middle-income country trap and move to the next stage, with a view to graduating from ODA. Japan's ODA has evolved in recent years, along with the rapid development of emerging economies such as Viet Nam's, from traditional ODA from developed to poor countries, to cooperation with greater emphasis on interdependence. Japan's own growth strategy for overcoming long-term economic stagnation and difficulties such as falling birth rates and an ageing population is to emphasise investment in human resources, digital and green growth, amongst others, which is relevant to Viet Nam's future. Thus, new cooperation that contributes to mutual development between the two countries is expected, drawing on the achievements and lessons learnt from 30 years of ODA cooperation.

² Immediately after the Great East Japan Earthquake in 2011, a campaign to donate 1 day's salary per citizen spread throughout Viet Nam, and many donations from ODA-related organisations were sent to the Embassy of Japan and the Japan International Cooperation Agency (JICA) office, demonstrating the friendship that had grown through ODA.

1. History of Viet Nam–Japan ODA Cooperation

1.1. Cooperation Inherited from the 1950s

The starting point for Japan's ODA was post-war compensation to Burma (Myanmar), the Philippines, Indonesia, and Viet Nam (former Republic of Viet Nam, hereinafter South Viet Nam) after Japan returned to the international community with the San Francisco Peace Treaty in 1951 (Okaido, 2019). The projects that Viet Nam received still contribute to the country's progress more than 50 years later and have become a symbol of ODA's significance.

1.1.1. Da Nhim Hydropower Project

Post-war compensation to Viet Nam (1959) was mainly allocated to the Da Nhim Hydropower Project in the southern part of the country, which had been planned by Japanese engineers since the 1950s as a representative hydropower development project in the Mekong region (Nippon Koei, 2010). It was Viet Nam's first large-scale power generation project and was completed in January 1964, a year short of the original construction schedule, demonstrating Japan's cutting-edge construction technology. The hydropower plant has supplied electricity to the southern region through transmission lines, and irrigation through canals, the water of which had been used to generate electricity. The 'Japanese canals', as farmers call them, have transformed arid land into paddies and fields. After ODA resumed in 1992, Japan provided technical cooperation and loans to help formulate and implement plans to renovate the project's ageing facilities. In 1994, another yen loan was provided for the expansion project to maximise the use of water from the dam lake for power generation. On the other hand, the Can Tho Thermal Power Plant, completed in 1973 with a yen loan, in the heart of the Mekong Delta region has been well maintained and, like the Da Nhim project, remains a valuable source of electricity 50 years after its completion.

1.1.2. Cho Lai Hospital

Japan's cooperation in the medical field began in the mid-1960s with technical assistance to the Saigon Cho Lai Hospital. In 1973, a new ward—called the 'Japanese Hospital' by residents—was constructed with a grant aid. Even when Japanese ODA was frozen due to the problems in Cambodia, Japan continued to provide medical equipment as humanitarian aid. Upon its resumption, ODA supported the renovation project through grant aid and provided technical cooperation for about 15 years until 2014 as a hub for medical human resource development in the southern region. The cooperation model of Cho Lai Hospital was extended to Hanoi Bac Mai Hospital and Hue Central Hospital, and developed into a nationwide medical cooperation programme with the three hospitals at its core, becoming a model for Japan's medical cooperation around the world.

1.1.3. Can Tho University

Japan and Viet Nam are both rice-growing countries and have a long history of cooperation in agriculture. The Faculty of Agriculture at Can Tho University, a centre to develop agricultural human resources, began its study and research cooperation with Japan in the 1960s. (Its technical cooperation with Japan International Cooperation Agency [JICA] started in 1969.) Its faculty includes

Professor Vo Tong Xuan, who obtained his degree from Japan's Kyushu University in 1975. Known as 'Dr Rice', he served as dean of the Faculty of Agriculture at Can Tho University and president of An Giang University, helping develop agriculture in the Mekong region. Following Professor Xuan, many of the current faculty members have studied in Japan. In 1995, immediately after ODA resumed, a new campus for the Faculty of Agriculture was built through a grant aid. Since 2015, the entire university's facilities have been improved through yen loans and technical cooperation. The project simultaneously supports joint research with Japanese universities and companies, study in Japan, and other activities.

The Emperor Emeritus and Can Tho University

In 1976, His Majesty Emperor Emeritus, then the Crown Prince, published a research paper on a new species of goby, specimens of which were collected in a tributary of the Mekong River by two Japanese researchers from the Tokyo University of Fisheries, who participated in a research and educational cooperation project between Japan and the Faculty of Agriculture of Can Tho University. The specimens were donated to the Vietnam National University and the thesis to Can Tho University (Taki, 2010). In March 2017, the Emperor Emeritus became the first Emperor to visit Viet Nam to deepen the friendship between the two countries.

1.2. ODA to Unified Viet Nam

1.2.1. Fukuda Doctrine

In 1977, Japan Prime Minister Takeo Fukuda, during a visit to Southeast Asia, announced a set of guiding principles for Asian diplomacy. The Fukuda Doctrine, as it was called, aimed for the country to act not as a military power, as pre-war Japan was, but to expand cooperation in Asia as an 'equal partner' to break away from Japan's economically oriented past, and to build 'heart-to-heart' contact against the background of animosity from Southeast Asian countries wary of Japan's rapid growth and economic expansion (Iokibe et al., 2021). Japan's contribution to peace and development in the Indochina region was emphasised. Japan established diplomatic relations with Democratic Republic of Viet Nam (North Viet Nam) in 1973 and provided grant aid of ¥13.5 billion in 1975 and 1976 in lieu of post-war compensation. In April 1978, after the reunification of North and South Viet Nam in 1976, Japan started providing yen loans to Viet Nam through a ¥10 billion commodity loan, with the agreement that the Vietnamese government would take over South Viet Nam's loan obligations. However, in a short span of time, international aid to Viet Nam was halted in late 1978 due to the Cambodia-related issues, leading Japan to suspend its ODA programmes. Consequently, Viet Nam ceased making repayments towards its yen loan obligations. The resumption of Japanese ODA had to wait until the Cambodian peace process was concluded in 1991, some 10 years later. The resumption of yen loans was also contingent on the elimination of overdue debts accumulated during this period (Furuta et al., 2000).

1.2.2. Peace in Cambodia and Resumption of ODA to Viet Nam

Viet Nam lagged behind other Asian countries economically due to its international isolation since 1979. But with the end of the Cold War in 1988 and the collapse of the Soviet Union, the Cambodian

peace accords were concluded in October 1991, opening the way for Viet Nam to return to the international community. The Government of Japan encouraged Viet Nam to negotiate for peace through its own channels and held a series of discussions to resume ODA, including a visit to Viet Nam in November 1989 by Diet member Michio Watanabe,³ talks with the Chairman of the State Planning Committee, and a meeting between the two countries' foreign ministers in June 1991. On 6 November 1992,⁴ for the first time in 14 years, a yen loan was granted to Viet Nam (Kono, 1999; Imagawa, 2002; Furuta, 2017). Japan's contribution to peace in Cambodia through its diplomacy and the resumption of ODA to Viet Nam realised the spirit of the Fukuda Doctrine, which aimed to contribute to peace and development in Indochina, and met world expectations of 'turning Indochina from a battlefield to a market' (Thailand Prime Minister Chatchai, 1991).

Viet Nam's Clearance of Arrears and Commodity Loan

The resumption of yen loans to Viet Nam was conditional on the payment of overdue debts (the sum of principal, interest, and accumulated overdue charges from the original due date). However, as Viet Nam had difficulty preparing a budget for repayment, a solution was agreed upon: a 'bridge loan' by private Japanese banks (Matsuura and Yamamoto, 2022). In exchange for Viet Nam paying the arrears to Japan after receiving a ¥23.5 billion syndicated bridge loan from Japanese banks, Japan provided a ¥45.5 billion commodity loan to finance Viet Nam's imports. The imports included those that had already been settled retrospectively, so that the full loan could be disbursed immediately after the loan agreement was signed, with Viet Nam using ¥23.5 billion to repay the bridge loan and the remaining ¥22 billion to pay for new imports (Nihon Keizai Shimbun, 1992). The assistance of foreign currency funds through a commodity loan was based on the experience of assisting neighbouring countries after the collapse of the Soviet Union (such as the contribution to the Polish Currency Stabilisation Fund in 1991). Combined with a bridge loan from private banks, the assistance was applied when ODA to Myanmar resumed in 2013 (Ezaki, 2022).⁵ Regarding debt problems of developing countries, it has been international practice to agree on relief measures such as debt rescheduling at the Conference of Creditors (Paris Club), led by the Government of France. But Japan's willingness to support Viet Nam was demonstrated when Japan offered its own solution through bilateral negotiations, rather than relying on the French framework. Whilst Viet Nam's outstanding yen loans amounted to about ¥1.54 trillion at the end of FY2021, with annual repayment amounting to about ¥67 billion, Viet Nam has never had problems paying principal and interest.

³ Michio Watanabe, former Deputy Prime Minister and Minister of Foreign Affairs, built relationships with the leaders of both countries through his own parliamentary diplomacy to promote peace in Cambodia and the resumption of ODA to Viet Nam. He is remembered in Viet Nam as a politician who developed a personal relationship of trust with Chairman Phan Van Khai and Vice Chairman Vo Hong Phuc of the State Planning Committee (SPC) and contributed most to the resumption of ODA.

⁴ In consideration of the political impact on the United States (US), which had delayed normalisation of diplomatic relations with Viet Nam because of issues such as missing US soldiers after the Viet Nam war, the signing by the governments of Japan and Viet Nam of the yen loan was held pending the US presidential election in November 1992 (Kawaue, 2023).

⁵ ODA to Myanmar had been frozen since the suppression of the pro-democracy movement in 1988. It was resumed in 2013, 20 years behind Viet Nam, based on progress in democratisation. Myanmar became a priority country for Japan's ODA after Viet Nam, and it was hoped that Viet Nam's experience could be applied to it. However, ODA was frozen again in 2021 because of a situation similar to the previous one and has no prospect of resumption at present.

1.3. Start of Full-fledged ODA Projects

1.3.1. Yen Loan

Parallel with the resumption of ODA through a commodity loan in November 1992, Japan accelerated preparations for project-type loans to support infrastructure. In June 1993, through the first government mission on yen loans, the Japanese government agreed on the projects to be supported and, based on the appraisal by the OECF, decided on the first package of yen loans totalling ¥52.3 billion for eight projects. The loan agreements were signed in January 1994. The projects were the rehabilitation and improvement of National Highway 5 (Ha Noi–Haiphong) and Haiphong Port in the north and bridges of National Highway 1 and North–South Railway; construction of three power stations; and rehabilitation of rural infrastructure (roads and water supply). Viet Nam’s transport infrastructure, including national roads, bridges, and port facilities, was damaged by bombing during the Viet Nam War and, without satisfactory repairs, deteriorated and needed urgent rehabilitation. Japanese ODA was expected to fully support reconstruction some 20 years after the war ended. Stable electricity supply was also essential for economic recovery and new power plants were urgently needed. To respond quickly to the enormous needs of transport and power infrastructure, the Japanese side took the initiative in conducting supplementary studies addressing any inadequacies in the plans that had been prepared by the Vietnamese side.⁶ Since the total cost of the eight projects exceeded ¥250 billion and could not all be covered by yen loans in a single year, a method was adopted whereby yen loans were provided in stages according to the progress of each project. To start a project, overall financing must be assured, which was made possible by positioning Viet Nam as an annual recipient country since the first year, alongside long-standing major borrowers such as other Association of Southeast Asian Nations (ASEAN) countries. This method of finance provision, known as ‘time-slicing’ loans, with active project formation as above, became the features of yen loans to Viet Nam in subsequent years.

1.3.2. Grants and Technical Cooperation

The focus of grant aid was on the basic human needs (BHN), including the medical and education sectors and, parallel with the resumption of yen loans, grant aid started in 1992 for the renovation of the Cho Lai Hospital, followed by projects such as the construction of the campus of the Faculty of Agriculture of Can Tho University. To develop human resources in conjunction with grant aid projects, technical cooperation projects by Japanese experts were initiated and the areas covered were expanded to other challenging fields such as legislation. Parallel with the yen loan for National Highway 5 and Haiphong Port, the first development study supported a master plan for transport in the north (Northern Region Transport System Development Plan). The study was followed by about 15 more projects through 1994, including urban transport in Ha Noi and Ho Chi Minh City and industrial development and drainage system improvement in Ha Noi, each of which contributed to implementing projects financed by yen loans. The Support for Market Economy Policy was implemented as a national strategic-level development study and served as the basis for overall Viet Nam–Japan cooperation.

⁶ The Special Assistance for Project Formation (SAPROF) was introduced in 1988 in OECF, as a new facility of technical assistance for the borrowing countries to prepare for new projects.

As a result, a coherent cooperation system was established from the very beginning of Japanese ODA, whereby projects are implemented through large-scale financial cooperation (yen loans), whilst technical cooperation provides comprehensive and consistent support from the country's overall development strategy to sectoral and regional development plans and the formation of individual projects based on these plans.

2. Basic Policy on ODA to Viet Nam

2.1. Importance of Viet Nam in Japan's Foreign Policy and ODA

The Fukuda Doctrine aimed to make international contributions befitting Japan, the only developed country in Asia, and focused on peace and reconstruction in Indochina, with ODA to Viet Nam from 1992 being a focal point. Since then, Japan has experienced a period of economic stagnation known as the 'lost decade'. China overtook Japan in GDP in 2010, becoming the largest economy in Asia and the second largest in the world, and intensifying its hegemonic moves. Meanwhile, the importance of Viet Nam, which is located at the heart of the ASEAN and Mekong regions and has become a major economic power, has grown over the years and, since 2009, has become a 'strategic partner' of Japan, with ODA expected to be of a scale and content appropriate to this change.

2.2. ODA Charter and Viet Nam

At the time of the resumption of ODA to Viet Nam, Japan's ODA was focused on Asian countries, including China, India, Indonesia, Malaysia, the Philippines, and Thailand, and had accumulated experience and lessons from many ODA projects. In Thailand, for example, a comprehensive development project, Eastern Seaboard Development Program, which included industrial parks, ports, roads, railway, power, water supply, and other infrastructure, had just been completed. In China, infrastructure development was progressing with Japanese assistance under the reform and opening-up policy. Japanese investment in both countries had increased against the backdrop of the strong yen since 1985, and Viet Nam was expecting similar benefits from ODA.

In June 1992, the Government of Japan adopted the ODA Charter, stipulating the philosophy and policies of ODA in the light of growing public interest in ODA, including large-scale financial contributions during the 1991 Gulf War and the socio-environmental problems encountered in some ODA projects, such as resettlement of people affected by the projects. The charter set out humanitarian considerations, recognition of interdependence with developing countries, environmental protection, and support for self-help efforts as basic principles. The charter also stipulated that attention should be paid to balancing the environment and development, avoiding use of ODA for military purposes and encouragement of international conflict, and promoting democratisation and efforts to introduce a market-oriented economy.⁷ The resumption of ODA to Viet Nam occurred immediately after the enactment of the ODA Charter, and project selection and implementation were conducted with a

⁷ The background was the international situation at the time, including the freeze on ODA in response to the suppression of the Myanmar democracy movement (1988), and the Tiananmen Square incident in China (1989), as well as the emphasis on assistance to countries in market transition following the collapse of the Soviet Union.

strong emphasis on the principles of the Charter.⁸ With regard to priority areas, JICA established the Vietnam Country Assistance Study Group⁹ to study development scenarios and strategies for Viet Nam based on its Sixth Development Plan (1995–2000). Taking into account recommendations of the study group and policy dialogue with the Government of Viet Nam via a government mission (1994 Comprehensive Economic Cooperation Study Mission), the Government of Japan agreed on six priority areas: (i) human resource and institutional building, (ii) electricity, (iii) transport, (iv) agriculture and rural development, (v) education and health care, and (vi) environment.

[Emphasis on Human Resources: “Wise human resources are the vigour of a nation.”]

In August 1994, Prime Minister Tomiichi Murayama became the first Japanese prime minister to visit Viet Nam. In his speech at the welcome dinner, he referred to the Japanese TV drama *Oshin*, which was popular in Viet Nam at the time, and to the words ‘賢材国家之元氣’ inscribed on a stone tablet in the Temple of Literature in Ha Noi, the site of Viet Nam’s oldest university: ‘It is no exaggeration to say that Japan’s post-war reconstruction and economic development were supported by the labour and hardship of the *Oshin* generation, and human resources are also important for the nation-building of Vietnam. Japan would like to promote cooperation in this field of human resource development’ (Speeches of Prime Minister Murayama, 1998). His speech expressed the sentiments of the Japanese people, who saw in Viet Nam their own post-war hardships and wished for its recovery. Those words (in Vietnamese: “Hiện tại là nguyên khí quốc gia”) are now prominently displayed at the main gate of the Vietnamese Ministry of Education.

2.3. Strengthening the Strategic Nature of ODA to Viet Nam

2.3.1. From ‘Aid’ to ‘Development Cooperation’

Whilst Asia, which had been Japan’s top priority region for ODA, developed into a global growth centre, Japan’s own economy has remained sluggish since the bursting of the bubble economy in 1991. The aid budget has been halved since its peak in 1997. The ODA Charter, revised in 2003, stated that ‘active contributions to the stability and development of developing countries will ensure the security and prosperity of Japan and promote the interests of its people’. This idea of linking international contributions to national interests was reflected in the Japan Revitalisation Strategy (Cabinet decision in 2013), which was formulated as a new growth strategy after the 2011 Great East Japan Earthquake. As part of the strategy, emphasis was placed on the contribution of ODA to the Infrastructure Export Strategy to incorporate global infrastructure demand into Japan’s growth, as well as the overseas expansion of Japanese companies. In 2015, the Development Cooperation

⁸ JICA supported the planning of a new terminal for Noi Bai International Airport in Hanoi, as the first development study from 1993, and the project was expected to be implemented with a yen loan, and become the highlight of Japanese ODA. But as the Vietnamese Air Force was sharing one runway, Japan’s policy of strict separation of military and civilian use forced a long-term plan to build a another international airport. Viet Nam, in its haste to start the project, built new terminal with its own funds and design (completed in 2001). To cope with the ever-increasing number of passengers, along with Viet Nam’s development, the new international terminal was completed at the end of 2013, almost 20 years later, with the help of yen loans. Since then, the old terminal has been used exclusively for domestic flights.

⁹ Professor Shigeru Ishikawa chaired the study, and academics with close ties to Viet Nam, as well as Keidanren and OECF, participated as committee members. JICA organised a task force, including experts, to support the study. The study group proposed strategies for agriculture and rural development, infrastructure, industrial policy, rural development, poverty alleviation, human resource development, health and medical care, and others based on Viet Nam’s Sixth Development Plan (1995–2000) (JICA, 1995). The study group’s discussions with the Vietnamese side developed into the Policy Support for a Market Economy (Ishikawa Project).

Charter was formulated in place of the ODA Charter, positioning ODA not as traditional 'aid' but as 'collaboration as an equal partner' with developing countries, as indicated by the change of title from 'ODA' to 'Development Cooperation' and listing 'high-quality growth', 'sharing universal values', and 'addressing global challenges' as key areas of focus. And as its regional policy towards the ASEAN region, the Charter emphasises the strengthening of hard and soft infrastructure support (particularly in the Mekong region) to 'enhance connectivity', human resource development to promote productivity growth and technological innovation to avoid the 'middle-income country trap', disaster management and disaster response capacity building, and the promotion of the rule of law. All of these are challenges for Viet Nam, which has become an important country in the region.

2.3.2. Focused Priority of Country Assistance Policy for Viet Nam

In 2003, when the ODA Charter was revised, the Japan–Vietnam Joint Initiative was launched to promote an improved investment climate in preparation for Viet Nam's accession to the World Trade Organization (2007). Policy dialogue with the World Bank and others on Viet Nam's poverty-reduction programme was intensified. To respond more effectively to the new developments in Ha Noi, the ODA Task Force, a consultative body with JICA, Japan Bank for International Cooperation (JBIC), and Japan External Trade Organisation (JETRO), was set up at the initiative of the Japanese Embassy, and a revised draft of the Country Assistance Policy was discussed through the local initiative with Professor Kenichi Ohno as advisor.¹⁰ As a result, the priority areas have been consolidated into three pillars: (i) promotion of economic growth, (ii) improvement of livelihood and social aspects, and (iii) institutional development. The idea was to make further efforts to improve infrastructure and the investment environment, correct disparities between the rich and the poor and between regions, and improve the administrative and judicial systems that support implementation of the policies. The emphasis on economic growth and infrastructure contrasted with the international aid trend at the time, which was inclined towards poverty reduction and social sector support from the perspective of contributing to the Millennium Development Goals (MDGs), whilst Japan and Viet Nam shared the philosophy of poverty reduction through growth.¹¹ The Country Assistance Policy was subsequently reviewed based on the Development Cooperation Charter (2015) and became the current Development Cooperation Policy (2017). The three-pillar basic policy has evolved as (i) promoting economic growth, (ii) addressing vulnerabilities, and (iii) strengthening governance, and in line with the focus for the ASEAN region set out in the charter. The policy aims to strengthen connectivity in the Mekong region and contribute to the promotion of the Free and Open Indo-Pacific Strategy by contributing to Viet Nam's economic development. At the same time, it takes into account newly emerging social issues, including disaster prevention, social security, and ageing measures based on Japan's experience as a response to vulnerability.

¹⁰ Professor Kenichi Ohno and Professor Izumi Ohno, former Executive Director of JICA Research Institute, have continued to make intellectual contributions to ODA policy, particularly in Viet Nam and Africa, since their participation in the Ishikawa Project in Viet Nam. Professor Ohno contributed to the review of the ODA Charter and the establishment of the Development Cooperation Charter (2014) as a member of the Advisory Panel.

¹¹ In May 2002, the Government of Viet Nam established the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) as a comprehensive approach based on a growth-oriented policy, adding a growth component to the PRSP and emphasising infrastructure development and improvement of the investment environment.

3. ODA Implementation Arrangements

3.1. Implementation Arrangements on the Japanese Side

3.1.1. Japanese Government Structure for ODA

Japan's ODA has been implemented under a consultative system between relevant ministries; mainly the Ministry of Foreign Affairs, Ministry of Finance, and Ministry of Economy, Trade and Industry, and executing agencies for technical cooperation and yen loans respectively. From the 2010s, against the background of the emphasis on ODA which will serve Japan's growth strategy and national interests, to ensure more strategic and speedy implementation of ODA, the command post function under the direct control of the Prime Minister's Office has been strengthened. Viet Nam has been positioned as a 'strategic partner' of Japan since 2009, and the Prime Ministers of Japan and Vietnam have a relationship of frequent summit meetings, including mutual visits, with ODA always being a key agenda item. In addition, a new mechanism has been established whereby the Economic Cooperation and Infrastructure Council, hosted by the Chief Cabinet Secretary, discuss and direct responses to relevant ministries to promote the Infrastructure Export Strategy, including specific candidate projects.¹²

3.1.2. Integration of ODA Implementation System

For many years, ODA was implemented under a system in which OECF provided yen loans and JICA provided technical cooperation. However, in 1999, JBIC was established through the merger of OECF and the Export-Import Bank of Japan to provide integrated support for ODA and promotion of trade and investment. Although many yen loan projects were completed in Viet Nam under the name of JBIC, in 2008 about 10 years after the integration, the yen loan part of JBIC was merged into JICA from the perspective of improving ODA by realising a new system to implement yen loans and technical cooperation in a comprehensive and integrated manner (JBIC remained as the former export credit agency). As Japan has been the largest donor of ODA in Viet Nam, the new JICA which is overall in charge of ODA, has further strengthened Japan's presence in the donor community. (The author served as the Chief Representative of the Vietnam Office of the new JICA from its establishment until mid-2013, following assignments at the Embassy of Japan and the Representative Office of OECF in Ha Noi in 1992-1995.)

3.1.3. Strengthening of Local Implementation System

At the start of ODA to Viet Nam, OECF and JICA seconded staff to the Embassy of Japan before OECF opened a representative office in October 1994 and JICA a year later. The OECF office initially started with two Japanese (Chief Representative and the author) and a Vietnamese staff member, and a

¹² In the Vietnamese Government as well, the Prime Minister's Office also began to play a more central role in response to Japan, but both the North-South High Speed Rail and the nuclear power plant project agreed between the Prime Ministers around the same time were later rejected by the Vietnamese National Assembly and have not been implemented. These difficult cases should be noted as lessons for the future.

room in the State Planning Committee (SPC) was provided as a temporary office for about 6 months until the office was ready, thanks to special consideration by the SPC. The room was on the same floor as the Deputy Minister in charge of ODA and the Foreign Economic Relations Department, and the daily interaction with them formed the basis for the close relationship with Ministry of Planning and Investment (MPI) that has continued to this day.¹³

The role of the representative office is to monitor and promote the implementation of ODA projects in cooperation with the Vietnamese government and project-implementing agencies, and to gather local information. In response to the increase in ODA projects, the staffing and structure of the office was strengthened, including Vietnamese professional staff.¹⁴ The authority to approve procedures, such as international tenders for yen loan projects and loan disbursement, which had been carried out by headquarters, was transferred to the representative office and welcomed by the Vietnamese side as it helped speed up the yen loan process. In particular, the Vietnamese staff have deepened their relationship of trust with their counterpart officials through years of service, and have accumulated experience and know-how, becoming an asset in supporting ODA field operations.

The World Bank and ADB also strengthened their local structures early on, with a country director stationed in Hanoi and local leadership of operations from aid policy to individual projects. Against the background of the emphasis on aid coordination, including with other donors, in the early 2000s, Japan established the ODA Task Force (see above) under the leadership of Japanese Embassy to reflect local information and opinions in the formulation of government aid policies and the selection of projects. Its integrated approach to policy dialogues on development strategies with the Vietnamese government, the World Bank and other donors was also recognised as having contributed to reflecting the voice of Japan. (Shimamura, 2005; Kitano, 2006).

3.2. Implementation Arrangements on the Vietnamese Side

3.2.1. Core Role of the Ministry of Planning and Investment

The Vietnamese government's SPC has long played a leading role in Viet Nam's development planning and was the central point of contact for the Vietnamese side when ODA was resumed. In 1995, the SPC was merged with the State Committee for Cooperation and Investment (SCCI), which was in charge of private investment, and became the MPI, with overall responsibility for both ODA and private investment, which had begun to increase along with ODA. The implementation of ODA required to harmonise the Vietnamese system with international standards, that differed from those of the former Soviet Union, which had previously assisted Viet Nam. The Foreign Economic Relations Department of MPI played a central role under Minister Vo Hong Phuc, who was deputy chairman of SPC when ODA resumed and served as minister until 2011. His leadership in developing the ODA system, including international aid coordination, was highly appreciated by donors. The new

¹³ The SPC, a central agency within the Vietnamese government, had never accepted offices of foreign agencies in its buildings. The special treatment given to OECF was reported to the Party General Secretary for approval (Phuc, 2022).

¹⁴ Besides supervising projects, OECF employed experts to support the implementing agencies through Special Assistance for Project Implementation, which was part of the yen loan implementation support system introduced in 1989, and, together with the Special Assistance for Project Formation and Special Assistance for Project Sustainability for improving project preparation and post-completion operations, was used for many projects in Viet Nam.

initiatives of Japanese ODA, represented by the support for market economy policy in the late 1990s and the Japan–Vietnam Joint Initiative from the early 2000s onwards, were both realised under a high-level trust relationship between MPI and the Japanese government.

3.2.2. Strengthening Relevant Ministries and Implementing Agencies

In line with the priority areas of ODA, the relevant Vietnamese government agencies were spread across the ministries of transport, industry (Electricity of Vietnam), agriculture, and health and education; and people’s committees nationwide, where ODA projects were implemented. Under their supervision and guidance, the project management unit (PMU) was established for implementation of each project. The MPI closely guided the staff of the ministries and PMUs, and OECF and JICA representative offices worked together to provide day-to-day consultation and advice, as well as intensive ODA training by inviting their counterparts to Japan. Japanese consultants and experts who assist implementing agencies with various procedures and project supervision have played a crucial role.

As the Vietnamese side accumulated experience, various efforts were made to promote ODA implementation. For example, the Ministry of Transport, where the largest number of yen loan projects have been concentrated and large-scale projects have progressed since the early 2000s, established a system whereby the deputy minister co-organised with JICA monthly monitoring meetings. All implementing agencies reported on projects’ progress and problems and were instructed on how to handle them, taking into account JICA’s advice. On the other hand, JICA held regular meetings with the Deputy Prime Minister (DPM) in charge of ODA on issues that were difficult to resolve at the ministerial level and, where necessary, the DPM himself convened all the parties, including ministries, people’s committees, and others, to spearhead the resolution of problems.¹⁵ An increasing number of cases have been reported in recent years where implementing agencies and ministries have taken time to coordinate and seek decisions from the Prime Minister’s Office, but strong ownership and reliable leadership from the implementing agency itself is essential for smooth implementation of ODA projects.

4. Track Record of Japan’s ODA to Viet Nam

4.1. Scheme and Sector Breakdown

Japan’s ODA consists of three main schemes; yen loans, grant aid and technical cooperation, and in terms of volume, yen loans account for a large proportion, reflecting the development stage and borrowing capacity of Asian countries, which have been Japan’s traditional focus area, and their great need for funds for infrastructure development. The same is true for Viet Nam, where the cumulative total amount of yen loans granted as of the end of FY2021 amounted to ¥2.78 trillion, accounting for about 90% of the total ODA amount of ¥3 trillion, including ¥95.8 billion in grants and ¥178.4 billion in technical cooperation. (Table 3.1) The main breakdown of each scheme is as follows.

¹⁵ Around 2010, when major transport projects made progress whilst overcoming many difficulties, such as dealing with the Can Tho Bridge accident, the Saigon East–West Highway payment issue, and the delay in land expropriation for the Noi Bai–Nhat Tan expressway, the efforts of the Vietnamese partners such as Deputy Prime Minister Hoang Trung Hai and Deputy Minister of Transport Ngo Think Duc were noteworthy.

4.1.1. Yen Loan

The main focus of yen loans is on infrastructure development contributing to economic growth, the first pillar of Vietnam's country assistance policy, with the transport sector (roads, bridges, ports, etc.) accounting for the largest share at 46%, and the power sector (power generation, transmission, distribution, etc.) 24%, together accounting for 70% of the total. The second pillar, addressing vulnerability, includes social services such as wastewater and sewage treatment, accounting for 14%, and financial support for poverty reduction and climate change measures, 11%, for a total of 25%, indicating that along with infrastructure, soft areas such as environment, rural development, and support for policy and institutional development have also been emphasised.

Table 3.1. Japan's ODA to Viet Nam in recent years (¥ billion)

Fiscal Year	Yen Loan	Grant	Technical Cooperation
2016	187.1	1.1	9.0
2017	61.8	2.6	6.7
2018	0	0.5	6.4
2019	0	2.4	5.0
2020	48.5	2.1	4.3
2021	10.8	0.7	4.9
Cumulative Total	2,784.2	95.8	178.4

Source: Japan International Cooperation Agency. (The amount for each year is the sum of loan agreements, grant agreements, and actual expenditure for technical cooperation.)

4.1.2. Grant Aid

As mentioned above, grant aid has mainly targeted the BHN sector, such as healthcare and education, and has achieved comprehensive results by combining technical cooperation for human resource development as well as improving facilities through grant aid, such as cooperation with major hospitals in Viet Nam (Ho Chi Minh City Cho Lai, Ha Noi Bac Mai, and Hue Central Hospital, etc.), the National Institute of Hygiene and Epidemiology (NIHE), and national universities, including Agricultural Faculty of Can Tho University. Since Viet Nam, now a middle-income country, is about to graduate from grant aid, the annual grant amount has decreased from about ¥5 billion in 2005 to ¥1 billion–¥2 billion in recent years. Even in the medical and educational fields, yen loans have been used in place of conventional grants for larger-scale projects such as medical equipment supply for rural hospitals, construction of the second Cho Lai Hospital, and facility expansion at Can Tho University.

4.1.3. Technical Cooperation

Technical cooperation mainly comprises development studies to support development policy and planning of development projects, and project-type technical cooperation (technical cooperation projects) that address various development issues by sending Japanese experts to provide guidance and equipment and by providing training programmes that invite counterparts to Japan. In Viet Nam, many of the cooperation projects have been implemented on a large scale and over a period of more than 10 years and have had a large impact, such as the Market Economisation Policy Support and National Transport Strategy Study, conducted as development studies, and the support for three hospitals and legal development, which are representative examples of technical cooperation projects. On the other hand, when ODA resumed, Vietnamese were still wary of foreigners because of years of war and international isolation and cautious of accepting long-term experts and overseas cooperation corps (JICA volunteers). The technical cooperation project started with one expert in forestry and four volunteer Japanese-language teachers, then based on the results and sense of trust, it expanded the target fields and the number of participants. Cumulatively, by the end of FY2021, 15,193 Japanese experts had been dispatched to Viet Nam and 27,129 Vietnamese trained in Japan. In addition, a total of 690 young and senior volunteers were dispatched mainly to rural areas of Viet Nam, where they trained nurses, physiotherapists, and others; developed villages; and taught Japanese language.

4.2. Trends in the Amount and Terms of Yen Loan

4.2.1. Amount of Loan

The above cumulative amount of yen loans for Viet Nam (end of FY2021) is the fifth largest after India (¥6.9 trillion), Indonesia (¥5.3 trillion), the Philippines (¥3.6 trillion), and China (¥3.4 trillion, ended new yen loans in 2008), followed by Bangladesh (¥2.7 trillion) and Thailand (¥2.4 trillion). Since the resumption of yen loans, Viet Nam has been positioned as an Annual Recipient Country like other major borrowers, and the annual loan amount has increased from ¥45.5 billion in 1992 for a commodity loan and ¥52.8 billion in 1993 for project loans to the level of ¥8 billion at the end of the 1990s, ¥100 billion around 2005, and in the early 2010s, the annual loan amount exceeded ¥150 billion. (Table 3.2) The expansion of yen loans to Viet Nam was based on the fact that the country has extremely large infrastructure needs and that many projects have achieved results since the start of yen loans, and because Viet Nam has become increasingly important as a strategic partner in Asia in recent years, and has been emphasised in the Japanese Government's Infrastructure Export Strategy.

Declining trend in recent years

In recent years, however, with Viet Nam's economic growth, sources of funds for infrastructure development have diversified beyond ODA to include private investment and government bond issuance. Against the backdrop of the Vietnamese government's policy to curb public debt (National Assembly resolution in October 2016 to cap public debt to GDP ratio at 65%), new borrowing from the World Bank and ADB, including Japanese yen loans, has declined significantly (zero new yen

loan acceptances in FY2018–2019) (Table 3.1). Since then, the public debt-to-GDP ratio has been in the 40% range, and the resumption of new yen loans was agreed upon during the Japan–Viet Nam summit meeting in November 2019 (Umeda, 2021). Expectations for yen loans have been heard from the Vietnamese government, using the expressways and North–South High-Speed Rail as examples, whilst public debt management and the balance with private financing remain a concern. Looking at the amount of yen loans in FY2021, India (¥312.3 billion), Bangladesh (¥310.6 billion), and the Philippines (¥253.3 billion) were the three main borrowing countries, actively utilising yen loans for strategic infrastructure such as high-speed rail and urban transportation, in sharp contrast to Viet Nam (¥10.8 billion).

Table 3.2. Trends in the Amount of Yen Loans (¥billion)

Fiscal Year (5 years)	1992–1996	1997–2002	2002–2006	2007–2011	2012–2016	2017–2021	Total (30 years)
Total Amount of Loans	306.8	419.5	426.6	683.3	800.3	121.2	2,757.6
Annual Average	61.4	83.9	85.3	136.7	160.1	24.2	91.9

Source: Author, based on Japan International Cooperation Agency data.

4.2.2. Terms of Loan

4.2.2.1. Interest Rate and Repayment Period

Yen loans are long-term, low-interest loans with standard terms and conditions for each income group of developing countries, which are regularly reviewed based on market trends and other factors. Preferential interest rates are applied to the environment, climate change, healthcare, disaster management, and human resource development. When the yen loans resumed for Viet Nam, conditions for the poorest countries—interest rate of 1.0% and repayment of 30 years (including a 10-year grace period)—were applied. Now that it has become a low- to middle-income country, the standard interest rate is 1.7% and the preferential rate for the environment and others is 1.5%, with the same repayment period. Consulting services for design and construction supervision are subject to an interest rate of 0.01%, whilst special preferential terms of 0.1% interest and 40-year repayment (including a 10-year grace period) are applied to the Special Terms for Economic Partnership (STEP)



loans (see below) for promoting the use of Japanese technology with tied procurement conditions.¹⁶ The Vietnamese government (in particular, the Ministry of Finance), however, has a cautious view of the concessionary nature of borrowing in yen, and has been requesting further relaxation of conditions.¹⁷

4.2.2.2. Procurement Conditions

For the implementation of the project supported by yen loans, procurement should be based on the general untied principle, open to all developing and developed countries. In addition, domestic tendering is also applied to projects where it is appropriate for local companies to implement the project, such as small-scale construction works. As a result, Vietnamese companies participate in almost all projects in one form or another, and many third-country companies have been involved, including companies from the USA, France, Republic of Korea, China, and other countries in projects such as electric power and highway constructions. On the other hand, within the scope allowed by Organisation for Economic Co-operation and Development (OECD) rules, the Special Yen Loan under tied conditions was introduced in 1998, as additional assistance in response to the Asian currency crisis, and in 2002, was expanded as STEP. STEP targets projects that can take advantage of Japan's superior technology and know-how and has adopted a flexible system for effective implementation. The main contractor for the contract, which is determined by bidding, must be a Japanese company, but to avoid high costs, at least 30% of the work must be procured from Japan, whilst up to 70% can be procured from outside Japan. The project also allows companies of borrowing country and third countries to participate as joint ventures or sub-contractors. Viet Nam has been the most active user of STEP since its introduction, expecting its preferential conditions and the high quality of Japanese firms. Through STEP, many Vietnamese companies, along with Japanese companies, participated in Japanese ODA projects, and it was evaluated that the use of local materials and technology transfer had progressed. However, it should be noted that in recent years, the Vietnamese government increasingly views STEP as less competitive and more expensive for bidding.¹⁸

¹⁶ To support projects that promote quality infrastructure, High-Specification Loans (untied) were introduced in 2017, with preferential conditions: for low- to middle-income countries, a base rate of 0.5%, 30-year term (10-year grace period).

¹⁷ The Vietnamese Ministry of Finance has applied its own calculation method to the grant element of the ODA definition set by the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), and is seeking further relaxation of conditions, arguing that the current yen loan conditions do not constitute ODA. It should be noted that in the OECD (DAC) and the Export Credit Group, countries that have traditionally used grant-based ODA, have raised the issue of revising the ODA definition and regulating tied aid in the direction of regulating ODA through loans from the perspective of improving the quality and reducing trade distortions of ODA.

¹⁸ In Viet Nam, ODA projects are generally considered to be expensive, and it is cheaper and more profitable for local companies, rather than foreign companies, to undertake them. However, cost comparisons need to be assessed from a long-term perspective, including project sustainability and life-cycle cost.

5. Characteristics of Japan's ODA and Problems in its Implementation

5.1. Features of ODA to Viet Nam

Japan has been Viet Nam's largest ODA donor, and whilst its massive contribution to nation-building through infrastructure development is noteworthy, its qualitative features include the promotion of broad partnerships through ODA projects, the comprehensive impact of hard and software together, active and systematic cooperation from policy development to project implementation, and coordination with other donor countries and agencies.

5.1.1. Partnerships

Japan's ODA is characterised by its contribution to broad-based Japan-Viet Nam partnership by building bridges between governments, businesses, universities, and local authorities. Traditionally, Japanese ODA has been characterised by 'request-based', passive cooperation at the request of developing countries, but this is not the case in Viet Nam. Nevertheless, rather than imposing Japanese way of thinking, but cooperation in the formulation of market economy policies and national transport strategies was carried out as joint research activities by Japanese and Vietnamese experts, sharing experience and know-how through long-term collaboration, and contributing to the development of counterparts' human resources. In infrastructure projects, through cooperation in the preparation of regional and sectoral master plans and individual project feasibility studies, projects were jointly formed utilising Japanese experience and technology. In the implementation of the projects, technology transfer to Viet Nam also progressed through Japan-Vietnam joint ventures, and many projects, such as bridges, tunnels, and highways, are now carried out by Vietnamese companies themselves. Staff from the implementing agencies of ODA projects have absorbed project management know-how, including project planning, appraisal, and principles and procedures for international tendering and contracting, and have become valuable players in non-ODA projects, as well.

5.1.2. Comprehensiveness

Infrastructure development through yen loans ranged from large-scale transport and electricity projects to small-scale infrastructure in rural poor areas, whilst human resource development through technical cooperation covered a wide range of areas, including agriculture, healthcare, education, and justice. This broad scope and comprehensive cooperation, combining hardware and software, infrastructure and human resources, and policy and institutional improvement, is a characteristic of Japanese ODA, and has been further strengthened by the centralisation of the implementation system under JICA (2008). Human resource development and institutional improvement necessary for infrastructure projects are carried out as incidental technical cooperation under yen loans (e.g. preparation of operational systems and human resource development in urban railway projects).

5.1.3. Planning

In addition to the wide range of areas covered, Japanese ODA supported a series of cycles leading from sectoral and regional master plans to the implementation of individual projects, through technical cooperation (development studies) and financial cooperation (yen loans). With regard to yen loans, based on the relationship of trust with the Vietnamese government through years of cooperation, a medium-term candidate list ('long list') was agreed between Japan and Viet Nam, and good projects with high maturity were systematically adopted based on the needs of each project and progress in project formation (e.g. a series of support for national roads, ports, etc., based on the Northern Transport Master Plan).

5.1.4. International Cooperation

Since the resumption of ODA to Viet Nam, Japan, the World Bank, and ADB have been the three major donors, accounting for about 80% of the total ODA, and since cooperation and coordination amongst the three became extremely important in aid strategies and individual projects, their Ha Noi offices exchanged information closely, which led to regular meetings known as '3 Banks'. From the late 1990s to the early 2000s, when ODA expanded, OECD-DAC took the lead in maximising aid effectiveness by harmonising aid procedures and the World Bank also proposed a framework for sharing aid strategies and sharing roles amongst donors, and Viet Nam became a model country. Japan's active participation in donor coordination has been recognised as effective in terms of efficient aid implementation and international intellectual dissemination (Ohno, 2007).¹⁹ The 3 Banks were later joined by Agence Française de Développement of France, Kreditanstalt für Wiederaufbau (KfW) of Germany, and the Economic Development Co-operation Fund of the Republic of Korea, forming the '6 Banks'. Besides regularly exchanging information, the six agencies met annually to review the implementation of ODA with the MPI and worked on improvements by formulating and monitoring a joint action plan.

5.2. Problems in Implementing ODA

Japan's ODA for Viet Nam is regarded on the Japanese side as having provided many exemplary projects in infrastructure development, policy and institutional improvement, and human resource development (KPMG AZSA LLC, 2016).

JICA conducts an ex-post evaluation of all yen loan projects about 2 years after completion, based on the relevance, consistency, effectiveness, impact, efficiency, and sustainability criteria set by OECD-DAC. Since the basic premise of ODA projects is that they are priority projects positioned in national development plans, and in Viet Nam, JICA is involved from the planning stage, the relevance and consistency of projects are not a major issue in ex-post evaluation. The effectiveness, long-

¹⁹ JICA has dispatched an expert to MPI to support aid coordination activities led by the ministry. Until the mid-2010s, international aid coordination was extremely active in Viet Nam, with an annual Consultative Group (CG) meeting in Ha Noi and midyear interim CGs held in regional cities. However, since Viet Nam became a middle-income country, the role of ODA has relatively declined with the growth of private sector, and the traditional framework for donor coordination with the World Bank and other aid agencies is ending its role.

term impact, and sustainability of projects in Viet Nam are well established, as shown by the Da Nhim hydro power project and Cho Lai Hospital, which have been in operation for more than 50 years and are still contributing to the economy and society. In contrast, a common problem with ODA projects is efficiency, with most infrastructure projects experiencing delays in implementation and a corresponding increase in project costs. Donor agencies also agree that ODA projects in Viet Nam are generally highly effective but time-consuming. The weaknesses in ODA implementation highlight structural challenges that Viet Nam must overcome in its next stage of development.

5.2.1. Delays in Project Implementation

Viet Nam's infrastructure needs have grown from rehabilitation and improvement, when ODA was first resumed, to larger and more sophisticated and difficult projects, as the country as a whole has developed (Nhat Tan Bridge, Saigon River Tunnel, Ho Chi Minh City Metro, and so on). Especially since the 2000s, many infrastructure projects have taken longer than expected to complete bidding and contracting procedures and land expropriation. Contractors and implementing agencies, as well as agencies and government ministries, have had difficulty coordinating on issues such as payment of increased project costs, budget allowances, and plan changes, causing delays in overall project implementation. The experience has placed a heavy financial burden on and tried the patience of contractors and has reduced their willingness to participate in new projects, leading to a decline in the number of companies bidding on projects and a decline in competition. Although there has been criticism on the Vietnamese side that yen loan projects in recent years have been less competitive and more expensive, particularly in the case of Japan-tied STEP projects, it is also necessary to recognise that this is the result of inadequate response on the Vietnamese side to project delays and payment problems and other issues.

5.2.2. Complexity of Powers and Procedures

For the Government of Viet Nam, as the projects became larger and more sophisticated, the technical issues and interests became more complex as typified by the transport projects in Ha Noi and Ho Chi Minh City. The Prime Minister (Prime Minister's Office) has increasingly been asked to make decisions, beyond the conventional MPI-centred coordination amongst relevant ministries and agencies, and individual project issues have even come up on the agenda of Japan–Viet Nam summit meetings. In addition, in recent years, with the expanding role of the National Assembly of Viet Nam, its approval is required for large-scale projects, as exemplified by the fact that the North–South High-Speed Rail project, which was agreed on by the leaders of Viet Nam and Japan, was not approved by the National Assembly in 2010, requiring the plan to be reconsidered. The more important and socially significant a project is, the more it must be coordinated with government ministries (regulatory agencies, MPI, Ministry of Finance), Party-related organisations, experts from universities and other organisations, the audit department—which has been strengthened to prevent corruption and fraud—as well as the public, whose opinions have been affected by the proliferation of social networking sites. The government's decision-making process requires coordination with a greater number of relevant organisations. On the other hand, from the Vietnamese point of view, there are many complaints that aid procedures are as rigid and time-consuming as in the past, despite the fact that the country has improved the implementation system, including the development of ODA-related laws and regulations in response to donor requests, and has accumulated experience in project implementation. It goes without saying that improving the efficiency of ODA systems and

implementation procedures is a common challenge for aid agencies and the Vietnamese side, and mutual efforts and trust are a prerequisite.

5.2.3. Fraud and Corruption Prevention

Serious corruption cases have been uncovered twice in Japanese ODA projects. The first incident, in 2008, led to the suspension of new ODA, which was resumed after a Japan–Viet Nam agreement on anti-corruption measures. The second incident, in 2014, caused public distrust and was taken more seriously by both governments. JICA has learnt a great lesson and is working to further strengthen and thoroughly implement anti-corruption measures, such as improving the transparency of procurement procedures and enhancing audits in yen loan projects.²⁰ Two consultancy firms involved in the case closed their businesses as a result of the incident, which had a serious impact on related business community in Japan. The problem of corruption in public works is common worldwide, and a comprehensive approach is needed for fundamental improvement, including reform of the civil service system, human resource development, and compliance by the public and private sectors. In recent years, the Government of Viet Nam has stepped up corruption control, the effects of which have been highlighted.

6. Representative Examples of ODA Projects and Results

The results of infrastructure projects funded by Japanese ODA can be witnessed all over the country. Travellers arriving in Ha Noi see the beautiful Nhat Tan Bridge via the highway from the new international terminal at Noi Bai Airport, which was built with Japanese ODA. The socio-economic impact of the East–West Highway in Ho Chi Minh City, the Hai Van Tunnel between Da Nang and Hue, and the Can Tho Bridge in the Mekong Delta is obvious to all, and in particular those familiar with the situation before the project are surprised by the changes after the project. Whilst the results of technical cooperation are not as visible as those of large-scale infrastructure projects, they have been used to develop human resources across the country and improve policies and institutions, which have contributed to national development and broadened the partnership between Japan and Viet Nam. The results of ODA are a valuable asset, as the following representative examples show for each priority area.²¹

²⁰ In response to the corruption case, the Government of Viet Nam fully repaid the disbursed amount of loans for contracts awarded to the companies, and the Japanese side suspended the provision of new yen loans. The governments of Viet Nam and Japan set up a committee, which agreed on measures to prevent recurrence of such cases. The measures included, on the Vietnamese side, strengthening information sharing on ODA projects and the functions of the Administrative Inspectorate, revising laws, and strengthening supervision of ongoing projects and post audit. On the Japanese side, the measures included strengthening the role of the corruption information desk and excluding from bidding, amongst others, companies involved in corruption.

²¹ Representative examples of cooperation were taken from JICA's ex-ante and ex-post evaluation of yen loan projects, as well as JICA research reports, including a comprehensive ODA impact study conducted on the 20th anniversary of the resumption of ODA (JICA, 2014).

6.1. Infrastructure Development (Transport, Power, Water Environment, Rural Development)

6.1.1. Transport Sector

(1) Formulation of National Development Strategies

Japanese technical cooperation supported the formulation of Viet Nam's national transport development strategy and the planning of major high-priority projects, with each study being used as the basis to implement projects financed by yen loans, and also contributed to human resource development and planning capacity building of Vietnamese agencies through joint research and study activities with Japanese experts.

- (i) Northern Regional Transport System Development Plan (1993–1994)
- (ii) Vietnam Transport Development Strategy Study (VITRANSS) (1999–2000, 2007–2010, 2020–2021)
- (iii) Ho Chi Minh City Urban Transport Plan (2002–2004)
- (iv) Ha Noi City Comprehensive Urban Development Plan (2005–2007)

* The studies were conducted under the guidance and advice of leading Japanese experts in land planning and civil engineering in Japan (Professor Hideo Nakamura and Professor Shigeru Morichi), and were characterised by a high-level relationship of trust with the Government of Viet Nam (Ministry of Transport).

* VITRANSS has contributed for 20 years to the Vietnamese government's development planning by examining long-term strategies for all transport, including national roads, railways, aviation, and shipping, and reviewing the second (2007–2010) and third (2020–2021) phases about every 10 years. It has provided information to guide not only Japanese ODA but also international assistance such as that of the World Bank.

6.1.1.2. Northern Regional Transport Network

Japanese ODA initially focused on transport infrastructure in the Northern Triangle region linking Ha Noi, Haiphong, and Quang Ninh province and developed the transport network, including the upgrading of National Highway 5 and Haiphong Port, followed by the construction of the other main highways (Highway 18 and Highway10) and international ports (Cai Lan and Lach Huyen). Improved infrastructure and logistics have led to the development of industrial parks in the region, contributing to economic growth through rapid industrial agglomeration (Tran et al., 2003).

(Note: The amounts below are the cumulative total of yen loans to each project.)

- (i) National Highways 5, 10, 18: ¥75 billion (completed 2003, 2005, 2008, respectively)
- (ii) Binh Bridge (Haiphong), Bai Chai Bridge (Ha Long): ¥14.8 billion (completed 2005, 2006, respectively)
- (iii) Haiphong Port: ¥17.3 billion (1st phase completed 2000, 2nd phase completed 2011)
- (iv) Cai Lan Port: ¥10.2 billion (completed 2004)
- (v) Lach Huyen Port: ¥114.2 billion (completed 2017–2018)

* Synergistic effects of ODA and private investment (infrastructure development and industrial agglomeration): The improvement of National Highway 5 and Haiphong Port, as a result of ODA-funded infrastructure development, brought industrial concentration to the surrounding areas and became a typical model of poverty reduction through dynamic economic growth. (i) Capacity building (development of infrastructure and investment-related institutions) created the conditions to attract enterprises; (ii) ‘anchor companies’ led to the establishment of many related enterprises, such as the components industry, in the industrial parks; and (iii) anchor companies’ success became a conduit for industrial agglomeration. Canon, a Japanese corporation, established its presence in the Thang Long Industrial Park in Ha Noi in the year 2001. It marked a significant milestone as the inaugural anchor company in the region, subsequently catalysing the emergence of affiliated enterprises in what became famously known as the ‘Canon Effect’ (Kuchiki, 2012).

* Traffic safety: as a result of the improvement of National Highway No. 5, the traffic volume increased and the number of accidents increased, so as part of the post-completion supervision of the yen loan project, additional safety facilities such as traffic signals, signs and footbridges were added, and awareness-raising activities were conducted at schools, factories and public facilities. This experience led to a yen loan project for all national roads in the northern region (Northern National Highway Traffic Safety Enhancement Project: 6.6 billion yen, 2007) and technical cooperation to improve road safety nationwide (Road Traffic Safety Master Plan Formulation Study, 2009).

* Thang Long Industrial Park (TLIP): The site of the park was selected based on the Hanoi Industrial Development Plan, a JICA development study, and its infrastructure (wastewater and sewage treatment, power distribution, and access roads) was supported with a yen loan of ¥11.4 billion (1997). The park is a representative example of synergy of ODA and private investment, and public-private partnership (PPP). Based on the success of the first phase, the second and third phases of TLIP (established in 2006 and 2015, respectively) were developed. Following their success, a number of industrial parks have been developed along the national highways, creating even more jobs with increased large-scale investments from Japan and other countries, such as Korean Samsung Electronics, which entered in 2008.

* Environmental protection of the World Natural Heritage site Halong Bay: The Northern Transport Master Plan considered the development of national roads and ports with an emphasis on balancing local industrial development with the environmental protection of Halong Bay. Cai Lan Port (about 13 m deep), located at the edge of Ha Long Bay, was expanded as a complementary port to the river port of Hai Phong (about 7 m deep), and the Bai Chai Bridge was constructed in the strait at the entrance to the port (National Highway 18 ferry section) to make navigation for ships and automobile traffic safer. As the bridge is adjacent to the World Heritage Area, it was designed to harmonise with the landscape, and maximum attention was paid to the method of dredging the navigation channel to avoid any negative impact on water quality.

- * Progress in construction of expressways: Following the ODA-funded construction of national highways, private investment has led to the construction of expressways since the 2010s, with the Ha Noi–Hai Phong route completed at the end of 2015 and the Hai Phong–Ha Long route completed in 2018, significantly reducing travel time from about 4 hours to 2.5 hours (JETRO, 2018). However, as tolls are expensive, truck transport continues to be handled by national highways.
- * Lach Huyen Port: A large-scale deep-water port off the coast of Hai Phong has been a long-cherished dream of northern Viet Nam, as Hai Phong Port is a shallow-water river port that cannot accommodate large ships, and Cai Lan Port is in the World Heritage Site of Ha Long Bay, making expansion difficult. The Lach Huyen Port project constructed the lower infrastructure (dredging, reclamation, 16 km sea bridge connecting Hai Phong city to the new port) with yen loans, whilst the upper infrastructure (gantry cranes and other port facilities of 2-berth) was developed and operated with private investment, which became the first full-fledged PPP as a yen loan project²². Negotiations between the company and the government over government guarantees and other conditions that were required for private investment were difficult and delayed the start of the project, but the project is expected to contribute to institutional improvements as a lesson learnt for the promotion of PPPs.

6.1.1.3. Transport Linking the North and South

National Highway 1 (about 2,300 km) and the North–South Unification Railway (about 1,700 km), which traverses Viet Nam from north to south, are key infrastructure for north–south transport. However, they were damaged during the Viet Nam War, and many bridges in particular were not adequately repaired and deteriorated, necessitating weight and speed restrictions. The continuous yen loans since resumption of ODA enabled the project to replace them in stages to improve road and rail transport efficiency and safety. Viet Nam’s first large-scale tunnel at the Hai Van Pass between Da Nang and Hue (the biggest bottleneck in north–south traffic) and the Can Tho Bridge at the ferry operation section of Mekong River (the largest tunnel and cable-stayed bridge in Southeast Asia) were constructed, greatly improving traffic and logistics in central Viet Nam and the Mekong Delta region.

- (i) National Highway 1 bridges: ¥41.9 billion, 82 bridges in total (Lang Son–Ca Mau)
- (ii) North–South Railway Bridge: ¥45.1 billion, 63 bridges in total (Ha Noi–Ho Chi Minh City)
- (iii) Hai Van Tunnel (¥18.9 billion, completed 2005): The National Highway over Hai Van Pass was a difficult road with steep curves that took more than 1.5 hours to traverse and was prone to accidents and natural disasters. But thanks to Viet Nam’s first and longest tunnel (6 km), it now takes less than 10 minutes to pass through safely.
- (iv) Can Tho Bridge (¥40.6 billion, completed 2010): Following My Thuan Bridge, which was built with Australia’s grant assistance, the Can Tho Bridge (2.7 km, including approach road) eliminated the biggest bottleneck on National Highway 1 in the Mekong Delta. Travel time used to be more

²² After the successful completion of the yen loan project, the second phase, involving the addition of two more berths, is now underway, led by the Hai Phong Port Joint Stock Company. This company had previously been entrusted with the implementation of the initial yen loan project for the rehabilitation of Hai Phong Port, right after the resumption of ODA to Viet Nam. This progress stands as a significant symbol of the nation’s transition away from ODA dependency.

than an hour, including waiting time for ferries during busy times. The completion of the bridge made for a pleasant drive of just several minutes.

(v) North–South Expressway (three sections, ¥181.4 billion): Ho Chi Minh City–Đau Giay (55 km, completed 2015), Da Nang–Quang Ngai (139 km, completed 2018), Ben Luc–Long Thanh (58 km, under construction)

* International Co-finance for National Highway 1: The road widening and pavement improvement were financed by the World Bank and ADB, whilst the replacement of the bridge in the same section was co-financed by yen loans, covering the entire north–south section over 20 years after ODA resumed.

* ODA and Private Investment for North–South Expressway: Since 2009, through the Japan–Viet Nam Summit Meeting, the two countries agreed to promote cooperation on three major projects (commonly known as the Prime Minister’s Three Projects): (i) the North–South Expressway, (ii) the North–South High-Speed Rail, and (iii) the Hoa Lac Hi-Tech Park,²³ of which three sections of the North–South Expressway were implemented sequentially by priority. Subsequently, the Ministry of Transport aimed to construct the project through PPPs and did not utilise yen loans. However, the number of sections where PPPs have been established is limited and most sections have been implemented through the government’s public investment, suggesting that PPPs for expressways are difficult to implement.²⁴

* North–South High-Speed Rail Project: Based on the experience of replacing bridges through yen loans, the North–South Unification Railway has continued to be improved through the government budget, and the travel time between Ha Noi and Ho Chi Minh City has been reduced from about 40 hours to about 30 hours. On the other hand, a high-speed railway plan was considered as a drastic improvement measure for the future, and the Vietnamese government decided in March 2010 to construct a new line adopting the Japanese shinkansen system. But in June of that year, the National Assembly failed to approve the project and it was put on hold for further deliberation, and the matter was referred back to the National Assembly (JICA, 2013). Since then, various alternatives have been considered, mainly by the Vietnamese Ministry of Transport, and Japan has continuously cooperated through JICA development studies, but no conclusion has yet been reached. To realise such a large-scale national strategic project, the government’s strong commitment and leadership are essential to overcome various challenges, such as securing land and developing human resources, in addition to financing. The government is said to continue to have high expectations for Japanese technology and funds, and future progress of talks between the two countries will be closely watched.²⁵

* Accident during the construction of the Can Tho Bridge and its completion: In September 2007, a part of the bridge girder collapsed during the construction of the Can Tho Bridge, resulting in

²³ To attract investments to the hi-tech sector, JICA’s technical cooperation (development studies) supported from the mid-1990s development of a plan for establishing a high-tech park near Ha Noi, and infrastructure development was completed through yen loans in 2020.

²⁴ The construction plan for the east side of the North–South Expressway in 2021–2025 (12 sections) was originally planned to be implemented through PPP for all sections. But since it was not successful in attracting private investment, all the sections were changed to public investment projects, which started at the end of 2022 (VIETJO, 2022).

²⁵ It was reported in November 2021 that the Ministry of Transport and MPI agreed on a proposal to build a semi-high-speed (250 km/h) passenger and freight railway (total project cost: \$64.8 billion, about ¥8.3 trillion) instead of the initial plan of the Ministry of Transport (maximum speed: 320 km/h, passenger only, shinkansen system). Meanwhile, in January 2022, Prime Minister Pham Minh Chinh requested Japanese cooperation for finalising the plan and implementing the project with Japan’s Finance Minister (NNA, 2023).

a major accident that killed 55 people and injured 79 others. The Vietnamese government set up a committee to investigate the accident, which concluded that the cause was 'unpredictable and unequal settlement of the temporary support columns' due to the soft ground unique to the Mekong Delta. The accident, the largest in the history of Japanese ODA, remains a major lesson learnt and the starting point for the safety measures (JICA, 2019), and JICA has made safety measures a top priority in the appraisal and monitoring of construction of yen loan projects. Construction work resumed one year after, and the completion ceremony in April 2010 was attended by many local residents along with government and project officials, who were delighted to see that the Can Tho Bridge had fulfilled a '100-year dream' of the people (*tuoi tre*, 2010).

6.1.1.4. Mekong Connectivity (Indochina East–West and Southern Economic Corridors)

Japanese yen loans, along with the ports in northern region, supported the improvement of the Da Nang (Thien Sa) port in the central region and the construction of the Cai Mep Chi Bai port in the south, which are major hub ports of each region and are also important as ports for the East–West Economic Corridor and the Southern Economic Corridor, respectively, under the Greater Mekong Subregion (GMS) Development Program. Both are expected to contribute to strengthening Mekong connectivity.

(i) Da Nang (Thien Sa) port: ¥10.7 billion (completed in 2004)

As part of the Da Nang Port Improvement Project, the access road and bridge connecting Da Nang and National Highway 1 were constructed, contributing to improvement of traffic around the city. Together with the Hai Van Tunnel (completed in 2005) and the Second Mekong International Bridge (completed in 2006), which crosses the Mekong River on the border between the Lao People's Democratic Republic (Lao PDR) and Thailand, both built with yen loans during the same period, Da Nang Port is important infrastructure supporting the East–West Economic Corridor (Viet Nam–Lao PDR–Thailand).

(ii) Cai Mep Tri Vai Port: ¥45.3 billion (completed 2015)

It is the gateway port to the Southern Economic Corridor (Viet Nam–Cambodia–Thailand), and the Mekong River Bridge ('Tsubasa Bridge') (completed 2015) on the same corridor in Cambodia was also implemented in parallel through yen loans.

6.1.1.5. Urban Transport

In Ha Noi, following the upgrading of the city's road network, including the construction of multi-level intersections at heavily congested intersections, and the construction of Ring Road 3 (an elevated road that includes the Thanh Tri Bridge), the new international terminal at Noi Bai Airport, the expressway connecting the airport and Ha Noi, and the Nhat Tan Bridge were simultaneously constructed, completing a gateway suitable for the capital city. In Ho Chi Minh City, following the construction of the new international terminal at Tan Son Nhat Airport, the Saigon East–West Highway running through the city and a tunnel under the Saigon River (Viet Nam's first and Southeast Asia's largest submerged tunnel) were built, completing a new artery linking the city and the surrounding area. Ho Chi Minh City Urban Railway Line 1 is nearing completion as the first subway and elevated railway and is expected to serve as the foundation for future development of the urban rail system.

International Airport Terminal

- (i) Noi Bai International Airport Terminal 2: ¥59.3 billion (completed end of 2013)
- (ii) New international terminal at Tan Son Nhat Airport: ¥22.8 billion (completed 2007)²⁶

Road, Bridge, and Tunnel

- (i) Ha Noi Transport Infrastructure Improvements: ¥12.5 billion (completed 2008)
- (ii) Thanh Tri Bridge and Ha Noi Ring Road 3: ¥89.7 billion (completed 2007 and 2020, respectively)
- (iii) Nhat Tan Bridge and Noi Bai–Nhat Tan Expressway: ¥72.3 billion (completed end of 2014)
- (iv) Saigon East–West Highway: ¥55.1 billion (completed 2011)

Urban Railway

- (i) Ho Chi Minh City Urban Railway Line 1: ¥155.4 billion (scheduled to start commercial operation 2024)
- (ii) Ha Noi Urban Railway Lines 1 and 2 (under preparation)

* Success of two largest projects in Ha Noi and Ho Chi Minh City: The Ha Noi Gateway (Noi Bai Airport to Nhat Tan Bridge) and the Saigon East–West Highway were unprecedented large-scale projects in the two cities and experienced many difficulties, such as delays in land expropriation and payment problems for the contractors. After their completion, they were named Vo Nguyen Giap Boulevard and Vo Van Kiet Boulevard after the hero of Viet Nam's independence and the Prime Minister at the time of resumption of Japanese ODA, respectively, and have become the new symbols of Japan–Viet Nam cooperation.

* Responding to resettlement: The Ha Noi Transport Infrastructure Improvement (Kim Lien Tunnel, overpasses, widening and improvement of roads) and the Saigon East–West Highway projects were located in densely populated areas, resulting in the resettlement of 1,700 and 6,800 households, respectively. The people's committees of the cities responded by constructing housing complexes whilst yen loans covered infrastructure development in the relocation areas. In addition, the dredging and revetment of waterways and canals along the roads were carried out at the same time through water environment improvement projects funded by yen loans, which also contributed to the improvement and beautification of the urban environment (see below).

²⁶Along with the expansion of Tan Son Nhat International Airport, the construction of Long Thanh International Airport, a hub, was initiated to meet increasing demand for air travel in southern Viet Nam. Based on the results of the Lach Huyen Port PPP, Japan proposed a PPP project combining yen loans and private investment through a JICA study, although the first phase of the project is being implemented with Viet Nam's own funds and domestic borrowing.

* Ho Chi Minh City Urban Railway: Main civil works for the project have been completed and the line is scheduled to start commercial operation after the installation of equipment, test runs of rolling stocks, and staff trainings conducted through 2023. The start of the projects of Ha Noi Urban Railway Lines 1 and 2 has been delayed due to increased project costs and a review of the station plan in the city centre and so on. It is hoped that the projects will be implemented as soon as possible, drawing on lessons learnt from earlier projects.²⁷

6.1.2. Electric Power Development

Vietnam is rich in coal in the north, gas in the south and hydropower resources in the central mountainous regions, and the power generation capacity (approximately 4.6 million KW) of the nine power projects built with yen loans accounted for about 10% of Viet Nam's total power generation capacity in 2021. These power plants, including the first three at the time of resumption of ODA, were completed one after another amid the tight electricity supply-demand situation, contributing to the improvement of people's lives as well as responding to the increase in foreign investment in each region. In recent years, JICA's contribution through the Private Sector Investment Finance (PSIF) scheme has been promoted for private sector projects in the renewable energy sector.

Thermal Power (¥439.1 billion, five power plants, 3,552 MW)

(Coal-fired)

(i) Pha Lai (600 MW, completed 2003); (ii) Nghi Son (600 MW, completed 2015); (iii) Tai Binh (600 MW, completed 2018)

Gas-fired

(iv) Phu My (1,092 MW, completed 2002); (v) Omon (660 MW, completed 2015)

* Technology change for higher efficiency of Phu My thermal power: In anticipation of progress in the offshore natural gas development, the technology of the project was switched from dual firing of heavy oil and gas to the more efficient gas combined cycle, in response to a strong request from the Vietnamese side just before the tender. The privately funded gas pipeline construction project (about 400 km, \$1.3 billion) has been in operation since the end of 2002.

* Development from ODA to Private Investment: Following the success of the yen loan projects, private power generation projects have progressed in Nghi Son, Thai Binh, Phu My, and Omon, all with the participation of Japanese companies, and large power generation complexes have been formed. Prior ODA projects, including the construction of common transmission lines, have contributed to attract private investments in the power sector.

²⁷ In November 2021, Ha Noi's first urban railway (13 km), financed by the Export-Import Bank of China and built by Chinese companies, was completed. It took 10 years to complete because of delays in land expropriation, accidents during construction, design reviews, and increased construction costs. Line 3, supported by France and ADB, is under construction but has been delayed by similar difficulties.

Hydropower (¥106.8 billion, four power plants, 1,090 MW)

(i) Ham Thuan Da Mi (475 MW, completed 2001); (ii) Da Nhim rehabilitation (160 MW, completed 2006) and expansion (80 MW, completed 2018); (iii) Dai Ninh (300 MW, completed 2008); (iv) Thac Mo expansion (60 MW, completed 2017)

* Extending the experience of the Da Nhim Project: Hydropower generation in southern Viet Nam began with the Da Nhim project, completed in 1964 using Japanese war compensation to the former South Viet Nam. The experience of the project was utilised in the construction of the Ham Thuan Da Mi and Dai Ninh projects in the same area after the resumption of ODA, where irrigation projects were carried out along with power generation. In particular, for the Dai Ninh project, the Phan Ri Phan Thiet Irrigation Project (¥5.3 billion, 2001 and 2006) was proposed by the Japanese side and implemented as a yen loan project, based on the project formation and agricultural guidance through Japanese technical cooperation.

Renewable Energy

JICA provided investment of \$1.5billion to ADB for establishing 'Leading Asia's Private Infrastructure Fund (LEAP)' in 2016, with the aim of promoting quality private sector infrastructure. LEAP has supported the following renewable energy projects in Viet Nam:

- (i) Phu Yen Province Solar Power (257 MW): \$9.3 million (2020)
- (ii) Quang Tri Province Wind Power (144 MW): \$25 million (2021)
- (iii) Ninh Thuan Province Wind Power (88 MW): \$25 million (2022)

* Ninh Thuan Province Nuclear Power Project: In 2009, the Vietnamese government approved two nuclear power projects implemented by a group of Japanese and Russian Federation companies as a trump card to solve the electricity shortage. The Japanese government and related companies hoped the project would serve as a model for exporting nuclear power to emerging Asian countries. But following the accident at the Fukushima-1 Power Station caused by the 2011 Great East Japan Earthquake, the decision was made by the Vietnamese National Assembly in 2016 to cancel the project. The main reason was said to be the huge amount of funding required as well as residents' concerns about the safety of nuclear power plants (Nihon Keizai Shimbun, 2016). It should be noted that ODA cannot support nuclear power plant programmes under OECD rules but was expected to provide lateral assistance to contribute to regional development, including the construction of roads, water supply, and other infrastructure.

6.1.3. Urban Water Environment

Although Ha Noi and Ho Chi Minh City had experienced rapid urbanisation, inadequate drainage and sewage treatment had led to serious flood damage and environmental degradation during heavy rainfall. Japanese ODA provided continuous assistance in planning and supporting improvements from the time of resumption, contributing to the beautification of the cities as well as improving the water environment. Based on the experience gained from each project, similar projects have been implemented in the major provincial cities of Haiphong, Ha Long, Hue, Binh Duong, and Bien Hoa with the support of yen loans.

- (i) Ha Noi Water Environment Improvement: 1st phase, ¥18.6 billion (completed 2005); 2nd phase, ¥32.3 billion (completed 2016)
 - (ii) Ho Chi Minh City Water Environment Improvement: 1st phase, ¥28.3 billion (completed 2012); 2nd phase, ¥46.5 billion (to be completed 2023)
- * In Ha Noi, the dredging of numerous lakes and marshes scattered throughout the city and the combined improvement of drainage channels and roadsides have contributed to environmental improvements, whilst a large drainage pumping station that collects rainwater in reservoirs and discharges it into the Red River has also reduced flooding and inundation damage. A substantial sewage treatment plant is currently under construction drawing from the lessons learned from a similar project in Ho Chi Ming City.
- * Japanese local authorities have established cooperative relations with Vietnamese cities in conjunction with ODA projects and are promoting cooperation in the water, sewage, and environmental sectors. (Ha Noi–Fukuoka Prefecture and Yokohama City, Ho Chi Minh City –Osaka City, Haiphong–Kitakyushu City, Ha Long–Shiga Prefecture, Da Nang and Hue–Yokohama City, Hoi An–Okinawa Naha City, amongst others)
- * The implementing agency of the Binh Duong Sewerage Development Project (¥27.7 billion, 2007 and 2012) was privatised in 2016 based on the experience and management efforts of the yen loan project (Japanese companies also invested). Its subsequent water supply project (2020) and waste power generation and treatment project (2022) were supported by JICA's new cooperation through PSIF, which became a model case of graduating from ODA to private sector development.

6.1.4. Rural Development

For the purpose of rural development, small-scale infrastructure improvement projects in remote areas, initiated in the form of rehabilitation loans for roads and water supply (commodity loan for importing materials and equipment) were developed into Sector Program Loans (SPLs), including construction costs and expanded to cover more sectors such as electricity distribution and small-scale irrigation. Over 20 years, SPLs amounting to more than ¥70 billion have been implemented, focusing on poorer areas. The project is credited with improving roads, water supply, and other infrastructure close to rural residents; facilitating logistics; improving access to public services; and increasing agricultural productivity. More than 20 years of continuous cooperation has reached all parts of Viet Nam and become the best-known Japanese ODA project in rural areas.

- (i) Rehabilitation Loan (commodity loan): ¥7.3 billion (1993–1994)
- (ii) Sector Program Loan (SPL1-3): ¥23 billion (1996–1998)
- (iii) Small-Scale Pro-Poor Infrastructure Development Project (SPL4-6): ¥43.3 billion (2003–2009)

6.2. Policy and Institutional Reforms (Market Economy, Legislation, Response to Climate Change)

6.2.1. Policy Support for Market Economy

The Ishikawa Project to support policies for the transition to a market economy was a joint research project between Japanese development economists led by Professor Shigeru Ishikawa and Vietnamese policy officials. The project focused on proposals for the Sixth Five-Year Plan for Socio-Economic Development (1995–2000), including analysis of agriculture and rural development, industrial policy, fiscal and monetary policy, and state-owned enterprise reform. It contributed to the human resource development of participating administrators and researchers on the Vietnamese side, and its experience and achievements have been used to provide yen loans in response to the Asian currency crisis and for poverty-reduction strategies, as well as policy support for the development of supporting industries and industrialisation strategies.

(i) Ishikawa Project: 1995–2000 (3 phases)

- * Professor Shigeru Ishikawa, who chaired the JICA Country Assistance Study Group, met with General Secretary Do Muoi during his visit to Viet Nam in 1994. The General Secretary, after hearing the study group's recommendations and the professor's thoughts on market transition policy, asked him to exchange views with members of the Party Politburo, which led to the project (Sasaki, 2022). The Vietnamese government had difficulties undertaking rapid reforms such as privatisation of state-owned enterprises recommended by the International Monetary Fund and the World Bank. Japanese advice on a gradualist approach was expected, however, which introduced multiple perspectives into the international aid community and acted as a 'counterforce' to create checks and balances, and was highly appreciated by the Vietnamese leaders (Shimomura, 2018).
- * The transition to a market economy in Viet Nam has attracted the interest of many development economists in Japan, notably Professor Tran Van Tho, who has served as an advisor and bridge between Japan and Viet Nam, and Professor Kenichi Ohno, who continues to advise on important issues, following the Ishikawa Project, such as supporting industrial development, industrialisation strategies, and productivity enhancement (Ohno, 2013).

(ii) Economic Reform Support Loan (¥20 billion, 1999)

- * As part of its emergency assistance in response to the Asian currency crisis in 1997 (New Miyazawa Initiative), Japan provided Viet Nam with a policy support loan, not in the form of co-financing with the World Bank but as a stand-alone structural adjustment loan. It was the first case of a yen loan and, based on the results of the Ishikawa Project, the main reform programmes were (i) fostering the private sector (promoting small and medium-sized enterprises), (ii) auditing large state-owned enterprises, and (iii) implementing tariff reform of non-tariff barriers. Fostering the private sector, including the change from a licensing system to a notification system for enterprises, has led to a rush to establish private enterprises since 2000, creating jobs and changing the investment structure (Tajika, Miura, and Oizumi, 2003).

(iii) Poverty Reduction Support Credit (PRSC) and Economic Management and Competitiveness Credit (EMCC) (PRSC: 7 loans, ¥72.4 billion (2004–2012); EMCC: 3 loans, ¥41 billion (2013–2017), total ¥113.4 billion)

* In policy discussions between the World Bank and other donors and the Vietnamese government on the Poverty Reduction Strategy, Japan actively participated in preparing reform programmes to reflect its voice through the ODA Task Force, particularly on investment environment improvement, public expenditure management, financial and banking reform, and state enterprise reform. In addition, Japan participated in co-financing with the World Bank from phase 3 of PRSC (2004), and provided similar cooperation to EMCC, which was implemented as a successor programme to PRSC.

* In the 8th phase of PRSC (2009), Japan provided an additional yen loan (¥47.9 billion) for economic stimulus as its own assistance in response to the Lehman Shock.

6.2.2. Judicial Reform

Along with Viet Nam's market economy policy, technical cooperation projects have been implemented since 1996 to reform and develop the legal system as the basis of nation-building. The cooperation—which developed with long-term Japanese experts (prosecutors, judges, and lawyers) stationed in Ha Noi and organised support by the Japanese Ministry of Justice, the Supreme Court, the Japan Federation of Bar Associations, and Nagoya University—has become a model for Japan's international cooperation in the justice sector and has led to cooperation in Cambodia, Lao PDR, and other Asian countries.

- (i) Support for legislation (3 phases, 1996–2007): To develop legislation in line with the transition to a market economy, Japan supported the drafting of basic legislation, including the Civil Code and the Civil Procedure Code, and the training of human resources, with the Ministry of Justice (MOJ), the Supreme People's Court, the Supreme People's Prosecutor's Office, and the Federation of Vietnamese Lawyers targeted for cooperation. The Civil Procedure Code and the revised Civil Code, which Japan helped draft, were passed by the Vietnamese National Assembly in 2004 and 2005, respectively.
- (ii) Support for law and judicial system reform (2 phases, 2007–2015): Long-term Japanese experts from the three legal professions (judges, prosecutors, and lawyers) were stationed in Ha Noi to follow up on the results of previous legal support and to help strengthen local justice-related institutions.
- (iii) Support for legal and judicial reforms targeting 2020 (2015–2020) and
- (iv) Improving the quality and efficiency of law development and enforcement (2021–2025): In light of the amendments to the Constitution of Viet Nam (November 2013), the Prime Minister's Office and the Communist Party (Central Interior Affairs Committee) were added as cooperating bodies for Japanese cooperation to help ensure the consistency of laws and regulations, review legal normative documents, and train personnel involved in ex-post audits and court enforcement practice.

* Japan–Viet Nam judicial cooperation was initiated by Professor Akio Morishima of Nagoya University, who introduced and advised on Japanese civil law in 1993 in preparation for the enactment of the Vietnamese Civil Code, which led to JICA's technical cooperation. As this was Japan's first attempt at technical cooperation, the professor persuaded the officials who were hesitant by explaining the importance of long-term human resource development support—based on Japan's own history of learning from other countries and developing its own laws—for the enactment, enforcement, and revision of laws (Sasaki, 2022). On the Vietnamese side, former Justice Minister Ha Hung Cuong (Director General of the International Cooperation Department in 1993) has continued to play a

central role in the MOJ for more than 30 years. His successor, the current minister and one of deputy ministers, also studied and obtained a degree at Nagoya University as part of Japanese cooperation. Their involvement demonstrates the cooperation between MOJ and Japan, which is particularly long and deep in the history of Japanese ODA.

- * In preparation for the revision of the Vietnamese Constitution (2013), in July 2012, a constitutional study mission was formed, headed by Deputy Prime Minister Nguyen Xuan Phuc (later Prime Minister and President of the State). The mission comprised about 30 members, including seven ministers, such as the Minister of Justice and the President of the Supreme Court. It was sent to Japan to exchange views with Japanese constitutional scholars as well as the House of Representatives Legislation Bureau, Supreme Court, Ministry of Justice, Nagoya University, and others (Nishioka, 2012).²⁸ The mission was symbolic of the trust between the two countries through years of judicial cooperation, and the survey team appreciated as meaningful the free exchange of views with Japanese experts on constitutional principles, including constitutionalism.

(3) Response to Climate Change

Viet Nam has the second-highest rate of increase in greenhouse gas (GHG) emissions amongst ASEAN member countries and is considered to be the most vulnerable to the effects of climate change (e.g. sea-level rise). Based on policy dialogue with Vietnamese ministries and agencies, led by the Ministry of Natural Resources and Environment, Japan has agreed on an action programme to respond to climate change and provided financial assistance and technical cooperation to promote its implementation. The Support Program to Respond to Climate Change (SP-RCC) became a prime example of Japanese ODA leading international assistance in the field of climate change.

(i) SP-RCC: I–VII: ¥80 billion (2010–2017)

In response to Japan's call, Australia, Canada, France, the Republic of Korea, and the World Bank, participated in the policy dialogue with the Vietnamese side and provided co-financing totalling \$492 million.²⁹ It was the first case of co-financing of a policy programme initiated by Japan with the participation of international organisations and other countries.

(ii) Technical Cooperation in the field of Climate Change

- Support for the development of national GHG inventories (2010–2014)
- Development and implementation support for Nationally Appropriate Mitigation Actions (NAMA) (2015–2019)
- Energy efficiency and conservation promotion master plan study (2008–2009)

- * As a major outcome of Japan's cooperation, NAMA, which each country had agreed to prepare at the 16th session of the Conference of the Parties (COP 16) in 2010, was completed and introduced as an exemplary example at the COP.

²⁸ The constitutional mission (July 2012) was organised and conducted with Professor Yoshiharu Tsuboi as an expert advisor, based on a cooperation agreement between the JICA Vietnam Office and the Vietnamese Academy of Social Sciences. Member of the House of Representatives Yoshito Sengoku (former Chief Cabinet Secretary and Minister of Justice) helped organise a meeting with constitutional scholars (Professor Yasuo Hasebe, Professor Katsutoshi Takami) at the Constitution Memorial Hall, where he himself participated and exchanged views with the mission. He was one of the leading politicians who promoted cooperation with Viet Nam, partly due to his involvement in the anti-Viet Nam war movement from his university days.

²⁹ Co-financing for SP-RCC: World Bank, US\$300 million; France, US\$126.2 million; Republic of Korea, US\$50 million; Australia, US\$12 million; and Canada, US\$4.3 million. Yen loans (about US\$7.8 million) account for about 60% of the total (US\$1,270 million).

- * Coping with Sea-level Rise: Along with policy and institutional improvements, a project to build sluice gates to prevent saltwater intrusion and install observation and control systems in the Mekong Delta region has been implemented to counter the effects of rising sea levels caused by global warming (Ben Tre Province Water Management Project: ¥24.3 billion loan, 2017).
- * Prime Minister Pham Minh Chinh announced at COP 26 (2021) that the Vietnamese government aims to achieve virtually zero GHG emissions (carbon neutrality) by 2050 and agreed to cooperate with Japan in realising this goal at the Japan–Viet Nam Summit on that occasion. Climate change is a common challenge for Japan and Viet Nam and the focus of future cooperation.

6.3. Human Resource Development (Healthcare, Higher Education, Industrial Human Resources, Governance)

6.3.1. Medical Sector

Cooperation with Ha Noi Bac Mai Hospital, Ho Chi Minh City Cho Lai Hospital, and Hue Central Hospital, the 'three hub hospitals' in the north, south, and central regions, in improving facilities and human resource development, helped upgrade healthcare nationwide through each hub hospital. Cooperation with National Institute of Hygiene and Epidemiology (NIHE) and Center for Research and Production of Vaccines and Biologicals (POLYVAC) also contributed to strengthening measures against infectious diseases, including measles, severe acute respiratory syndrome (SARS), and coronavirus disease (COVID-19).

(i) Three Hub Hospitals

- 1) Ho Chi Minh City Cho Lai Hospital: grants (¥2.52 billion, 1992–1994) and technical cooperation (3 phases, 1995–2009); the Second Cho Lai Hospital (Viet Nam–Japan Friendship Hospital) will be constructed with a yen loan (¥28.6 billion, 2015).
- 2) Ha Noi Bac Mai Hospital: grants (¥6.32 billion, 1998–2000) and technical cooperation (2 phases, 2000–2009)
- 3) Hue Central Hospital: grants (¥2.83 billion, 2004–2006) and technical cooperation (2002–2010)
- 4) Hoa Binh Hospital: grant (¥970 million, 2005) and technical cooperation (2 phases, 2000–2017).
The cooperation model of the three hub hospitals was extended to the north-west mountainous region.

(ii) National Institute of Hygiene and Epidemiology (NIHE)

Biosafety level-3 laboratory of pathogen diagnostic was constructed with a grant (¥891 million, 2006) and supported by technical cooperation (2 phases, 2005–2016), with the cooperation of the National Institute of Infectious Diseases of Japan, which supported the operation of the laboratory and the development of human resources.

(iii) Center for Research and Production of Vaccines and Biologicals (POLYVAC)

Following the grant assistance for measles vaccine (¥1.17 billion, 2001–2002), covering 20 million infants nationwide, Japan supported the construction of a vaccine production centre through grants (¥2.14 billion, 2003–2005) and technical cooperation (2 phases, 2013–2017), with the cooperation

of the Kitasato Institute,³⁰ which supported the operation of the centre and human resource development, contributing to the production of the first domestic measles vaccine in Viet Nam.

- * Control of SARS: After the first case of SARS was identified in Ha Noi in February 2003, patients were admitted to Bac Mai Hospital to control the spread of infection, and the hospital declared it under control in April. Along with the support of the JICA Emergency Relief Team, consisting of Japanese doctors and nurses, the improved system for the prevention of nosocomial infections, which had been developed through years of technical cooperation with the hospital, contributed to the early control of the infection .
- * Response to COVID-19: During the COVID-19 outbreak, the three hub hospitals were at the forefront of inpatient treatment and helped in the treatment of critically ill patients by sending medical personnel to rural hospitals. NIHE also played a central role in establishing and expanding the testing network, and POLYVAC has been working on developing and producing a domestic vaccine.
- * JICA's medical cooperation has been carried out in collaboration with medical institutions and universities across the country, including the National Centre for Global Medical Cooperation of Japan. It should also be noted that many Japanese doctors have contributed to Vietnamese healthcare outside of ODA projects, such as Dr Masashi Hattori (ophthalmology) and Dr Nagato Natsume (cleft lip and palate), who have provided free medical care for many years.

6.3.2. Higher Education

To develop high-level human resources in Viet Nam, Japan has supported universities such as National University of Agriculture, Ha Noi University of Technology, and Can Tho University, amongst others, through a combination of financial and technical cooperation supported by Japanese universities with which they have deep historical relations, to strengthen the education and research systems of respective universities. The project of Viet Nam–Japan University (VJU),³¹ initiated by the high-level agreement between governments, has also made progress in cooperation with Vietnam National University. Meanwhile, the Human Resource Development Scholarship Program (JDS), which accepts international students, mainly from countries in market transition, to Japanese postgraduate schools is expected to foster a number of young Vietnamese administrators who will act as a bridge between Japan and Viet Nam.

(i) National University of Agriculture

- 1) Technical cooperation for strengthening research functions (1998–2004): collaboration with Kyushu University
- 2) Technical cooperation for developing crop varieties (2010–2015): under the Japanese government's programme, Science and Technology Research Partnership for Sustainable

³⁰ The cooperation was based on long-standing exchanges and trust between experts of Japan and Viet Nam; Dr Makino (Kitasato Institute) who contributed to the development of polio and measles vaccines in Japan, and Dr Manh (POLYVAC) who led the research and production of polio vaccine in Viet Nam.

³¹ Viet Nam–Japan University (VJU): Proposed by former Member of the House of Representatives Tsutomu Takebe for establishing a new centre for high-level human resources development in Viet Nam, the VJU project has been implemented based on high-level commitments of both countries, including Prime Ministers, former President Truong Tan Sang, former Party Politburo member To Huy Rua (President of the Vietnam–Japan Parliamentary Friendship Association), and Toshihiro Nikai, Member of the House of Representatives (Chairman of the Japan–Vietnam Friendship Parliamentary Association).

Development (SATREPS)³², Kyushu University and Nagoya University supported the development of new rice varieties adapted to northern mountain regions with high yields and disease and pest resistance, contributing to improving food shortages and stabilising and improving farmers' livelihoods.

(ii) Ha Noi University of Technology

Higher Education Development Support Project on Information and Communication Technology (HEDSPI): Yen loans (¥5.4 billion, 2006) and technical cooperation (2006–2012) supported the establishment of a department of information technology (IT) by introducing a Japanese IT education programme, together with Japanese-language education and study in Japan (Ritsumeikan University and Keio University) to support the development of advanced IT personnel expected by Japanese companies.

* HEDSPI students dispatched to Japanese universities have achieved excellent results, including the top graduates in the IT departments of the universities and many have been employed by Japanese companies. In addition, there have been successful cases of graduates founding software companies and developing their businesses by linking Japan and Viet Nam. The network of graduates is unique in giving birth to new IT businesses.

(iii) Can Tho University

1) Improvement of Faculty of Agriculture (grant, ¥2.26 billion (1993–1995): based on a long-standing relationship through JICA technical cooperation (started 1969), a new campus was built (completed 1995) and research equipment supported.

2) Can Tho University Strengthening Project:

- Yen loan, ¥10.5 billion (2015) supported construction of new facilities (completed 2022), educational and research equipment, research grants, and study in Japan
- Technical cooperation (2016–2021) supported joint research with nine Japanese universities, including Kyushu University, Tokyo University of Agriculture and Technology, and Tokyo University of Marine Science and Technology, in collaboration with technology of Japanese companies, which has led to new investments in the agricultural sector in the region.

(iv) Vietnam–Japan University (VJU)

Technical cooperation (2 phases, 2015–2025) have supported the development of the organisational structure of VJU (established 2014), which opened eight master's programmes in 2016. With the aim of developing a foundation for integrated education from undergraduate to postgraduate studies, the project continues to support the development of sustainable cooperation with Japanese universities, the enhancement of personnel and education and research systems, and collaboration with industry. In addition, a yen loan project to build a new campus is under preparation.

(v) Human Resource Development Scholarship Program (JDS)

The number of Vietnamese administrators studying at Japanese universities through JDS has reached a cumulative total of 763 in the 20 years since the programme began in 2001. The number reflects the development of Viet Nam–Japan relations and is the largest in the programme (5,410 in total from 21 countries).

³² A collaborative programme of the Japan Science and Technology Agency, the Japan Agency for Medical Research and Development, and JICA, the purpose of which is to promote science and technology cooperation with developing countries through collaboration between Japan's science and technology and ODA. Target projects are selected from amongst proposals of universities.

6.3.3. Industrial Human Resources

Technical cooperation with Ha Noi and Ho Chi Minh City University of Industry has introduced Japanese-style vocational training system to support the development of human resources as the basis of Vietnamese industrial development, including in the supporting industries, and has met the human resource needs of Japanese companies. The Vietnam–Japan Institute for Human Resources Development (VJCC) has been contributing to the development of industrial human resources, particularly those who will serve as a bridge between the two countries, for 20 years since its establishment in 2002.

- (i) Ha Noi University of Industry (technical cooperation: 3 phases, 2000–2016): More than 15 years of technical cooperation has helped improve vocational training education (electronic, electrical, mechanical, moulds, etc.) by utilising Japanese know-how such as '5S' and 'Kaizen', as well as providing matching support for employment, thereby becoming a valuable source of human resources for Japanese companies.
- (ii) Ho Chi Minh City University of Industry (technical cooperation: 2013–2018): The know-how of Japanese technical colleges has supported the university's Thanh Hoa branch in training chemical personnel for the Nghi Son Oil Refinery and Petrochemical Project (which started operations in 2018) in the same province in which Japanese companies are participating.
- (iii) Vietnam–Japan Institute for Human Resources Development (VJCC) (grant ¥780 million and technical cooperation: 6 phases, 2000–2025): As part of the Japan Centre Project, which has been implemented in 10 countries, mainly in those in transition, including Viet Nam, training centres were built at the University of Foreign Trade in Ha Noi and Ho Chi Minh City (completed in 2002) to provide Japanese-language and business training, as well as a keiei juku (management school) to teach Japanese-style management. The alumni group of more than 800 graduates of keiei juku has become a network of Vietnamese managers, providing good models for young entrepreneurs and managers.

6.4. Governance

Based on the deepening of the strategic partnership between Japan and Viet Nam, the governance sector has been positioned as a pillar of technical cooperation since the early 2010s, with the core organs of the Vietnamese government and Party as counterparts. Cooperation has been focused on administrative reform and development of next-generation leaders, as well as strengthening the legislative function of the National Assembly, which has become increasingly important in recent years.

- (i) Training for the Prime Minister's Office: Based on the Memorandum of Cooperation (2011) between JICA Viet Nam and the Prime Minister's Office, training visits to Japan for Vietnamese senior officials have been organised on themes requested to improve their policy capacity.
- (ii) Strategic cadre development training (2021–2025): Following the Training Course for Candidates for National Leadership (2013–2016), which was conducted with the cooperation of the Japanese National Personnel Authority, the new training course was organised in cooperation

with the Central Organisation Committee of the Communist Party and the Ho Chi Minh National Political Academy, with the aim of developing human resources for cadres (about 500 officials) in the Communist Party, central government, and provinces. The programme is contributing to high-level networks between Japan and Viet Nam, with Japanese leading intellectuals (from government, business, and academia) introducing Japan's experience in modernisation and economic development and exchanging views on Viet Nam's development strategy and other issues.

- (iii) Capacity building of the Office of National Assembly (training visit to Japan, 2010–2012; technical cooperation, 2 phases, 2014–2021): Following the Constitutional Research Mission (2013), the project has supported the improvement of Parliament's legislative assistant capacity, the promotion of National Assembly Library including e-library services, and the strengthening of public relations activities, using the Legislative Bureau of the House of Representatives and National Diet Library in Japan as a model. It is expected to serve as a model for cooperation with parliamentary libraries in other Asian countries.

6.5. ODA in collaboration with a wide range of partners (small and medium-sized enterprises (SMEs), local authorities, and universities, etc.)

In line with the expanding role of the private sector in developing countries, JICA has been strengthening its support through private sector partnership projects, in which the technology of Japanese companies (especially SMEs) is used to solve development issues, and through the PSIF scheme for private sector projects with high economic cooperation potential. In addition, in rural areas of Japan, in recent years, there has been growing interest in cooperation with developing countries to revitalise the region. JICA's grassroots technical cooperation has been increased, proposed by Japanese local authorities, universities, and non-governmental organisations (NGOs) in various regions. The expansion of the relationship between ODA and the regions has meant that JICA's 13 international cooperation centres across Japan (from Hokkaido to Okinawa), in addition to being hubs for training programmes that utilise the characteristics and strengths of their respective regions, now play an even greater role as a bridge between the regions of Japan and developing countries. In particular, Viet Nam, with its proximity to Japan and pro-Japanese character, has been the focus of interest of SMEs and local authorities across the country in recent years.

6.5.1. Support for Overseas Expansion of SMEs

JICA selects projects that can feasibly contribute greatly to solving problems of developing countries, based on applications from SMEs, and supports projects that conduct preparatory studies to advance into the local market and disseminate and demonstrate technologies and products. Since the start of the programme in 2010, Viet Nam has attracted the greatest interest, accounting for about 250 of the about 1,400 applications received so far by JICA (covering water treatment, environment, agriculture, human resource development, and others). It is the country with the highest number of applications and the highest level of competition.

6.5.2. Cooperation with Local Authorities, Universities, and NGOs (Grassroots Technical Cooperation)

Exchanges between Japanese and Vietnamese local authorities and universities have become more active in recent years, driven by Japan's expectations of receiving Vietnamese human resources, with 75 memoranda of cooperation between Japanese local authorities and Vietnamese provinces and 22 between local authorities and the Vietnamese government (end of March 2020) (Umeda,

2021). As municipalities such as Yokohama, Osaka, Shiga, Fukuoka, and Kitakyushu have cooperated in the environmental sector in various parts of Viet Nam, the experience of Japanese municipalities in overcoming pollution, preventing disasters, and dealing with the ageing population can be a useful reference for Viet Nam, whilst cooperation with Viet Nam will help revitalise Japanese municipalities. Japanese universities are also increasingly active in accepting foreign students as the number of students declines due to the falling birth rate, and expectations are particularly high for Viet Nam as a country with many hard-working and excellent students.



Conclusion: Towards New Cooperation

ODA cooperation between Japan and Viet Nam has contributed to Viet Nam's rapid development and deepened the broad partnership and friendship between the two countries. Viet Nam aims to break out of the trap of middle-income countries through sustained growth and become a developed country by 2045. Prime Minister Pham Minh Chinh, during his first visit to Japan as prime minister in November 2021, called for a 'new era of cooperation'. He announced in the joint statement with the Japanese Prime Minister that their countries should focus on 'four areas of cooperation' for post-COVID-19 economic recovery: (i) transport infrastructure, (ii) infrastructure responding to climate change, (iii) healthcare, and (iv) digital transformation. In implementing the programme, they should take into account the importance of concessionality, simplified procedures, and flexibility (Joint Statement of Japan and Vietnam) (Ministry of Foreign Affairs, 2021). The current world situation has been greatly affected by the counter-movement to globalisation and the competition between the US and China, as well as the prolonged Russian invasion of Ukraine. The Japanese government has revised the Development Cooperation Charter (2015) to review its ODA policy.³⁴ The cooperation between Japan and Viet Nam is increasingly important for peace and stability in Asia and for the realisation of a 'Free and Open Indo-Pacific'. The ability to create new cooperation is required on both sides. Whilst hoping that the circle of cooperation and trust that has spread between the two countries through ODA will continue to develop for many years to come, I would like to raise the following three issues for consideration. Looking back, immediately after the start of Japanese ODA to Viet Nam, leading experts from both countries conducted a joint study on policies for a market economy and discussed development strategies and the direction of Japanese support. On the occasion of the 30th anniversary of ODA, it would be worthwhile to once again establish a consultative forum that brings together the wisdom of the two countries for the early materialisation of a new era of cooperation (Thien, 2022).

(1) Circular cooperation that contributes to mutual growth between Japan and Viet Nam

The Japanese government has led the international standardisation of 'quality infrastructure' through Group of 7 (G7) and Group of 20 (G20) meetings to meet global demand for infrastructure and achieve high-quality growth.³⁵ In Viet Nam, it is essential to further upgrade infrastructure, human resources, and institutions for sustainable development, and there are many areas where

³⁴ The Expert Group established by the Ministry of Foreign Affairs recommended in December 2022 that future development cooperation should (i) pursue the solution of global human challenges and Japan's national interests, (ii) accelerate efforts towards the Sustainable Development Goals, and (iii) strategically utilise ODA and strengthen cooperation with domestic and foreign partners, amongst others. To expand ODA, the group called for the clarification of a concrete path towards achieving the international target of 0.7% of gross national income (GNI) (0.34% for Japan) (Round Table of Experts, 2022). More emphasis is being placed on the strategic nature of ODA, such as strengthening supply chains from an economic security perspective, international standardisation and dissemination of transparent and fair development finance and quality infrastructure, and a more attractive support menu and offer-type support that utilises Japan's strengths, which is expected to be materialised through further discussions.

³⁵ The principle of quality infrastructure investment was proposed and agreed by Japan at the G7 Ise-Shima Summit (May 2016) and has since been confirmed at a number of international meetings, with the G20 Principles on Quality Infrastructure Investment, including for emerging donor countries, approved at the G20 Osaka Summit (June 2019) (Ministry of Foreign Affairs).

Japan's experience, technology, know-how, and financial resources can contribute. In recent years, the ODA policy has emphasised promoting Japan's own national interests, but what is aimed for is mutual benefit on an equal footing, a 'circular cooperation' that will help Viet Nam break out of the middle-income country trap and at the same time contribute to the re-energisation of Japan, making use of the extensive partnership built by ODA. It is hoped that a comprehensive joint Japan–Viet Nam —strategy will be put into practice as soon as possible, including utilisation of yen loans and JICA's support for the private sector as financing under sound debt management policy, cooperation in key national strategic projects such as the high-speed rail and urban transport system, and sharing of experience and knowledge through enhanced collaboration between local authorities and universities.

(2) Mekong regional cooperation and South–South cooperation

Following its cooperation in the GMS programme, the Japanese government has emphasised cooperation in the Mekong region through international frameworks such as the Japan–Mekong Summit (Shiraishi, 2011). Starting with the strengthening of connectivity represented by the Indochina East–West and Southern Economic Corridors, it has expanded to include industrial development, private sector promotion, rule of law, and cooperation on maritime issues in the region. In contrast, China is promoting integration with Mekong countries through transport infrastructure projects as part of its One Belt, One Road initiative, raising concerns about its expanding political and economic influence, including the 'debt trap' caused by its large-scale loans. Therefore, it is highly significant for Japan, together with Viet Nam, which has become a major country in the ASEAN–Mekong region, to share mutual experience in ODA through various Japan–Mekong frameworks and contribute to the development of the region by presenting better cooperation approaches.

On the other hand, the achievements of Japan–Viet Nam cooperation in the Mekong region can serve as a model for other regions, particularly in Africa, where a number of cross-border corridor plans have been implemented, and based on historical friendship, many African countries are interested in the Vietnamese experience in economic growth and poverty reduction.³⁶ The potential for Japan–Viet Nam–Mekong–Africa 'triangular cooperation' is also to be expected. As Viet Nam has evolved into a central player in the ASEAN and Mekong regions, there is a growing anticipation that, similar to Thailand's establishment of the Thai International Cooperation Agency (TICA) nearly 2 decades ago, Viet Nam, in partnership with Japan, will make a global impact by creating 'VICA' – the Vietnam International Cooperation Agency.

³⁶ Japan–Viet Nam–Africa Triangle Cooperation: In Mozambique in Southern Africa, to promote the Nacala Economic Corridor project, which connects the country to Zambia via inland Malawi, in addition to the mutual study visits by government officials, local seminars in Mozambique (Maputo and Nacala) were organised to share experiences in infrastructure and industrial development in the Indochina East–West Economic Corridor, where Japanese development economists and Vietnamese experts jointly participated (2007). In the mid-2010s, Vietnamese agricultural experts participated in JICA technical cooperation for irrigated rice cultivation in Mozambique, at the suggestion of the Japanese side, and provided technical guidance together with Japanese experts. There is a long-standing friendship between the two countries, which share a difficult history of independence, as symbolised by the presence of 'Ho Chi Minh Boulevard' in Maputo, the capital of Mozambique.

(3) Japan–Viet Nam human resource cooperation

More than 450,000 Vietnamese work in Japan, accounting for about 26% of all foreign workers, the largest number by country (end of October 2021) (Ministry of Health, Labour and Welfare, 2022). Many local authorities in Japan, where the birth rate is declining and the population is ageing, are increasingly interested in young and highly skilled Vietnamese human resources. Whilst Japan's technical internship system to date has produced many positive results for trainees and companies, it has also caused serious problems, such as a large financial burden on trainees, inadequate prior Japanese language training, and poor working conditions. JICA has been supporting the platform for the exchange of information between companies that employ foreign workers, and shares lessons learnt and improvement measures.³⁷ In Viet Nam, cooperation in high-level human resource development through Japanese ODA has been successful, and exchanges with energetic Vietnamese students and young human resources have been a great stimulus for Japanese youth. For the future of both countries, better cooperation in human resources is expected.

'Wise human resources are the mutual vigour of Japan and Viet Nam'.



³⁷ [Japan Platform for Migrant Workers towards Responsible and Inclusive Society \(JP-MIRAI\)](#): Established in 2022, based on JICA's proposal, as a platform for companies and related organisations to exchange information and solve problems, with the aim of improving the working and living conditions of foreign workers and realising 'Japan trusted and chosen by workers around the world'.

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