

## JBIC SIGNS ODA LOAN AGREEMENTS WITH BANGLADESH

### --To Support Rural Infrastructure Development and Transportation Infrastructure--

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1. Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) signed today ODA loan agreements amounting to 13,815 million yen to finance the Greater Faridpur Rural Infrastructure Development Project, Rural Electrification Project (Phase V-B) and Rupsa Construction Project in Bangladesh. This brings JBIC's cumulative ODA loan commitments to the country to 68, totaling 547 billion yen.(\*)
2. Of the three projects, the loan for the Greater Faridpur Rural Infrastructure Development Project will provide funds for civil works, procurement of equipment and the NGO activities for the training of local officials to develop rural infrastructure, including main rural roads, village markets and rural administrative facilities. In Bangladesh, lagging development in rural infrastructure is posing an obstacle to efficient distribution and sale of agricultural products, procurement of fertilizer, seeds and agricultural machinery and provision of social services ranging from health care to education. As a result, it is estimated that half of the rural population, which account for 80 percent of the total population, is still living in poverty which is defined as nutritional intake per person of less than 2,122 calories per day. This project aims to develop rural infrastructure to reduce poverty, in partnership with NGOs, thus invigorating the rural economy, creating employment and increasing access to local administrative services.
3. The loan for the Rural Electrification Project (Phase V-B) will finance civil works and procurement of materials, equipment and services to establish power distribution networks, bringing electrification to 57,000 households. In Bangladesh, the Rural Electrification Board (REB) was founded in 1977 to push forward rural electrification. With a mandate to deliver and distribute electric power in rural areas, REB adopted a plan under which power distribution was relegated to locally set-up rural electrification cooperatives. In this way, REB brought about efficient and effective electrification. Nonetheless, households with electricity still account for as low as 15% of the country's total households. Therefore, further electrification of rural areas where 80% of the population resides is an important task for bolstering the nation's economy and reducing poverty. This project aims to increase the number of households with electricity and improve the efficiency of power distribution. It is therefore expected to increase productivity in agriculture and other industries.
4. The loan for the Rupsa Bridge Construction Project will finance civil works and procurement of materials, equipment and services for constructing a bridge over the Rupsa River flowing through Khulna City; This will create an efficient and safe road transport network in the city and its surrounding areas. Khulna City, the political and economic center of southwestern Bangladesh, is separated from Mongla Port, the country's second international port, located 40 kilometers to the south, by the Rupsa River. The river poses a significant obstacle to passenger and cargo traffic, creating a bottleneck for the region's economic development. This project aims to put in place an efficient and safe road transport network by building a bridge over the Rupsa River to promote the region's development and a more vigorous economy. More smooth passenger and freight traffic is expected to stimulate regional economic activity.

(\*)Excluding ODA loan commitments made by the former Export-Import Bank of Japan.(back)

(See Appendix for details.)

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Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) today signed ODA loan agreements totaling 13,815 million to finance the Greater Faridpur Rural Infrastructure Development Project, Rural Electrification Project (Phase V-B) and Rupsa Construction Project in Bangladesh.

The signing took place in Tokyo between H.E. Jamil Majid, Ambassador of the People's Republic of Bangladesh to Japan, and JBIC Governor Hiroshi Yasuda. This brought JBIC's cumulative ODA loan commitments to the country to 68, totaling 547 billion yen.

#### 1. Loan Amount and Conditions

Project Name		Amount (Mil. yen)	Interest Rate (%/Year)		Repayment Period/Grace Period (Years)		Tying Status	
			Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Services
1	Greater Faridpur Rural Infrastructure Development Project	4,055	1.0	0.75*	30/10	40/10	General Untied	General Untied
2	Rural Electrification Project (Phase V-B)	1,460	1.0	-	30/10	-	General Untied	-
3	Rupsa Construction Project	8,300	1.0	0.75*	30/10	40/10	General Untied	General Untied
		13,815						

\* Interest rate for Special Environmental Project

#### 2. Characteristics of the ODA loans to Bangladesh

In recent years, Bangladesh has been achieving a 4% to 5% economic growth annually. Nevertheless, the United Nations ranks the country as a least less-developed country (LLDC) that still desperately needs financing to develop its economic and social infrastructure and to reduce poverty. JBIC has to date provided ODA loans to the sectors high on the priority list under the Bangladeshi development plan, such as electric power, gas, mining, transportation, telecommunications, and rural development. The latest ODA loans are extended for two sectors: development of rural infrastructure and transportation. They will support the development of rural areas, where some 80% of the population resides. This will be done by improving main rural roads, village markets and rural administrative facilities, as well as expanding rural electrification, while providing continued assistance for bridge construction and other economic infrastructure development to help reduce poverty by achieving sustainable economic growth.

#### 3. Project Description

##### (1) Greater Faridpur Rural Infrastructure Development Project

###### (i) Background and the Need of the Project

In Bangladesh, about 80% of the population lives in rural areas, and agriculture is the largest industry contributing to 30% of the gross domestic product. However, lagging development in rural infrastructure, including main rural roads, village markets and rural administrative facilities, poses an obstacle to efficient distribution and sale of agricultural products, procurement of fertilizer, seeds and agricultural machinery and provision of social services ranging from health care to education. As a result, it is estimated that half of the rural population is still living in poverty which is defined as nutritional intake per person of less than 2,122 calories per day. There is a substantial need for developing rural infrastructure on a broader scale.

###### (ii) The Objective and Description of the Project

The project will develop rural infrastructure including rural roads, village markets and rural administrative facilities in Greater Faridpur (Faridpur, Rajbari, Madaripur, Gopalganj and Shariatpur), where the impoverished population accounts for a larger portion than the national average and rural development is lagging behind. Further, to ensure effective use of these facilities, the project employs methods that encourage residents' participation in drawing up and administering the plan. It will also start road rehabilitation work and training programs for village officials in partnership with NGOs to help improve the income level of the poor. Through these efforts, the project aims at bolstering access of local residents to economic and social services, updating agricultural distribution, and helping the poor and the women to take part in the development process, thus invigorating the local economy and contributing to poverty reduction.

The executing agency is Local Government Engineering Department. Address: Agargoan, Shere-e-Bangla, Nagar, Dhaka-1207 Phone: +880-2-822257, Fax: +880-2-813144

[\[back to project list\]](#)

##### (2) Rural Electrification Project (Phase V-B)

###### (i) Background and the Need of the Project

In Bangladesh, the Rural Electrification Board (REB) was founded in 1977 to push forward rural electrification. With a mandate to deliver and distribute electric power to rural areas, REB adopted a scheme under which power distribution was relegated to locally set-up rural electrification cooperatives. In this way, REB achieved efficient and effective electrification. Nonetheless, households with electricity still account for as low as 15% of the country's total households, and further electrification of rural areas where 80% of the population resides is an important task for bolstering the country's economy and reducing poverty.

Separately, power distribution in the urban areas is chronically burdened by the high rate of power losses due to outdated facilities and pilferage. There are also difficulties in tariff collection. In contrast, the REB has successfully introduced a mechanism for appropriate incentives and penalties, has reduced the loss rate and has improved the rate of tariff collection. Therefore, the Government of Bangladesh decided to shift part of management of the distribution facilities from urban power utilities to the REB, and this process is well underway. In this project, the facilities shifted to the management of the REB will also be rehabilitated, which will contribute to the increased efficiency of the power sector.

###### (ii) The Objective and Description of the Project

The project is part of the final stage of the five-phase nationwide electrification program. In this phase, two newly created cooperatives in Khulna and Jhalakati will develop their power distribution networks to provide electricity to a total of 57,000 households. The proceeds of the loan will be used for foreign currency expenditures in establishing and rehabilitating the distribution networks and constructing four transformer substations (33/11kV).

The executing agency is the Rural Electrification Board (REB). Address: Joarshahara, Khilkhet, Dhaka-1229 Phone: 880-2-896424 Fax: 880-2-896400

[\[back to project list\]](#)

##### (3) Rupsa Construction Project

###### (i) Background and the Need of the Project

One of the characteristics of the road sector in Bangladesh is that five major corridors are intersected by rivers, which hinder efficient operation of the road networks. To address this problem, the construction of bridges is underway at a measured pace.

Khulna City, the political and economic center of southwestern Bangladesh, is separated from Mongla Port, the country's second international port, located 40 kilometers to the south, by the Rupsa River. The river poses a significant obstacle to passenger and cargo traffic, creating a bottleneck for the region's economic development. Therefore, building a bridge across the river is considered indispensable for ensuring efficient and safe transport for the residents of Khulna City and the surrounding areas.

(ii) The Objective and Description of the Project

The objective of this project is to construct a bridge over the Rupsa River flowing through Khulna City to develop an efficient and safe road transport network in the City and the southwestern part of the country. This will also contribute to the development of western Bangladesh with the use of Mongla Port and stimulate more vigorous inter-regional economic transactions between eastern and western Bangladesh. Additionally, connecting Khulna City and Mongla Port by road will make it possible to deal with increased cargo traffic, which is expected to pass through this port in the future.

The executing agency is Roads and Highways Department (RHD), Ministry of Communications. Address: Sarak Bhaban, Ramna, Dhaka-1000 Phone: +880-2-9562829 Fax: +880-2-9556268

[\[back to project list\]](#)