

## JBIC Signs ODA Loan Agreements with Bangladesh

### --First Application of the MIRAI Initiative and Support of Sustainable Development through the Development of Economic Infrastructure--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today ODA loan agreements totaling up to 24.906 billion yen to finance three projects with the Government of the People's Republic of Bangladesh.
2. Posting relatively high economic growth of over 5% in recent years, Bangladesh has been making steadfast poverty reduction efforts with its sights set on achieving the Millennium Development Goals (MDGs).[1] Bangladesh, which has a population of 140 million, is also drawing attention as one of the Next Eleven (N-11) countries,[2] which are believed to have the largest potential following the BRICs. Under these circumstances, the latest signed ODA loan will contribute to realizing Bangladesh's potential with sustained and accelerated private sector-led economic growth by improving economic infrastructure including telecommunications, water supply, and electric power, which are posing bottlenecks to economic growth.
3. In the meantime, Bangladesh's income level remains low. Poor people living on less than one dollar a day account for a 36% of the total population as of 2000. The MIRAI Initiative,[3] which was newly introduced in FY2006, was applied to this loan for the first time to alleviate the debt burden on the Government of Bangladesh, while further advancing poverty reduction through economic growth.
4. Highlights of the newly signed loan projects are as follows:
  - (1) Under the Karnaphuli Water Supply Project, water supply facilities will be developed in Chittagong, the industrial base of Bangladesh, to improve residents' living conditions and the investment climate. In addition to physical infrastructure development, organizational and institutional development will be assisted, including managerial improvement for the Water Supply and Sewerage Authority.
  - (2) Under the Grid Substations and Associated Transmission Lines Development Project, substations and transmission lines will be developed in major cities and their surrounding areas, where a rapid increase of demand is foreseen for the coming years, to ensure a stable supply and reliability of electric power.
  - (3) Under the Telecommunication Network Development Project, telecommunications infrastructure such as trunk communication lines will be developed to improve telecommunications services in terms of both quality and quantity, thereby improving the investment climate which is essential for the development of the private sector. The project will also help the telecommunications operator to improve its management in order to ensure the efficient realization of project effectiveness.

(Click here for details.)

---

[1] In September 2000, the UN Millennium Summit held in New York adopted the UN Millennium Declaration, which set out an agenda on peace and stability, development and poverty, environment, human rights and good governance. The Millennium Development Goals were compiled in 2001 by combining this Millennium Declaration with the international development goals adopted at summits and major international conferences during the 1990s.

[2] Goldman Sachs, which also created the term BRICs, selected the 11 countries of Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, the Philippines, Turkey and Vietnam as those constituting the Next Eleven (N-11).

[3] New Yen loans' concessional scheme with a 0.01% interest rate and 40 years repayment period applicable to low-income LDCs. MIRAI stands for Minimal Interest Rate Initiative for low-income LDCs. The word "MIRAI" also represents "future" in Japanese.

## 1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Karnaphuli Water Supply Project	12,224	0.01*	40/10*	General Untied
Grid Substations and Associated Transmission Lines Development Project	4,642	0.01*	40/10*	General Untied
Telecommunication Network Development Project	8,040	0.01*	40/10*	General Untied
Total	24,906			

\* Lending term under the MIRAI initiative.

## 2. Project Outline

### (1) Karnaphuli Water Supply Project

The Project aims to improve living conditions of local residents and the investment climate by developing water supply and facilities in Chittagong and increasing water supplies to households and industry.

Water supply facilities have not been sufficiently developed in Chittagong due to a lack of capital investment. Since water is supplied only a few hours per day in some parts of the city, local residents have to use unsanitary water drawn from ponds and rivers. Thus, there is a need to improve their living conditions. In addition, a shortage of industrial water is hindering private sector investment in Chittagong, a city that constitutes the industrial base of Bangladesh.

The Project addresses such household and industrial water shortages. At the time of its completion, access to safe water in Chittagong is expected to increase from the current 48% to 72% of the population, with the number of people served by piped water rising from the current 1.3 million to 2.2 million.

The proceeds of the loan will be used for the construction of water treatment plants and water transmission and distribution facilities, as well as the procurement of consulting services including technical assistance like modernization of the accounting system and water leakage reduction. Organizational and institutional development through this technical assistance, combined with physical infrastructure development, will enhance project effectiveness and sustainability.

Executing agency: Chittagong Water Supply and Sewerage Authority

Address: WASA Bhavan, Dampara, Chittagong, Bangladesh

Tel: 880-31-612898 Fax: 880-31-610465

### (2) Grid Substations and Associated Transmission Lines Development Project

The Project aims to ensure a stable and reliable power supply by constructing new substations, increasing the capacity of the existing substations and installing more transmission lines in major cities and their surrounding areas in Bangladesh, thereby serving to promote economic and social development. JBIC will also collaborate with the Japan International Cooperation Agency (JICA) for transferring Total Quality Management (TQM) to support the executing agency in improving operational efficiency.

Reflecting robust economic growth, peak power demand in Bangladesh is projected to increase at an annual rate of 8-10% in the foreseeable future. Even today, the country's substations and transmission lines are overloaded and many areas are forced to limit power supplies with rolling blackouts. While the government has constructed new substations and expanded the existing substations and transmission lines, capital investment is not catching up with sharply rising demand.

In particular, power demand in such major cities as Dhaka, Comilla and Chittagong, as well as their surrounding areas, is expected to exceed transmission capacity by a wide margin in the matter of a few years. Frequent power outages and seriously low voltages in these areas, where many small and medium enterprises (SMEs) are operating, will have an especially adverse impact on their business activities because SMEs cannot afford their own power generators. Therefore, a reliable, high-quality power supply is indispensable for underpinning economic growth, and power grids have to be developed fast and adequately to meet the ever-increasing power demand.

The proceeds of the loan will be used for the procurement of transformers and related equipment to construct and expand substations, as well as transmission lines and towers.

Executing agency: Power Grid Company of Bangladesh Ltd

Address: Red Crescent Concord Tower (6th Floor) 17, Mohakhali C/A Dhaka—1212, Bangladesh

Tel: 880-2-9890938 Fax: 880-2-9888501

### (3) Telecommunication Network Development Project

The Project aims to make quantitative and qualitative improvements in telecommunications service in major cities and their surrounding areas in Bangladesh by expanding interconnection facilities between fixed and mobile telephone networks, international exchanges and national backbone lines, thereby serving to promote the country's economic growth through private sector development.

In Bangladesh, the Bangladesh Telegraph and Telephone Board (BTTB), the dominate provider of fixed line service, owns the common telecommunications infrastructure, including national backbone lines, local exchanges and international exchanges. The existing facilities, however, are aging and do not have the adequate capacity to meet present demand.

Whereas fixed phone teledensity is only 0.6%, mobile phone teledensity is 4.8%, and access to mobile phones is expanding rapidly even in rural areas. However, given the shortage of interconnection facilities, only one out of four mobile phones can make a call to fixed phones. Such inconvenience necessitates improving the quality of telecommunications service.

Lagging development of telecommunications infrastructure and inconvenient service have been hindering private sector development and efforts to attract foreign capital, thus posing a major bottleneck to the country's economic growth.

The proceeds of the loan will be used for expanding facilities for connecting fixed and mobile telephone networks, expanding the capacity of international exchange facilities as well as national backbone lines and consulting services. In addition, the project will provide assistance for managerial improvement, such as modernization of the financial accounting system of the executing agency.

Executing agency: Bangladesh Telegraph and Telephone Board

Address:Telejogajog Bhaban, 37/E, Eskaton Garden, Dhaka—1000, Bangladesh

Tel: 880-2-831-1500 Fax: 880-2-831-2577

[RD1] Please confirm that this edit has not changed the intended meaning of the sentence.