

JBIC Signs Japanese ODA Loan Agreement with Bangladesh

--Helping to Tackle Electric Power and Other Urgent Issues toward Sustainable Development--

1. Japan Bank for International Cooperation (JBIC; Governor: Koji Tanami) signed on 11 Japanese ODA loan agreements totaling 35,996 million yen to finance three projects with the government of People's Republic of Bangladesh.
2. Bangladesh has sustained robust growth exceeding 5% in recent years, and the population in poverty decreased by 10% over the decade from 1990. The country is recently showing promising signs of pulling itself out of prolonged stagnation and entering into a new development stage. In addition, endowed with as many as 140 million people, Bangladesh's good potential is drawing world attention. Infrastructure development has been lagging behind the rapidly growing economy, however, giving rise to concerns that this would pose a bottleneck to the country's future growth potential. For example, in the power sector, the electricity supply has failed to catch up with the robust demand that has been growing 8% annually in recent years, thus forcing the government to carry out planned outage for about 1,400 hours a year. Likewise in the railway sector, while demand for transportation has posted an annual 5% growth, aging rails and other infrastructure as well as depleted machinery and equipment have made it hard to meet such a strong demand in terms of both transportation volume and the quality of service. Further, with about 36% of the total population still living under a dollar a day, the country continues to face the significant challenge of pulling those people out of poverty by effectively taking advantage of growth opportunities.
3. The newly signed Japanese ODA loans will help the Government of Bangladesh to tackle these challenges, by supporting basic infrastructure, which is essential for sustainable development of Bangladesh, as well as boosting of income, which contributes to poverty reduction. Below are highlights of the Japanese ODA loan-financed projects:
 - (1) New Haripur Power Plant Development Project will construct a new combined cycle power plant (capacity: 360MW, equivalent to about 10% of the total national capacity) in Haripur of Narayanganj District, in the outskirts of Dhaka, to make up for the serious power shortages. The project is also aimed at actively encouraging the government to advance power sector reforms, by assisting the management of Electricity Generation Company of Bangladesh Limited (EGCB), a company established in 2004 as part of efforts to reform the sector.
 - (2) Dhaka-Chittagong Railway Development Project is aimed at strengthening transportation capacity and facilitating a shift from motor transport to railway transport, a more environmentally-friendly mode of transport, by enhancing a railway network that provide linkage between the capital Dhaka and Chittagong, an industrial base, where transportation capacity is projected to become tight over the coming years. JBIC will also strive to improve the efficiency of railway management, by supporting the Bangladesh railway sector reforms jointly with the World Bank and Asian Development Bank.
 - (3) Small Scale Water Resources Development Project will provide small-scale infrastructure for water resources management to make an effective use of water resources in the environment where local residents often suffer from flooding in the rainy season, as well as drought in the dry season. The project targets the rural villages and is aimed at promoting fishery and farming industry by transferring and disseminating agriculture and fishing skills necessary for effectively utilizing such infrastructure, thereby helping reduce poverty in the target region. Community residents will participate in this project from the planning stage to operation and maintenance activities through forming water management cooperatives, which will contribute to building up a community-driven and sustainable operation and maintenance system.
4. As in FY2006, lending terms under the MIRAI Initiative are applied to Japanese ODA loans that JBIC provides to Bangladesh in this fiscal year. Japanese ODA loan provision is thus expected to further support poverty reduction through economic growth, while easing debt burdens on the government of Bangladesh.

(Click here for details.)

Reference

1. Project Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period /Grace Period (Year)	Procurement
New Haripur Power Plant Development Project	17,767	0.01	40/10	General Untied
Dhaka-Chittagong Railway Development Project	12,916	0.01	40/10	General Untied
Small Scale Water Resources Development Project	5,313	0.01	40/10	General Untied
Total	35,996			

2. Outline of the Project

(1) New Haripur Power Plant Development Project

(a) Background and Necessity

While the robust economic growth (5~6% relative to GDP) in recent years has pushed up demand for electric power (by 8% annually) in Bangladesh, the power supply has failed to catch up with this strong demand. Although peak hour power demand reached around 4,600MW in FY2005, the current power generation capacity has dwindled to about 3,700MW, only 70% of the necessary installed capacity, due to aging facilities and the like. Local authorities had no choice but to restrict power supply by conducting planned outages, and the total hours of blackout carried out in 2005 reached about 1,400 hours (4 hours a day on average). Demand for electric power is projected to continue growing further, and to reach approximately 7,300MW in 2010. In order to meet this growing demand, the government is in pressing need to construct new power generation plants. In addition, to enhance power supply capacity, there is a need to reform the power entities that are burdened with fragile financial situations coupled with low operating rates of the power plants.

Under these circumstances, the government of Bangladesh has been advancing the power sector reforms by setting up a reform plan, whose primary purpose is to improve the efficiency of management, as well as to unbundle operations of generation, transmission and distribution facilities, which previously used to be unified within one entity, into separate companies. The present Bangladesh Government considers the power sector as a top priority, believing that a reliable and high quality power supply is a crucial component of the economic foundation upon which the country's steady economic growth can be maintained and further developed.

(b) Purpose and Description

The purpose of the project is to construct a gas combined cycle thermal power plant with capacity of 360MW in Haripur, of Narayanganj District, on the outskirts of Dhaka, and to support operation of EGCB, the project's executing agency. The project is thus expected to help strengthen industrial competitiveness and improve the living environment of the community residents by increasing the power supply, while vigorously accelerating the power sector reforms being implemented by the government of Bangladesh.

The proceeds of the loan will be applied to the construction of the gas combined cycle power plant as well as its related facilities, and consulting services including for enhancement of the operation system.

Project executing agency: Electricity Generation Company of Bangladesh Limited. (EGCB)

Address: BTMC Bhaban, 8F, 7-9 Kawranbazar, Dhaka, 1217

Tel: 880-2-911-6382, 812-4197, 913-4029 Fax: 880-2-957-0160, 911-8345

(2) Dhaka-Chittagong Railway Development Project

(a) Background and Necessity

In parallel to the robust economic growth (5~6% of GDP) in recent years, demand for transportation has steadily increased by 5~6% annually in Bangladesh, showing a particularly rapid growth in the demand for transport in the Dhaka-Chittagong corridor, connecting Dhaka, the capital city and political and economic hub of the country, and Chittagong, the second largest city and industrial hub with the country's largest seaport. Whereas the government has high expectations for the railway to play a leading role in meeting this increasing demand, it seems difficult for the current railway facilities to meet such expectations, since they were mostly developed during the British Colonial period (up to 1947), and the Government of Bangladesh has scarcely made any new investments since independence in 1971. This has caused railway facilities to become old and decrepit, and if left unattended, they will have difficulty in meeting the growing transport demand, thus posing a bottleneck for the economic growth in the years ahead.

(b) Purpose and Description

The purpose of the project is to strengthen the transportation capacity and to improve the quality of railway service of the Dhaka-Chittagong section, by fully capitalizing on the inherent strengths of railway transport—massive, rapid, punctual, safe and environmentally friendly—thereby contributing to the country's socioeconomic infrastructure development and environmental improvement. In addition, the project will contribute to more efficient railway operation by supporting, jointly with the World Bank and Asian Development Bank, the railway reform program implemented by the Government of Bangladesh.

The loan will fund civil work for doubling a part of Dhaka-Chittagong rail track, rehabilitation of a workshop, procurement of locomotives, and consulting services.

Project executing agency: Bangladesh Railway

Address: Rail Bhaban 16, Abdul Gani Road Dhaka-1000, Bangladesh

Tel: 880-2-956-1200 Fax: 880-2-956-3413

(3) Small Scale Water Resources Development Project

(a) Background and Necessity

In Bangladesh, 77% of its total population and 85% of the poor live in rural areas. Reducing poverty in rural areas is a significant agenda for promoting development of the country.

Since over 90% of the land area consists of the low plateau less than 9m above sea level, the country is frequently hit by flooding during the rainy season when it has have 80% of the total annual precipitation (from June through October), thus causing farmland to be washed away. In addition, during the dry season, farming output is decreased by as much as 30% due to drought. To realize poverty reduction through the development of rural areas under such a harsh natural environment, it is crucial to alleviate damages to farm land caused by flooding. It is also essential to promote agriculture and fishery activities and directly develop farming villages by making effective use of water resources through the improvement of small-scale facilities for water resource management, which is expected to upgrade income and improve nutrition in rural areas.

(b) Purpose and Description

The project targets three greater areas (Greater Mymensingh, greater Sylhet, and greater Faridpur areas), where per capita GDP is below the national average. The project consists of providing small-scale infrastructure (flood management, drainage improvement, water conservation and command area development by irrigation) to make an efficient use of water resources, as well as transferring and disseminating agriculture and fishery skills to effectively utilize such infrastructure, thereby contributing to the promotion of agriculture and fishery activities, and reducing poverty.

The proceeds of the loan will be applied to the construction of small-scale infrastructure mentioned above, dissemination of agriculture/fishery technology, and consulting services for establishing community-participating water management cooperatives.

Project executing agency: Local Government Engineering Department

Address: RDEC Bhaban, Agargaon Shere Bangla Nagar, Dhaka-1207

Tel: +880-2-912-7163 Fax: +880-2-913-2061