# JICA signed Japanese ODA Loan Agreement with Bangladesh

Support for Basic Infrastructure to Promote Sustained Growth and Reduce Poverty

- 1. On March 1, 2009, JICA (President: Sadako Ogata) signed Japanese ODA loan agreements with the government of the People's Republic of Bangladesh totaling up to 39.74 billion ven for three projects.
- 2. Bangladesh has been moving forward toward accelerated economic and social development. In recent years, the country has maintained a steady annual growth rate of about 6 percent, while the people living below the poverty line has significantly decreased from 58.8 percent of its population in 1990 to 40.8 percent as of 2005. With the population of over 140 million, the country's development potential is now globally recognized. Moreover, the successful completion of the general election in end-2008, held following the two-year preparation by the caretaker government, is expected to pave the way for continuous stable development under the democratic government.
- 3. Nevertheless, the implementation of the basic infrastructure has not kept pace with the country's growth, thus could become a bottleneck for further economic development. For instance, in the power sector, the demand is expected to grow at annual 8 percent, while the lack of power supply is causing the rolling blackouts averaging more than 4 hours a day. In addition, narrow and decayed bridges scattering elsewhere significantly hinder the nationwide communication network, particularly for the country like Bangladesh where rivers are running across the country. Against this background, it is a critical challenge to move as many people as possible out of poverty by taking advantage of growth opportunity. for Bangladesh in which per capita annual GNI (Gross National Income) still remains around 480 dollars.
- 4. Under these circumstances JICA and Bangladesh conclude the ODA loan agreements to support overcoming the weaknesses of basic infrastructure, essential for the social and economic development. This package also aims at contributing to restraining the greenhouse gas emissions, based on the country's participation in the Cool Earth Partnership program with the Japanese government. The outlines of each loan are summarized as below;

(1) The development of a highly efficient electric power infrastructure to bridge the huge demand-supply gap as well as to achieve energy savings.

In order to alleviate the country's urgent power supply needs, the **New Haripur Power Plant Development Project (II)** is to construct a thermal power station in Haripur, Narayanganj District on the outskirts of Dhaka. At 360 megawatts, this power station has a generating capacity equal to 10 percent of all Bangladesh. This project is also expected to promote the country's power sector reform through management support for the Electricity Generation Company of Bangladesh (EGCB), which was established in 2004 as part of the process of the power sector reform.

The **Central Zone Power Distribution Project** aims at ensuring a stable power supply in the central region (Greater Mymensingh and Sylhet areas), through new installment and improvement of the regional power distribution network. It should also be noted that this project will support corporatization of a newly-established power distribution company in the central zone. It is a part of the unbundling process of the nationwide power distribution function under the JICA's collaborated assistance with the World Bank and the Asian Development Bank (ADB).

These two projects will improve the overall energy efficiency for Bangladesh through containing green house gas emissions thanks to an introduction of a natural gas combinedcycle power plant and elimination of transmission loss by renovating aged distribution networks.

(2) Promoting reliable and efficient transportation by rehabilitation of bridges

Under the Eastern Bangladesh Bridge Improvement Project, small and medium sized bridges located in several key routes with high-volume traffic will be repaired and widened to improve Bangladesh's nationwide transportation network. The target area is the eastern Bangladesh, which has seen relatively less improvement in its bridges compared with the western Bangladesh, despite its industrial concentration. In addition, this project will strengthen the system for maintenance and administration of the bridges. Consequently, this project is expected to enhance the overall sustainability of the transportation infrastructure in the country which should frequently suffers from flooding.

5. It is worth noting that the present official development loan is provided under preferential conditions reserved for the least developed countries (0.01 percent interest rate and a 40year repayment period), subsequent to the application of the same condition in the previous two packages. The Bangladesh government is encouraged to reduce its debt burden and promote further economic growth, by taking advantage of such favorable conditions.

# (For further details, click here.)

The Map of Japanese ODA Loan projects signed on March 1, 2009 (PDF/986KB)

- [1] One of the Millennium Development Goals established by the United Nations is to "Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation."
- [2] In June, JICA established the "Study Group for Japan's assistance in sanitation sector" to study strategies for applying sanitation-related technologies and providing assistance to deal with sanitation problems in developing countries. The Commission is currently compiling its findings in a document provisionally titled "The Guidebook for Japan's assistance in sanitation sector (provisional title)".

# Reference

### 1. Loan Amount and Terms

Project Name	Amount (million yen)	Interest rate (%)	Repayment Period/ Grace period(years)	Procurement
New Haripur Power Plant Development Project (II)	22,210	0.01	40/10	General Untied
Central Zone Power Distribution Project	9,715	0.01	40/10	General Untied
Eastern Bangladesh Bridge Improvement Project	7,824	0.01	40/10	General Untied
Total	39,749	0.01	15/5	General Untied

# 2. Project Summaries

#### (1) New Haripur Power Plant Development Project (II)

(a) Background and Necessity

With sustained GDP growth at annual rate of about 5 to 6 percent, demand for electric power in Bangladesh has grown 8 percent annually in recent years. However, the power supply has not kept up with its demand. Although peak demand reached almost 47 hundred megawatts (MW) in 2006, the power generation capacity still remains at about 38 hundred MW due to aged facilities. As a result, local power supplies are frequently interrupted by rolling blackouts that periodically last for long time periods. In 2005 alone, blackouts totaled 14 hundred hours, or an average of four hours per day. Inadequate capacity has also caused a loss in power system stability, voltage instability and unplanned blackouts. At the same time, it is expected that demand for electric power will increase by 42 hundred megawatts additionally by 2012. It is therefore critical for Bangladesh to construct new power plants. In order to ensure an enhanced power supply, the current situation also warrants the reform of the power producers who are now suffering from low plant utilization rate and financial weakness.

For these reasons, the Bangladesh government has committed to unbundle the vertically integrated structure of the power sector into power generation, transmission and distribution companies as part of comprehensive reforms to improve the sector's operational efficiency. While the general election held on December 2008 ushered in a new democratic administration, Bangladesh must have a reliable and high-quality electric power supply to maintain its present economic prosperity and growth, and is therefore giving the highest priority to electric power sector.

#### (b) Objective and Summary

Following the first phase, this project will assist the construction of a 360 MW gas combined-cycle thermal power station near Dhaka as well as provide administrative support for the executing agency, the Electricity Generation Company of Bangladesh (EGCB). The gas pipeline to serve the plant is scheduled to be constructed by financial support of the World Bank, as a result of well-devised donor coordination.

The project is expected to enhance industrial competitiveness and improve the standard of living by meeting the electricity power demand, at the same time as to further promote the reform process of the power generation sector. Moreover, nationwide energy efficiency is expected to increase as a result of an installation of high-efficiency natural gas power generating facilities.

This loan will be appropriated to civil works and procurement of equipment for thermal power station and its auxiliary facilities construction and consulting services which includes strengthening the management capacity of EGCB.

#### Executing agency: Electricity Generation Company of Bangladesh Address: BTMC Bhaban, 8F, 7-9 Kawranbazar, Dhaka, 1217 Tel: +880 (2) 957-0160, 911-6382, Fax: +880 (2) 957-0160, 911-8345

# (2) Central Zone Power Distribution Project

(a) Background and Necessity

With sustained GDP growth at annual rate of about 5 to 6 percent, Bangladesh's demand for electric power has grown 8 percent annually in recent years. Supply is, however, failing to keep up with demand, resulting in an urgent need to expand its transmission and distribution network in addition to the strengthening of power generation capacity as mentioned above. Actual electrification in Bangladesh remains around 40 percent, on the contrary to the government's official policy to achieve one hundred percent electrification by 2020. Thus, the government formulated the three-year plan to lay 50 thousand kilometers of new distribution lines between 2007 and 2009. The country also needs to repair its aging power distribution facilities to address low rates of distribution loss, which is currently averaging 19 percent nationwide due to aging facility, low-voltage distribution, inaccurate meter readings and power theft.

Moreover, it is critical to improve the management efficiency of the electric power sector through administrative reforms, particularly given the fact that, comparing the loss rates in the Bangladesh's distribution and transmission sector, already-decorporatized entities have shown better performance than those still under direct management by the government. (For example, the 2006 system loss rates for the transmission agencies were 16.2 percent for the Dhaka Electric Supply Company and 15.4 percent for West Zone Power Distribution Company Limited, both of which had undergone de-corporatized. These are markedly lower than the rates for the government-run Bangladesh Power Development Board (BPDB) and Dhaka Electric Supply Authority (DESA), which were 19.1 percent and 30.0 percent respectively as of 2005. ) Widespread electrification and a stable electric power supply are essential for raising the standard of living in the region. Therefore improvement and additional installation must be made to the regional distribution networks.

In terms of the country's overall sector reform, the World Bank and the ADB has already started assistance of reform efforts process in the south zone and northwestern zone respectively. Thus, JICA's assistance for the central zone in this project would be an important milestone for the power distribution sector as a whole, being undertaken jointly supported by the main donors.

# (b) Objective and Summary

Under this project, improvements and additional installation will be made to the distribution networks in greater Mymensingh and Sylhet zones to improve the power supply in Bangladesh's central zone. Operations will be carried out by the North East Zone Power Distribution Company (NEZPDC), planned to become the executing agency of the project. The NEZPDC will be established after the de-corporatizing the central zone distribution division of the Bangladesh Power Development Board (BPDB)\* expected in the first half of 2009. This project is expected to improve standard of living and promote economic activity by contributing to stable electricity supply, as well as to encourage the power generation sector reform which has been working on in Bangladesh.

This loan will be appropriated to the development and rehabilitation of power distribution facilities such as low- and medium-voltage lines, substations and transformers, as well as consulting services including development of the organizational capacity of the new NEZPDC.

\*JICA has been providing BPDB with a three-year technical cooperation project to enhance the total quality management (TQM) for its central zone power distribution division since 2006. Thus, JICA intends to take due consideration so that the outcome of this TQM support will have positive impact for the Project in a sustained manner.

Executing agency: Bangladesh Power Development Board Address: WAPDA Bldg 1F, Motijheel C/A, Dhaka 1000 Tel: +880 (220) 957-2154, Fax: +880 (220) 956-4765

# (3) Eastern Bangladesh Bridge Improvement Project

(a) Background and Necessity

Roads constitute the bulk of Bangladesh's transportation sector, accounting for over 60 percent of freight distribution and over 70 percent of land passenger. On top of this, the number of registered vehicles is growing by an average of 6percent a year in recent years. Including all cars, buses and trucks, as well as two-wheelers, the number grew from 630 thousand in 2000 to 970 thousand in 2006. Reflecting continuing economic growth, the number of vehicles is expected to increase in future, and place even greater demands on the transportation network.

Since the 1990s, Bangladesh has worked rapidly to improve its roads, and has managed to reduce the ratio of unpaved national and trunk lines to just 3.7 percent. Nevertheless, there still remains much to do regarding the bridge maintenance. The country is crisscrossed by many rivers, thus requiring a high-level of maintenance for its bridges for the nationwide road network to function properly; however, about 45 percent of the over 17 hundred bridges in the key routes need rehabilitation due to aging or narrow carriageway. Noticeably, about three-fourths of these are located in Eastern Bangladesh where 60 percent or more of the entire population reside. In addition to posing an obstacle to road networks, these bridges could also impede economic development and aggravate the regional disparities between rural areas and large cities/industrial centers.

In addition, given that Bangladesh is prone to chronic flooding, appropriate maintenance and operation of the damaged bridges in a cost-effective manner within a limited budgetary envelop are also the critical issues to be tackled. As such, it is deemed necessary to support the Roads and Highways Department (RHD) to establish the long-term bridgemaintenance system.

# (b) Objective and Summary

Under this project, 68 small and medium sized bridges, spanning 30 meters or more in length and located on 12 main trunk lines in Eastern Bangladesh will be renovated while bridges less than 30 meters will be repaired by the RHD. The synchronized effect with the rural road network supported by JICA previously in the covered area is also expected.

Improvements of the transportation network facilitated by these bridge repairs will be sustained by an efficient Bridge Maintenance and Management System supported by the Ministry of Transportation. Future modifications to this system will be made in cooperation with the United Kingdom Department for International Development (DFID). This project is further supported by road and bridge maintenance advisor dispatched by the RHD to maximize its results.

This loan will be appropriated to replacing, rehabilitating and constructing small and medium sized bridges. Consulting services are also being provided to establish BMMS and enhance institutional capacity.

Executing agency: Roads and Highways Department Address: Shark Bhaban, Ramna, Dhaka Tel/Fax: +880 (2) 956-2003

