

Signing of Japanese ODA Loan Agreement with the Government of the People's Republic of Bangladesh

Bangladesh a New Market and Investment Destination -A Significant Leap Forward to Further Growth Through Key Infrastructure Development-

1. Today, Japan International Cooperation Agency (President: Sadako Ogata) signed an agreement with the government of the People's Republic of Bangladesh to provide Japanese ODA loans for four projects with a total amount of up to 38.792 billion yen.

2. Bangladesh has continued to achieve a stable economic growth rate of about 6 percent per year since 2004; and it has maintained its momentum for growth and international competitiveness supported by abundant labor even after the widespread of the global financial and economic turmoil originating in Europe and the U.S. since the latter half of 2008, which has greatly impacted many emerging market economies and low-income countries. However, in contrast to the brisk economic activities of the private sector, the undeveloped infrastructure that lacks both qualitative and quantitative elements nationwide has been the longstanding bottleneck for furthering economic growth and foreign investment. For example, the power sector is suffering from the daily load-shedding due to the overwhelming shortage of generating capacity and deteriorated power transmission and distribution facilities, and this continues to impede economic activities. Regarding the transportation infrastructure, due to the undeveloped network of the arterial roads in urban areas, severe traffic congestion has become the order of the day. In rural areas, the local road network remains inadequate. As a result, mobility of people and goods are restricted and many economic opportunities are lost.

3. Additionally, the issue on how to cope with global warming is not an issue faced by advanced nations alone, but it is also an important issue for developing countries as well. Bangladesh, in particular, has experienced numerous floods and cyclones, such as the colossal Cyclone Sidr that hit in 2007. As global warming continues to progress, the impact of these natural disasters are likely to amplify in conjunction with the increasing difficulty to predict them. Moreover, the importance of controlling green house gas emissions through effective use of energy in anticipation of sustainable future economic growth is being further highlighted.

4. Against such background, the current Japanese ODA loan will strengthen the power supply infrastructure under the Bheramara Combined Cycle Power Plant Development Project (E/S) and the Rural Electrification Upgradation Project, and improve the traffic infrastructure under the Chittagong City Outer Ring Road Project and the South-Western Bangladesh Rural Development Project. Furthermore, these projects are formulated aiming at supporting the country to cope with the climate change. The infrastructural improvements planned in the power sector will contribute to the shift to a high-efficiency power supply facility. Also, in the transportation sector, an embank cum road will be constructed based on records of damage caused by past cyclones (Chittagong City Outer Ring Road Project), thereby enhancing the resiliency against the natural disasters.

5. Since the independence of Bangladesh in 1970, Japan and Bangladesh have built up good relations through many years of not only ODA yen-loans, but technical cooperation and grant aid. While Bangladesh still remains to be one of the least developed country in Asia, in the midst of the sustained political stability and with a population exceeding 140 million, its potential growth has come under the spotlight as a part of the "China plus one" next to Vietnam. And, there are rising expectations as a destination of direct investment by Japanese companies, such as apparel manufacturers. New JICA would like to continue its support to facilitate the country's latent growth to develop and to steadily reduce its poverty, while effectively combining the multiple assistance schemes.

(Reference)



signing ceremony

Reference

1. Term and Amount of Loan

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period /Grace Period (years)	Procurement
Chittagong City Outer Ring Road Project	9,096	0.01	40/10	Untied
Bheramara Combined Cycle Power Plant Development Project (E/S)	2,209	0.01	40/10	Untied
Rural Electrification Upgradation Project	13,241	0.01	40/10	Untied
South-Western Bangladesh Rural Development Project	14,246	0.01	40/10	Untied
Total	38,792			

Chittagong City Outer Ring Road Project

1. Background and Necessity

Chittagong City is the second largest city in Bangladesh and possesses export processing zones (EPZs), international airport and the largest domestic port facility; and it is expected to play an important role in the country's future development. However, the arterial road connecting the city center with the port, airport, and EPZ was not well developed, which has resulted in chronic traffic congestion. Thus, it is required to improve the transportation network through the construction of a ring road.

Additionally, while Bangladesh is generally known as a country highly vulnerable to disasters, the southeastern region of Bangladesh located along the Bay of Bengal has especially suffered from constant damages due to frequent cyclones. In recent years, the cyclones have gotten larger in size. Cyclone Sidr that hit southeastern Bangladesh in November 2007 produced more than 3,300 killed and destroyed the houses of more than 560,000 households. While measures to cope with damages caused by cyclones and other natural disasters have been prioritized in Chittagong's city planning, erosion of the existing embankment has continued to aggravate and it no longer functions adequately as a revetment. This has become an urgent issue.

2. Objective and Summary

The purpose of the project is to construct a part of the city's outer ring road with revetment functions in Chittagong's coastal region where the EPZ is located (total length 14.7km), and then to alleviate the traffic congestion of existing roads, and to mitigate damages caused by the natural disasters, such as cyclones and high flood tides etc., thereby contributing to the promotion of the city and country's economic development.

The loan amount will be applied to support the works required to construct the outer ring road and incidental branch roads, consultant services, etc.

3. Executing Agency

Chittagong Development Authority (CDA) Address: CDA Building, Court Road, Chittagong-4000, Bangladesh
Tel: +880-31-285-2300, Fax: +880-31-614-610

4. Planned Implementation Schedule

(i) Scheduled project completion: February 2016 (project is completed when the facilities are opened for use)

(ii) Consultant services (supervision of works, etc.)

Scheduled period for sending out letters of invitation: August 2010

(iii) First tender announcement of procurement package based on international competitive bidding for this project works:

Procurement package name: Engineering Procurement Construction Package

Scheduled period: March 2012

Bheramara Combined Cycle Power Plant Development Project (E/S)

1. Background and Necessity

The acute gap in power supply and demand is the greatest bottleneck to the economic development of Bangladesh. The available capacity of power generation remains approximately 70 percent of the peak-hour demand and the country is forced to endure extended hours of daily load shedding. While an annual increase in power demand is projected at 8 percent given the rate of economic growth, development plans to build new power plants have lagged due to the shortage of capital, and the supply-demand gap is expected to further increase. Thus, it is critical to meet the growing supply-demand gap through construction of new power plants, while making progress in the on-going power sector reform and addressing various issues such as inefficient operation of existing power plants and worsening financial conditions of the sector entities.

To further ensure the sustainability of the country's stable economic growth, a high quality, reliable power supply to support the foundations of economic growth is vital. While the Government of Bangladesh has prioritized development of the power sector, many of the power development projects have lagged behind the schedule the envisaged plan, which has further squeezed the balance of power supply and demand.

2. Objective and Summary

This project will provide assistance to construct a new power plant and to develop an institutional capacity of North West Power Generation Company Limited, an individual corporation which was spun off from Bangladesh Power Development Board in 2007 as part of the power sector reform. Increasing high quality power supply through the construction of a large-scale power plant in Bheramara, Kushtia located in the western Bangladesh where the electricity demand is very much strained, will contribute to strengthening industrial competitiveness in the region and to raising the livelihoods of community residents. The project will also introduce a high efficiency gas turbine generating unit that will contribute to promoting the country's global-warming countermeasures.

The loan will be applied for consulting services (including detailed design, assist bidding process, supervision of construction works, etc.).

3. Executing Agency

North West Power Generation Company Limited
Address: Bidyut Bhaban, 13th Floor, 1 Abdul Gani Road, Dhaka-1000, Bangladesh
Tel: +880-2-951-3527

4. Planned Implementation Schedule

(i) Scheduled project completion: September 2017 (project will be completed on the loan completion date)

(ii) Consultant services (assist project implementation)

Scheduled period for sending out letters of invitation: May 2010

Rural Electrification Upgradation Project

1. Background and Necessity

Bangladesh has continued to achieve a stable economic growth rate in recent years; and in conjunction with this growth, the country's increase in power demand is projected to increase by about 8 percent per year. In addition to strengthening generating capacity, reducing losses in transmission and distribution systems in the power sector is an essential issue. The power distribution sector is engaged in expanding and raising the efficiency of power distribution facilities based on reform plans made by the government, but due to aged facilities, losses stemming from low voltage lines, poor meter reading, electricity theft, etc., power distribution losses still remain at a relatively high level nationwide, and the margin for improvement continues to exist. In rural areas, power demand is especially high during the dry season due to the need to operate irrigation facilities, and this is a priority issue from the standpoint of food security.

The Government of Bangladesh established the Rural Electrification Board (REB) in 1977; and since then electrification programs in the rural regions have been pursued. REB expanded power supply by setting up rural electricity cooperatives in each area, consisting of local community residents who have been consigned to operate the power distribution activities. While the elimination of the gap in the electrification rate between the rural (31 percent) and the urban (83 percent) areas remains as an important issue, due to the limitation of the upstream generation capacity, upgrading and reinforcing the existing network of power distribution system to improve efficiency and stability as well as to improve agricultural productivity are urgent priority policy issues for the Government of Bangladesh.

2. Objective and Summary

The purpose of this project is to install new and improve existing distribution facilities in the rural region west of Jamuna River. The aim is to achieve an efficient power supply by reducing power distribution losses, strengthening and stabilizing the power supply system, thereby contributing to poverty reduction and the economic development of the western Bangladesh. In addition, it will contribute to reducing the impact of global-warming by improving the efficiency of depreciated power distribution facilities. The loan will be applied to new construction and improvements of power distribution facilities (medium and low voltage lines, substations, and other related facilities) and for consultant services that will assist bidding process, supervision of construction works, etc.

3. Executing Agency

Rural Electrification Board Address: Head Office Building, Nikunja-2, Khilkhet, Dhaka-1229, Bangladesh
Tel: +880-2-891-6424(-28), Fax: +880-2-891-6400

4. Planned Implementation Schedule

(i) Scheduled project completion: December 2014 (project will be completed with when the facilities provided in the project begin operations)

(ii) Consultant services (assist project implementation, etc.)

Scheduled period for sending out letters of invitation: May 2010

(iii) First tender announcement of procurement package based on international competitive bidding for this project works:

Procurement package name: Package for Line Materials and Associated Items

Scheduled period: November 2010

South-Western Bangladesh Rural Development Project

1. Background and Necessity

About 40 percent of the total population of Bangladesh is still classified below the poverty line. In this context, particularly, the measures to reduce the poverty are priority development agenda in the rural area, where nearly 80 percent of the total population resides and the poverty rate is still higher than the urban area. While the nationwide poverty rate has tended to decline against the backdrop of the rapid economic development, such improvements are hardly discernible and conditions even appear to be deteriorating in the southwestern region of the country-which is the targeted project site. Thus, measures to reduce the gap are needed.

The Government of Bangladesh has focused on improving the rural infrastructure as one of the effective poverty reduction countermeasures. Based on the master plan for the period from 2005 to 2015, the rural infrastructure has been developed in a sustained manner. The policy has centered on development of rural roads, while focusing on overall improvements in conjunction with facilities such as rural markets, etc. that have a synergistic effect with the infrastructure. But, there still remains a significant gap between demand and supply in these rural road and market improvements. The ground in the southwestern region is fragile and vulnerable to flooding, making road works and maintenance difficult. As a result, development in rural infrastructure has lagged in contrast to other regions; and this delay has impeded economic development in the region. Stimulating the economy and improving access to social services through assistance aimed at improving the rural infrastructure is vital to improving poverty in the rural regions.

2. Objective and Summary

The purpose of this project is to upgrade 112 upazila(sub district) roads and 18 union (administrative village) roads in 14 districts in the rural poverty areas in the southwestern region of Bangladesh (6 districts in Barisal Division, 5 districts in **Greater Faridpur of Dhaka Division**, 3 districts in Khulna Division) as well as to improve 50 rural markets, bridges, culverts, ghats etc. which would create a synergistic effect in combination with the development of the rural road network. In addition, training to strengthen the capacity of relevant institutions that will effectively implement improvements to the rural infrastructure and training aimed at groups of women in poverty to enable them to work in the project (light labor such as maintenance of tree planting along the shoulder of the road) will be implemented in order to create employment opportunity and to alleviate the poverty. Since improvements of the rural infrastructure in the project will be based on the design specification which was established with JICA assistance for Local Government Engineering Department (LGED), the improved rural infrastructure is expected to be effective and sustainable. In addition, the project is expected to be implemented effectively in cooperation with the advisor on rural infrastructure development sent from JICA to LGED.

The loan will be applied to improve rural infrastructure (upgrading roads, improving rural markets adjacent to the roads), civil engineering works, to establish a maintenance system for the rural infrastructure, strengthening capacity, and other consultant services.

3. Executing Agency

LGED: Local Government Engineering Department

Address: LGED Bhaban, Agargaon, Sher-e-Bangla Nagar, Dhaka, 1207, Bangladesh

Tel: +880-2-811-4804, Fax: +880-2-811-6390

4. Planned Implementation Schedule

(i) Scheduled project completion: December 2014 (project will be completed with when the facilities targeted in the project begin operations)

(ii) Consultant services (assist project implementation, etc.)

Scheduled period for sending out letters of invitation: March 2010

(iii) First tender announcement of procurement package based on international competitive bidding for this project works:

There is no bidding related to the works in this project, but for the sub-projects that will be implemented by the implementing party, procurement is expected to be implemented with each successive project that is carried out.