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

-Providing the Largest Japanese ODA Loan to Date to Support Economic Growth and Poverty Reduction in Bangladesh-

1. On March 10, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the Government of the People's Republic of Bangladesh at Dhaka to provide an ODA loan of up to a total of 95.683 billion yen for assistance for four projects.

2. Bangladesh has a population of approximately 150 million people, the eighth largest in the world, and has maintained an annual economic growth averaging six percent over the past 10 years mainly through development of the garment industry. With a large, inexpensive labor source and a corresponding potential market, Bangladesh has attracted attention in recent years from foreign countries, including Japan, as a newly emerging market that could serve as a promising production base or investment location. However, intra-urban and interurban infrastructure in particular have not kept pace with the rapid urban development and rise in economic activities accompanying economic growth. This infrastructure inadequacy hampers further economic growth and investment. In rural areas, infrastructure essential for people's lives such as electric power and roads, as well as government services are deficient, and there are concerns about the widening gap with urban areas. The four projects for which loan agreements were signed will provide assistance to improve these conditions in both urban and rural areas.



Signing ceremony

3. The characteristics of four projects financed by Japanese ODA loans provided by the agreement are described below.

(1) Eliminating bottlenecks on the economic corridor –rehabilitation and new construction of three bridges on National Highway No.1 – Connecting Greater Dhaka, which includes the Bangladesh capital city of Dhaka, and the country's second largest city of Chittagong, National Highway No.1 (NH1) is a core national highway that carries approximately 80 percent of the domestic freight and passenger traffic, and drives economic development of the country as a whole. In recent years, however, the volume of vehicles has increased dramatically, and the constant traffic congestion hinders the flow of logistics. There are growing concerns about damage due to traffic that exceeds capacity and the earthquake resistance of major bridges on the highway. Therefore rehabilitating and strengthening the bridges, as well as constructing new second bridges to increase the traffic capacity, are urgent issues. The Kanchpur, Meghna and Gumti 2nd Bridges Construction and Existing Bridges Rehabilitation Project (I) will boost the safety and earthquake resistance of the existing Kanchpur, Meghna and Gumti bridges located on NH1, and double the traffic capacity of each crossing through the construction of new second bridges at each location. This project will increase the average traffic volume from the current approximately 60,000 to 70,000 vehicles per day to approximately 120,000 to 140,000 vehicles, reducing the bridge crossing time by 80 percent, which is expected to eliminate traffic congestion and stimulate economic activities.

Of the three bridges that are targeted for this project, the Kanchpur bridge was constructed in the days of East Pakistan before Bangladesh independence, and the Meghna and Gumti bridges were built in the 1990s, and all three were constructed using Japanese bridge technology. Known in particular even now as the Japan-Bangladesh Friendship Bridges, the Meghna and Gumti bridges were built as symbols of Japanese support for Bangladesh and are loved by the people of Bangladesh.

(2) Ensuring a stable water supply for a commercial city – water supply facilities for Chittagong, the second largest city –

Chittagong, the second largest city in Bangladesh, has a population of approximately 2.7 million people (2011) and is the largest commercial city in the country. However, the development of water supply facilities has not kept pace with the population increase of recent years so that the population with access to water supply facilities is merely approximately 47 percent. Also, the urban water distribution pipes have deteriorated to a significant degree, and water leaks are a major problem. In Chittagong, support is already being provided with a Japanese ODA loan for the Karnaphuli Water Supply Project and work is moving forward on improving the water supply facilities. However the population is projected to continue increasing and further construction and expansion is needed for the water supply facilities, including the distribution pipe network. In the Karnaphuli Water Supply Project (Phase 2), improvements are being made to the water supply facilities in Chittagong, increasing the safe supply of water to approximately an additional 650,000 people, improving the living environment for residents and promoting economic activities.

(3) Regional infrastructure improvements to meet people's needs – assistance for infrastructure and local governance improvements –

The northern part of Bangladesh is home to approximately 25 percent of the country's population (approximately 33 million people), but the poverty rate exceeds the national average by around 10 percent. Rural areas and small cities in northern Bangladesh lag a great deal in terms of roads and other infrastructure development. The local governments of small cities, which serve as central locations for promoting regional economic development, cannot improve their infrastructure to meet resident needs or provide government services due to their meager human and financial resources, resulting in delayed initiatives to promote/stimulate regional economic activities. The Northern Bangladesh lag a great development Project will promote road, market and other infrastructure development in rural areas and small cities, as well as providing support to improve the administrative capacity of local governments. The project will improve the lives of people in the northern region and stimulate economic activities, reducing disparities between the north and other regions. To formulate participatory planning in small local government, this project will utilize the expertise from technical cooperation provided by JICA in the past, as well as the framework developed to connect government and residents.

(4) Rural electrification to improve people's lives - supporting the spread of renewable energy -

The household electrification rate in Bangladesh is 50 percent (2012), making the country the second in South Asia after India in terms of its non-electrified population at approximately 95 million people. Looking at the electrification rate in Bangladesh by region, rural areas are merely at 35 percent, compared to 90 percent in urban areas, so there is a particularly high need for electrification in rural areas. Although progress is underway in popularizing the Solar Home System in rural Bangladesh, additional funding is needed to further spread such systems. The Renewable Energy Development Project will provide assistance to install solar, biomass and other renewable energy facilities in the rural areas of Bangladesh, improving the living environment of people, particularly in rural areas. Promoting the spread of renewable energy is expected to reduce greenhouse gas emissions and alleviate climate change.

4. Since Bangladesh gained independence in 1971, Japan and Bangladesh have built an exceptionally strong relationship, and the feelings of the Bangladeshis are extremely pro-Japan. In recent years, relations between the two countries have grown close on the economic front as well. During these developments, JICA has expanded support with largerscale concessional loans (ODA loans) over the years to meet the needs of Bangladesh. By strategically linking its three types of assistance—Japanese ODA loans, technical cooperation and grant aid—JICA will continue to provide cooperation to accelerate economic growth and social development in Bangladesh.

Related Link

Location diagram for the four projects (PDF/312KB)

Reference

1. Terms and Amounts of Loans

| Project title | Amount (million yen) | Annual interest rate (%) | | Banavmant | Cross pariod | |
|---|-------------------------|--------------------------|---------------------|-----------|--------------|-------------------|
| | | Project | Consulting services | (years) | (years) | Procurement |
| The Kanchpur, Meghna and Gumti 2nd Bridges Construction and Existing Bridges Rehabilitation Project (I) | 28,945 | 0.01 | 0.01 | 40 | 10 | General untied |
| Karnaphuli Water Supply Project (Phase 2) | 34,847 | 0.01 | 0.01 | 40 | 10 | General untied |

| Northern Bangladesh Integrated Development Project | 20,556 | 0.01 | 0.01 | 40 | 10 | General untied |
|---|--------|------|------|----|----|-------------------|
| Renewable Energy Development Project | 11,335 | 0.01 | 0.01 | 40 | 10 | General untied |
| Total | 95,683 | | | | | |
| | | | | | | |

2. Project Summaries

(1) The Kanchpur, Meghna and Gumti 2nd Bridges Construction and Existing Bridges Rehabilitation Project (I)

Background and Necessity

The economic corridor that connects Greater Dhaka, including the Bangladesh capital of Dhaka, and the second largest city Chittagong, drives economic development in Bangladesh, involving approximately 30 percent of the population and accounting for approximately half of the gross domestic product. As the economy has become more active, the traffic volume on National Highway No.1 (NH1), which spans this economic corridor, has risen rapidly, and now exceeds the maximum anticipated volume for the Kanchpur, Meghna and Gumti bridges on the highway by approximately 60 percent. Since 2008, the Government of Bangladesh has therefore taken the initiative to increase the number of lanes throughout NH1 to four or eight lanes. Constructing second bridges at all three bridge crossings—currently two-lanes—to expand the traffic capacity to meet the increase in volume is a priority issue. For many years, these bridges have supported passenger and freight transportation between Dhaka and Chittagong, but damage to the road surface has become marked, hampering traffic. Furthermore, the bridges do not comply with current earthquake standards in Bangladesh and the rivers have worn away the bridge piers, raising concerns about the safety of the existing bridges. Rehabilitating and strengthening the bridges is therefore a priority issue.

Objective and Summary

This project will rehabilitate the Kanchpur, Meghna and Gumti bridges, located between Dhaka and Chittagong on NH1, as well as construct new second bridges at each crossing. Along with measures to fight pier scouring and resist earthquakes, the safety of the existing bridges will be improved, and the bridges will be able to meet the rapid increase of traffic volume, thereby stimulating economic activities in Bangladesh as a whole.

The completion of these new bridges is expected to nearly double the average capacity of vehicles that can pass per day, reducing the crossing time from 23 to five minutes, and greatly improving the average vehicle speed from 14 to 61 km/h.

The project includes measures to adapt to climate change in the form of improvements to bridges to meet the rising water level of the rivers due to the effects of climate change.

Executing Agency

Roads and Highways Department (RHD), Ministry of Communication Address: Sarak Bhaban, Ramna, Dhaka-1000, Dhaka, Bangladesh Phone: +880 (2) 956-2003, fax: +880 (2) 957-0202

Planned Implementation Schedule

(i) Completion of project: July 2023 – when all of the facilities are put into service
(ii) Issuing of letters of invitation for consulting services: August 2013
(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: Procurement package titles: Bridges Civil Works Release date: September 2015

(2) Karnaphuli Water Supply Project (Phase 2)

Background and Necessity

Chittagong, the second largest city in Bangladesh, has a population of approximately 2.7 million people (2011) and is the largest commercial city in the country. Chittagong has the largest marine port in Bangladesh, handling 90 percent of the total volume of imports and exports, and as the location of 30 percent of manufacturing and 40 percent of heavy industry, is the primary industrial city for the country. The road, water facility and other infrastructure, however, is inadequate, and to attract investment to the area, further promote industrial development and support the economic development of Bangladesh overall, the urban infrastructure in Chittagong, including the water facilities, needs to be improved. The water supply facilities in particular have not kept pace with the rapid increase in population in recent years. As of 2011 only 219 million liters per day could be supplied out of a demand of 470 million liters, so that only approximately 47 percent of the urban nonrevenue water ratio (the ratio of water facilities) are not collected for) due to leaks and the like is approximately 30 percent. Currently, the Karnaphuli Water Supply Project (supported with a Japanese ODA loan) and other initiatives are strengthening the water supply capacity in Chittagong. However, there is a priority to further strengthen the water supply capacity and greatly rehabilitate the water supply network, which is markedly deteriorated, so that water can be used efficiently and the demand can be met for the population that is projected to further increase.

Objective and Summary

This project will expand the water supply services with an integrated approach to improving the water intake, water treatment, transportation and distribution facilities in Chittagong, and provide a stable supply of safe water to residents and businesses in the city with the aim of improving the living environment of residents and promoting economic activities. Also, this project will supply water to low-income communities, a consideration to extend the outcome of the project to the poorer classes as well.

The Project for Advancing Non Revenue Water Reduction Initiative (PANI) of Chittagong WASA is a technical cooperation project currently underway in Chittagong. This project is implementing leak countermeasures for urban water distribution pipes, as well as creating a geographic information system database with customer and distribution pipe network information. Also, the Karnaphuli Water Supply Project, currently being implemented with ODA loan support, is working on improving the organization and administration capacity of the Chittagong Water Supply and Sewerage Authority. By supporting both infrastructure and technical cooperation aspects, JICA aims to improve the water supply services to residents in Chittagong.

Executing Agency

Chittagong Water Supply and Sewerage Authority (CWASA) Address: WASA Bhaban, Dampara, Chittagong, Bangladesh Phone: +880 (31) 285-1806, fax: +880 (31) 610-465

Planned Implementation Schedule

(i) Completion of project: January 2022 - when all of the facilities are put into service

(ii) Issuing of letters of invitation for consulting services: March 2013

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction:

 Procurement package title: Intake, WTP, Reservoir Release date: January 2015

- Procurement package title: Conveyance and Transmission Pipeline Release date: January 2015
- Procurement package title: Distribution Pipeline and Service Connection Release date: January 2015

(3) Northern Bangladesh Integrated Development Project

Background and Necessity

Although there is a trend toward a lower poverty rate in Bangladesh overall due to the economic development of recent years, in 2010, approximately 31.5 percent (47 million people) of the entire population was still living below the poverty line set by the government. Measures to reduce poverty are a priority issue particularly in rural areas where the poverty rate is around 10 percent higher than urban areas.

The northern part of Bangladesh is home to approximately 25 percent (approximately 33 million people) of the country's population, but the poverty rate exceeds the national average by around 10 percent. Rural areas and small cities in northern Bangladesh lag a great deal behind other regions in terms of roads and other infrastructure development. Due to the lag in infrastructure development, residents in rural areas have limited access to large markets and regional cities. Not only do they therefore face problems in obtaining economic opportunities involved in the flow of goods, but also problems in accessing school, hospital and other government services. The local governments of small cities, which are the central location for promoting regional economic development, do not have adequate employees or financial resources, and also lack the organization and capacity to meet the needs of local residents. As they therefore connot improve their urban infrastructure for residents or provide various government services, local economic activities lag behind as well. Given these circumstances, the infrastructures for connecting rural areas and regional cities must be improved and government services provide reflecting resident needs. This will make it possible to reduce poverty in the north and reduce disparities between the north and other regions.

Objective and Summary

This project will improve the infrastructure in rural areas and small regional cities, as well as the administrative and financial capacity of local governments in the 14 districts of northern Bangladesh where the poverty rate is high. This will improve the basic social infrastructure for people in the north as well as access to social services, stimulating economic activities in the region, reducing poverty and reducing disparities with other regions. The infrastructure improvements will include the construction of roads and small bridges in rural areas, as well as the construction of roads, water discharge facilities, marketplaces and the like in small regional cities. Training will also be provided to local governments of small regional cities in the target area in accounting and tax collection, and support provided to strengthen the capacity of the local governments.

Through technical cooperation, JICA has provided support to create a framework that connects the government administration and residents in rural areas. The result of JICA's technical cooperation is called a "Link Model" and has been highly praised by the Government of Bangladesh. In this project, a plan will be formulated through participating process by applying accumulated expertise of "Link Model" in rural areas to small regional cities.

Executing Agency

Local Government Engineering Department (LGED) Address: LGED Bhaban, Agargaon, Sher-e-Bangla Nagar, Dhaka-1207, Bangladesh Phone: +880 (2) 811-4804, fax: +880 (2) 811-6390

Planned Implementation Schedule

(i) Completion of project: March 2020 - when all of the facilities are put into service

(ii) Issuing of letters of invitation for consulting services: July 2013

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction:

Although no international competitive bidding will be carried out for construction on the main project, national competitive bidding is expected to be used for procurement on successive sub-projects that will be carried out during the main project period.

(4) Renewable Energy Development Project

Background and Necessity

The household electrification rate in Bangladesh is 50 percent (2012), making the country the second in South Asia after India in terms of its non-electrified population at approximately 95 million people. Looking at the electrification rate in Bangladesh by region, rural areas are merely at 35 percent, compared to 90 percent in urban areas, making the need for electrification particularly high in rural areas. As a measure for the worldwide depletion of fossil fuels and for consideration of the environment, the Government of Bangladesh has set a goal of increasing the amount of renewable energy to five percent of all its electrical power by 2015.

Given these circumstances, the Infrastructure Development Company Limited (IDCOL) is working in collaboration with local non-governmental organizations (such as Grameen Shakti and BRAC) to spread the Solar Home System in rural areas and has installed approximately 1.24 million systems (cumulative as of the end of December 2011). Because of the large demand for the Solar Home System, however, funding is required for further extension of the program. To accommodate the varying needs of renewable energy, there are calls to spread solar irrigation pump systems, solar mini-grids, biomass gasification, biogas-based power generation and other renewable energy technologies, in addition to the Solar Home System.

Objective and Summary

This project will provide assistance to install solar, biomass and other renewable energy equipment in rural Bangladesh, diversifying the types of power supply and increasing the power supply in the country overall. Also, by promoting electrification particularly in rural areas, the project will raise the living standards of people there. Through IDCOL, this project will provide funding to non-governmental organizations, private enterprise and the like, which will sell, maintain and manage the renewable energy equipment.

By promoting the spread of renewable energy, this project is expected to reduce greenhouse gas emissions and mitigate the impact of climate change.

Executing Agency

Infrastructure Development Company Limited (IDCOL) Address: UTC Building, 16th Floor, 8 Panthapath, Kawran Bazar, Dhaka-1215, Bangladesh Phone: +880 (2) 910-2171, fax: +880 (2) 811-6663

Planned Implementation Schedule

(i) Completion of project: December 2016 - with completion of the loan process

(ii) Issuing of letters of invitation for consulting services: March 2013

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction:

Although there will be no international competitive bidding for construction in the main project, procurement activity is expected for successive projects developed from sub-loan projects provided by intermediary financial institutions.

Map of the Yen Loan Projects in FY2012 for the People's Republic of Bangladesh

