

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



Mohammad Mejbahuddin (left), secretary of the Economic Relations Division, and Mikio Hataeda, chief representative of the JICA Bangladesh Office, shake hands after signing the loan agreement.

On June 16, the Japan International Cooperation Agency (JICA) signed Japanese ODA loan agreements with the Government of the People's Republic of Bangladesh in Dhaka to provide up to a total of 120.986 billion yen for assistance for five projects.

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 developments in the garment industry. With a large, inexpensive labor source and a corresponding potential market, Bangladesh has attracted attention from foreign countries, including Japan, in recent years as a newly emerging nation that could serve as a promising production base or investment location. However, urban infrastructure and the power supply in particular have not kept pace with the rapid urban development and increase in economic activities accompanying economic growth, and the lack of infrastructure hampers further economic growth and investment. In rural areas, improvements in agricultural productivity and measures for natural disasters are not sufficient, and there are concerns about the widening socioeconomic gaps between urban and rural areas, as well as about food security due to the increasing population. These five projects will provide assistance to improve these circumstances in both urban and rural areas.

The characteristics of the five projects are as follows.

(1) Construction of Matarbari Ultra Super Critical Coal-Fired Power Plant—Improvement of Nationwide Economic Growth by Power Infrastructure—

Insufficient power supply is considered a serious obstacle for private investment that hampers economic growth in Bangladesh. The power supply meets only 80 percent of the demand (2013) and the demand is expected to increase over the next decade by 10 percent per year. Although 70 percent of the power generation is currently operated by gas thermal power plants using domestic natural gas, domestic natural gas will face depletion in the near future. Therefore Bangladesh needs to seek other energy resources which are more sustainable than natural gas from a viewpoint of ensuring a stable power supply. The Matarbari Ultra Super Critical Coal-Fired Power Plant (comprising two units each capacity of 600 megawatts) to have an installed capacity of 1,200 megawatts will be constructed and use imported coal to meet the rapidly rising power demand. Compared to petroleum and natural gas, imported coal costs less, and is expected to provide sustainable energy, so Bangladesh has positioned imported coal as a desirable and feasible energy source.

The ultra-super critical technology adopted in this project is one of the world's leading technologies, developed in Japan. To efficiently produce electricity from imported coal and reduce fuel costs, Bangladesh decided to adopt this ultra-super critical technology. With such a high-efficiency power plant, the amount of coal consumption will decrease and the volume of greenhouse gas emissions will also be reduced compared to other types of coal fired power plants on a similar scale using conventional technology to about 400,000 tons per year when converted to carbon dioxide. So this project will mitigate climate change in addition to alleviating the power shortage and improving the stable power supply in Bangladesh.



JICA President Akihiko Tanaka makes a speech at the L/A signing ceremony.

(2) Improving Agricultural Productivity and Diversifying Crops—Improving Farmer Access to Agricultural Financing—

In Bangladesh, agriculture accounts for 17 percent of the gross domestic product (GDP) and employs 45 percent of the working population. 80 percent of farming households are small-scale or marginal farmers who cultivate half of the total land area in the country. The country has achieved 100 percent rice self-sufficiency. However, agricultural productivity must be enhanced to meet the rising demand due to the population surge and the arable land decrease due to urbanization. In addition, crop diversification is needed to improve the livelihoods of farmers and the government is currently expanding agricultural financing to provide such assistance. Such financing, however, is provided by banks which generally require collateral, making financing inaccessible to many small-scale and marginal farmers. The Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project will increase the agricultural productivity and diversity of the small and marginal farmers of Bangladesh by financing agricultural loans and providing agricultural training services to farmers through microfinance institutions, thereby contributing to the sound development of agricultural finance and the agricultural sector of Bangladesh. This project will provide financing to some 500,000 farmers, which is expected to increase the income per household by 30 percent. More than 50 percent of the loans will be financed to female borrowers to improve their access to financing, thus contributing to their empowerment.

(3) Contributing Stable Supply and Efficient Use of Natural Gas—Promotion of Effective Use of Domestic Natural Gas—

Natural gas is an indispensable energy source that drives economic development in Bangladesh. About 70 percent of the power is generated using domestic natural gas and extensive power cuts have been experienced in recent years as a result of the inadequate gas supply despite the prioritized allocation for the power sector. Consequently the gas supply has been restricted to other important sectors such as fertilizer manufacturing, commercial establishments and households. Despite Bangladesh being endowed with natural gas reserves, the delay of domestic gas utilization and an increasing in the supply and demand gap due to fewer improvements to natural gas facilities and a lack of gas management (the fixed rate is unchanged for domestic customers) in the last decades. While Bangladesh's natural gas consumption has been increasing by approximately 10 percent in recent years, it is certain that the current domestic natural gas fields will face depletion in the near future. The Natural Gas Efficiency Project will improve the efficient use and supply of natural gas in Bangladesh by providing gas compressors, gas transmission pipes, pre-paid gas meters and other equipment for supplying gas and using it efficiently, thereby contributing to the sustainable economic growth of Bangladesh.

(4) Assisting City Corporation Economic Activities—Improving Urban Infrastructure and Public Service Delivery—

There are eleven city corporations (core metropolitan areas) in Bangladesh, serving as regional industrial clusters, and as important economic centers, they lead national development. Among these city corporations, Chittagong and the newly created four city corporations (Rangpur in the northwest, Gazipur and Narayanganj on the outskirts of the capital of Dhaka, and Comilla which is located halfway between Dhaka and Chittagong) are particularly important, because of having attracted half of the eight export processing zones (EPZs) in the country and serving as major transit points from the Bay of Bengal to inland transportation routes. However, urban infrastructure development in the city corporations has not kept pace with rapid urbanization that includes a population growth of 2.9 percent each year, resulting in serious traffic congestion and urban environmental deterioration, hindering economic activities. Moreover, since the function and roles of governance and development in the cities are not clearly defined, the cities face a huge challenge in efficiently conducting development projects and providing public services. The Inclusive City Governance Project will improve public services and promote economic opportunities in the five target city corporations by strengthening the city governments' administrative capacity and improving urban infrastructure, thereby contributing to economic growth and living environment improvement in the target city corporations.

(5) Reducing Flood Damage in the Haor Areas—Assistance for Flood Management and Livelihood Improvement—

Bangladesh is located in a low-lying delta formed by three international rivers, the Ganges, the Brahmaputra and the Meghna. More than 20 percent of the country's land is inundated during the rainy season each year due to flooding. In the upper reaches of the Meghna River in the northeastern part of the country is a large wetland in the form of a basin that is known as a "haor." In the rainy season, the area becomes one great lake about 8,600 square kilometers in size. People live on slightly elevated lands scattered in the area, growing rice in the dry season as their primary source of income. But the single cropping of rice does not have a good productivity, and flash floods in the pre-monsoon period causes severe damages to the rice fields just before harvesting that makes people's livelihood unstable. Because rural roads and other basic infrastructure development are falling

behind other areas, limited transportation hinders economic activities which makes it difficult for people to access various public services such as health care and education. The Haor Flood Management and Livelihood Improvement Project will rehabilitate and construct the flood management infrastructures, roads, market facilities, ship landing facilities and other infrastructures, and will also support productivity improvements for agriculture and fishery, the primary means of livelihood in the region. This will reduce the damage from floods, and contribute to the improvement of the living standard and stimulate economic activities in the haor region.

Reference

Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Matarbari Ultra Super Critical Coal-Fired Power Project (I)	41,498	0.01	0.01	40	10	General untied
Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project	9,930	0.01	0.01	40	10	General untied
Natural Gas Efficiency Project	23,598	0.01	0.01	40	10	General untied
Inclusive City Governance Project	30,690	0.01	0.01	40	10	General untied
Haor Flood Management and Livelihood Improvement Project	15,270	0.01	0.01	40	10	General untied

- (1)Coal fired power project (PDF/66.6KB)
- (2)Agricultural Procutivity Improvement (PDF/65.5KB)
- (3)Natural Gas Efficiency Project (PDF/65.9KB)
- (4)Inclusive City Governance Project (PDF/66.7KB)
- (5)Flood Management Project (PDF/66.5KB)

Related Link

- Youtube "Japan's 35th ODA Loan Package to Bangladesh"

(1) Matarbari Ultra Super Critical Coal-Fired Power Project (I)

(a) Background and Necessity

Bangladesh is regarded as having a huge potential of economic growth led by its domestic demand and promising export industries, but the current insufficient and unreliable electricity supply is considered to be a serious obstacle for private investment that hampers economic growth. The power supply meets only 80 percent of the demand (2013) estimated as 8,349 megawatts and the maximum power supply was 6,675 megawatts. The power demand is expected to continue increasing over the next decade by 10 percent per year. Although 70 percent of the power generation is currently operated by gas thermal power plants using domestic natural gas, domestic natural gas will face depletion in the near future. Therefore Bangladesh needs to seek other energy resources which are more sustainable than natural gas from a viewpoint of ensuring a stable power supply. The power supply supports not only economic growth but also poverty alleviation. To meet the future power demand, Bangladesh has started a long-term power development plan based on coal power plants using imported coal to achieve further economic growth.

(b) Objective and Summary

The project is to alleviate the shortage of power generation and improve the stable power supply in Bangladesh by constructing a Ultra Super Critical Coal-Fired Power Plant (600 megawatts x 2 units) in the Matarbari area of Chittagong Division, thereby contributing to the nationwide economic development and the improvement of the living standard.

The loan funds will be allocated to constructing the power plant, the port for importing coal, power transmission lines and access roads leading to the power plant, as well as for electrification and community development, necessary vehicles, measuring devices, facilities for disaster-preparedness and consulting services.

(c) Executing agencies

Coal Power Generation Company Bangladesh Limited

Address: Unique Heights (Level-17), 117 Kazi Nazrul Islam Avenue, Dhaka-1217

Phone: +880-2-9581171, fax: +880-2-9581171

Power Grid Company of Bangladesh Limited

Address: IEB Bhaban 3rd Floor, Ramna, Dhaka-1000

Phone: +880-2-9560883, fax: +880-2-9582382

Roads and Highways Department, Ministry of Communication

Address: Sarak Bhaban, Tejgaon Industrial Area, Dhaka

Phone: +880-2-8879299, fax: +880-2-8879199

(d) Planned Implementation Schedule

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

(ii) Issuing of letters of invitation for consulting services (including detailed design work):
May 2014 (already sent)

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

Procurement package title: Civil Work for Power Plant and Port Facilities

Release date: February 2015

(2) Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project

(a) Background and Necessity

Agriculture is an essential sector in Bangladesh, accounting for 17 percent of the GDP and 45 percent of the working population (2012). The main agricultural producers are small-scale and marginal farmers who comprise approximately 80 percent of all farming households and own about 50 percent of the total cultivated land (2008). Arable land accounts for 50 percent of country's land with an annual utilization rate of 190 percent (2011), and the country has accomplished 100 percent rice self-sufficiency.

However, the area of cultivated land is decreasing due to urbanization while the food demand is expected to increase with the rising population, so the Government of Bangladesh is expanding its financing programs toward improving agricultural productivity and diversifying crops, and promoting the introduction of high yields and high market value crops. The actual financing for agriculture is a mere 30 percent of the total demand, and the financing gap among small-scale and marginal farmers is particularly acute. While 90 percent of agricultural loans are provided by banking institutions, small-scale and marginal farmers cannot readily provide collateral, severely restricting their access to loans from banks which require a guarantee to secure the loan.

Furthermore, as rural microfinancing is focused primarily on small loans for household financing, small-scale commerce and domestic industry, it does not suit the agricultural production cycle and cannot meet the needs for investments in agricultural equipment and supplies. As small-scale and marginal farmers lack agricultural technology, promoting new crop cultivation and the introduction of high-yield species and agricultural equipment is a challenge both from a financing and a technical standpoint.

(b) Objective and Summary

This project will increase the agricultural productivity and diversity of small and marginal sized farmers of Bangladesh by financing agricultural loans and providing agricultural training services to farmers through microfinance institutions, thereby contributing to the sound development of agricultural finance and the agricultural sector of Bangladesh.

(c) Executing agency

Bank and Financial Institutions Division, Ministry of Finance

Bangladesh Bank

Address: Jatiya Sangshad Bhaban, Dhaka, 1000 / 25th floor, Motijheel C/A, Dhaka, 1000

Phone: +880-2-9530138, fax: +880-2-9530206

(d) Planned Implementation Schedule

(i) Completion of project: December 2020 – with completion of the loan disbursement

(ii) Issuing of letters of invitation for consulting services (including detailed design work):

August 2014

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

NA

(3) Natural Gas Efficiency Project

(a) Background and Necessity

Providing half of the energy used in Bangladesh, natural gas is an indispensable energy source that drives economic development in the country. About 70 percent of the power is generated using domestic natural gas despite the prioritized allocation in the power sector. Consequently the gas supply was restricted to other important sectors such as fertilizer manufacturing, commercial establishments and households. The natural gas supply exceeded demand until the 1990s. Starting in the 2000s, rapid economic growth resulted in a rapid increase in demand for power generation and industrial use, and a chronic gap has arisen between the supply and demand, resulting in a severe energy shortage (the gap was approximately 14 percent in 2013). A stable supply of natural gas is not available due to fewer improvements to natural gas facilities and a lack of gas management (the fixed rate tariff is still adopted for domestic customers). Given these circumstances, infrastructure development to strengthen the supply capacity of existing natural gas fields is necessary to improve the transportation of gas, and promoting the efficient use of natural gas is a pressing challenge.

(b) Objective and Summary

This project will improve the efficient use and supply of natural gas in Bangladesh by providing gas supply and efficient gas use facilities, thereby contributing to the sustainable economic growth of Bangladesh.

The loan funds will be allocated to providing gas compressors, pipelines and gas meters, as well as consulting services.

(c) Executing Agencies

Bangladesh Gas Fields Company Limited

Address: Birashar, Brahmanbaria-3400

Phone: +880-851-58141, 58428, 59128, fax: +880-851-59390, 58429, 58758

Gas Transmission Company Limited

Address: Red Crescent Borak-Tower (Level-6), 71-72, Old Elephant Road, Eskaton, Ramna, Dhaka-1000

Phone: +880-2-9362800, fax: +880-2-9358100

Titans Gas Transmission and Distribution Company Limited

Address: 105, Kazi Nazrul Islam Avenue, Kawran Bazar Commercial Area, Dhaka-1215

Phone: +880-2-9103960-69, fax: +880-2-8142250, 9120513

Karnaphuli Gas Distribution Company Limited

Address: 137/A, CDA Avenue, Sholashahar, Chittagong-4203

Phone: +880-31-655796, fax: +880-31-2556239, 2656075

(d) Planned Implementation Schedule

(i) Completion of project: March 2021 – when all of the facilities are put into service

(ii) Issuing of letters of invitation for consulting services (including detailed design work): July 2014

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

Procurement package title: Procurement for Gas Transmission Pipeline

Release date: January 2015

(4) Inclusive City Governance Project

(a) Background and Necessity

Bangladesh has experienced increased urbanization since independence. In 2012, the estimated total population of the country was 154.69 million of which 29.0 percent (44.68 million) was urban. The urban population growth rate is 2.92 percent per annum, much higher than the total population growth rate of 1.37 percent. However, the development of urban infrastructure has not kept pace with rapid urbanization, causing an acute shortage in urban infrastructure and services like piped water, sewerage, drainage, roads and bridges. As a result, there are serious urban problems such as severe traffic congestion, a lowered living environment quality and noise and air pollution. There are eleven city corporations in Bangladesh, which play an important role in the national development resulting from rapid growth in these urban centers. The weak urban infrastructure, however, hinders smooth economic activities and makes it difficult to create employment and stimulate the market. In addition, the involvement of a number of institutions in the management of affairs in city areas has resulted in an overlapping of functions and a lack of coordination, causing ineffective implementation of the development projects and public services. Four city corporations (Comilla, Gazipur, Narayanganj and Rangpur), that were recently established, have a diverse range of development needs due to the expansion in area and population. It's urgent for those cities to implement inclusive urban development and strengthen government functions to carry out their roles as bases for regional development.

(b) Objective and Summary

In addition to the above mentioned four cities, this project will also target Chittagong City, which has the largest EPZ in Bangladesh (2,474 million U.S. dollars in total exports in 2012), where many Japanese companies have a presence, and provides many lessons learned as an industrial city model. This project will improve public services and promote economic opportunities in the target five city corporations by strengthening the city governments' administrative capacity and improving urban infrastructure, thereby contributing to the economic growth and the living environment improvement in the target city corporations.

The loan funds will be allocated to public works, including road, bridge, drainage facility and streetlight improvements, as well as to training to improve administration and finance capacity and to consulting services.

(c) Executing Agency

Local Government Engineering Department

Address: Level-5, LGED Bhaban; Agargaon, Sher-e-Bangla Nagar Dhaka-1207

Phone: +880-2-8114804, fax: +880-2-8116390

(d) Planned Implementation Schedule

(i) Completion of project: March 2019 – when all of the facilities are put into service

(ii) Issuing of letters of invitation for consulting services (including detailed design work):
June 2014

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: No procurement is anticipated in this project through international competitive bidding, but procurement through domestic competitive tendering is expected.

(5) Haor Flood Management and Livelihood Improvement Project

(a) Background and Necessity

A substantial part of Bangladesh belongs to a low-lying delta formed by three international rivers, the Ganges, the Brahmaputra and the Meghna, and more than 20 percent of the land is inundated during the rainy season. In particular, in the upper Meghna River basin in the northeast region, so-called "haor" areas, low wetlands at an altitude between three and five meters, are located, and these areas are inundated, about 8,600 square kilometers, during the monsoon period. At the start of the rainy season, flash floods occur, caused by river water flowing into the Meghna River from the mountainous regions in India and resulting in flood damage in the river basin. This area supports country's economy, as a rice production base during the dry season and as a fishing ground filled with ample fish during the rainy season. However, if the rice crop, which is a major source of income in the dry season, is harvested in the season when the flash floods occur, the livelihoods of the people become unstable due to frequent flood damage.

Relying on single-crop rice, agricultural productivity is lower than other regions where diverse agricultural products are available, and employment opportunities outside of agriculture and fishery are limited. Further, rural road and other infrastructure development are falling behind, sanitary conditions are poor in residential areas, and social indexes such as for health care and education are low. Given these circumstances, there is a need to mitigate the flood damage and improve the living environment through the implementation of flash flood management, improvement of the rural infrastructure, and promotion of the agriculture and fisheries.

(b) Objective and Summary

Through flood management, rehabilitation and construction of rural infrastructure and agriculture and fishery promotion in the haor region, this project will reduce the damage from floods, improve access to basic infrastructure, and improve agriculture and fishery productivity, thereby contributing to the improvement of living standard and activation of economic activities in the area.

The loan funds will be allocated to public works such as constructing embankments and rural roads, agriculture and fishery promotion activities and consulting services.

(c) Executing agencies

Bangladesh Water Development Board

Address: Wapda Building (2nd Floor) Motijheel C/A, Dhaka-1000

Phone: +880-2-9564665, fax: +880-2-9564763

Local Government Engineering Department

Address: Level-5, LGED Bhaban; Agargaon, Sher-e-Bangla Nagar Dhaka-1207

Phone: +880-2-8114804, fax: +880-2-8116390

(d) Planned Implementation Schedule

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

(ii) Issuing of letters of invitation for consulting services (including detailed design work):
August 2014

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: No procurement is anticipated in this project through international competitive bidding, but procurement through domestic competitive tendering is expected.