



IIFC Newsletter

Infrastructure Investment Facilitation Center

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IIFC NEWS AND EVENTS

Remote Area Power Supply Systems (RAPSS) to be Introduced

The concept of Remote Area Power Supply Systems (RAPSS) proposed by IIFC, is expected to usher in a new era in the country's electrification in remote areas. People living in those areas can have access to electricity in a significantly shorter period, if RAPSS can be implemented. This concept is instrumental in fulfilling government's vision to supply electricity to all by 2020.

Through RAPSS, private operators will be given concession to supply electricity in selected remote areas. In locations where the national grid is not available, the private operator will be allowed to generate their own electricity.

Four remote areas have been identified for implementing RAPSS; namely (i) Kutubdia island (ii) Sandwip island (iii) Hatibandha and Patgram upazilas of Lalmonirhat district and (iv) Debhata and Assasuni upazilas of Sathkhira district.

Development Services Agreements (DSAs) between IIFC and the Power Division, Ministry of Power, Energy and Mineral Resources were signed in September 2002 to carry out project development for implementing RAPSS. Under the agreements, IIFC will perform pre-feasibility

studies, prepare draft concession agreements, assist the Power Division in promotional activities to generate investor interest and assist in carrying out the bidding process for selection of the concessionaires.

Private Sector Infrastructure Projects to be Included in the ADP

A "Private Sector First Policy" is planned to be introduced by the government for including private sector infrastructure projects in the national planning process. IIFC signed a Technical Services Agreement (TSA) with the Planning Commission in September 2002 to provide support in formulating and implementing the policy.

The Annual Development Programme (ADP) of the government lists the public sector projects that are to be implemented during the next fiscal year. However, there is no procedure to identify and list in the ADP, infrastructure projects for private investment, although government heavily emphasises private investment in all its policies. Considering the importance of private investment in commercially viable infrastructure projects, IIFC is proposing to include and list them as part of the ADP. Under the Private Sector First Policy, all infrastructure projects will be tested first for private sector interest, and the projects for which responses are positive, will be flagged for implementation by the private sector. The general procedure for approving the private sector infrastructure projects



Signing of Agreements for Development of RAPSS

by the government will also be formulated by IIFC under the agreement. The policy can achieve a strong breakthrough for the government in supplementing scarce resources to finance infrastructure needs of the country and enables to invest in social and human development sectors, where public resources are needed most.

Screening of Projects in the Road Sector ADP

IIFC undertook a study to evaluate the road sector development projects included in the ADP of 2002-3 at the request of the Planning Commission. The main objective of the study was to screen the 180 projects of Roads and Highways Department (RHD) included in ADP 2002-03 for identifying (i) projects which deserve priority in implementation (ii) projects which could be suitable for private sector investment and (iii) which could be deferred due to resource constraints.

A number of presentations were made to the Planning Commission on the outcome of the screening to obtain comments of the Commission. The final report has been submitted to the Commission.

VOIP to be Permitted Soon

IIFC entered into a Technical Services Agreement (TSA) with Bangladesh Telecommunication Regulatory Commission (BTRC) to carry out a study to evaluate the alternatives for introduction of Voice Over Internet Protocol (VOIP) in Bangladesh. VOIP is a technology that enables to make calls at a much cheaper rate compared to conventional telephony.

IIFC has already completed the study, findings of which were presented in a workshop jointly organised by IIFC and BTRC on 14 December 2002. The study outlined the policy and licensing conditions and technical and legal issues in introducing VOIP in Bangladesh. The draft report is available at IIFC website (www.iifc.net).

Invitation for Pre-qualification for Khanpur Terminal

Bangladesh Inland Water Transport Authority (BIWTA) invited application for pre-qualification from interested bidders for development and operation of an Inland Container Terminal at Khanpur on a Build, Operate and Transfer (BOT) arrangement. The last date for submission of

application for pre-qualification was December 17, 2002. IIFC is providing support to BIWTA for development of the project. More information is available at IIFC website (www.iifc.net).



Investment Information Meeting for Khanpur Inland Container Terminal

An Investment Information meeting was organised by IIFC and BIWTA on November 20, 2002 in Dhaka for generating investor interest in the project. Speaking as the Chief Guest, Honorable Minister for Shipping Lt. Col (retd) Akbar Hossain MP encouraged the local and foreign investors to come forward to invest in the project. Among others, ERD Secretary and Chairman of IIFC Mr. Anisul Huq Chowdhury, Shipping Secretary Mr. Ghulam Rahman, BIWTA Chairman Mr. M. Shahidul Islam Chowdhury and IIFC Executive Director & CEO Mr. Nazrul Islam spoke on the occasion.

The Donors Reviewed IIFC Activities

Department for International Development (DfID) of UK and Canadian International Development Agency (CIDA), the two donors who are funding IIFC's foreign consultants, employed independent reviewers to review activities of IIFC. The two review teams discussed at length overall scenario of private sector participation in infrastructure in Bangladesh and future role of IIFC in light of that. They recognised IIFC's nature of job which takes significantly longer period for the investment to be visible compared to non-infrastructure projects. The review teams comprised : Mr. Shantanu Mitra and Dr. Naushad Faiz from DfID and Mr. J. Bhattacharjee and Mr. Abu Saeed Khan from CIDA.

SEMINARS, PRESENTATIONS AND WORKSHOPS

Presentation on Capitalisation of Bhairab Bridge

IIFC team made a presentation to the Honorable Minister for Finance and Planning Mr. M. Saifur Rahman MP and Honorable Minister for Communications Barrister Nazmul Huda MP with senior government officials on capitalisation of the Bhairab Bridge. This is a new concept in Bangladesh which IIFC is proposing to apply for realising a lump-sum amount of money upfront by selling future earning potential of an asset to the highest bidder.

The 1.2 km Bhairab Bridge on the river Meghna along the Dhaka-Sylhet route has been constructed at a cost of Tk 680 crore. About 60% of the cost was funded from the public exchequer, 20% from the Department for International Development (DfID) of UK as grant, and the rest 20% procured from commercial borrowing.

Countries of the developed world use securitisation (placement of securitised bond in the capital market) as a vehicle for selling earning potential of an asset. As capital market in Bangladesh is still emerging, capitalisation can be a viable alternative to securitisation for upfront realisation of the earning potential of an infrastructure asset. The Honorable Finance Minister as well as the Honorable Minister for Communications appreciated the concept and the Honorable Finance Minister provided formal approval to go ahead with implementation of the concept.

Presentation on Dhaka East City Development

IIFC developed a concept combining the proposed Dhaka Eastern Bypass and the flood embankment along side Balu River with city development on the eastern side of Dhaka. IIFC team made a presentation to the Honorable Minister for Communications Barrister Nazmul Huda MP on the concept. Presentations were also made to the Ministry of Water Resources, Ministry of Housing and Public Works and other concerned agencies.

In the conceptual framework paper, IIFC suggested mechanisms for realising potential value enhancement of land from construction of the

bypass and flood embankment for financing and subsidising their construction and proposed the bypass to be a private sector operated toll road. This concept also enables government to develop the eastern part of the city with minimum resource requirement from the public exchequer. IIFC submitted the concept with options for implementation to the Technical Committee on Dhaka Integrated Flood Control Embankment cum Eastern Bypass Road Multipurpose Project for decision making by the government.

Presentation on the Business Plan for Mongla Port

IIFC formulated a ten-year Business Plan for the Mongla Port Authority (MPA) under an agreement with the authority. Presentation was made to the MPA on different strategies about how to increase efficiency and business activities of the port. The port currently lacks access to hinterland through road and railway, therefore, suffers from underutilisation of assets. The IIFC study suggested steps to address the issue. The draft plan was submitted to the MPA and is expected to be finalised shortly after approval by MPA.

Presentation to the Workshop on "Private Provision of Infrastructure: Review of Issues," Kolkata, India

IIFC presented a paper titled "The Need for an Inside Sponsor in Private Infrastructure Development" in a workshop held during 23 - 24 November 2002 in Kolkata, India. The paper explained why a private infrastructure project, in almost all cases, needs an entity at the government side termed as the "inside sponsor" apart from the private investor or the "outside sponsor" coming at a much later stage, to conceive and develop the project through a long path of stages until when the project can be offered to the private sector. IIFC is acting as an inside sponsor. Therefore its services are crucial for realising private investment in infrastructure in Bangladesh.

Presentation to the Workshop on "Infrastructure Development - Private Solutions for the Poor: The Asian Perspective," Manila

IIFC also presented a paper titled "Remote Area Power Supply Systems (RAPSS) : A Framework for Implementation and Operation," in a workshop

on pro-poor infrastructure held during 28-30 October 2002 in Manila, Philippines. The paper explained why small private entities are needed to supply power to the remote areas.

The report pointed out that though remote areas take long distribution lines, Bangladesh Power Development Board (BPDB) can not charge on actual cost basis in those areas due to uniform tariff policy all over the country. It discourages BPDB to connect remote areas.

RAPSS is a concept developed to provide electricity by localised private operators in those areas.

IIFC Sponsors Participation in Overseas Training Conducted by SAFIR in India

South Asia Forum for Infrastructure Regulation (SAFIR) arranged the Fourth Training Course on Infrastructure Regulation and Reform during 15-23 September 2002 at Goa, India. The course provided an opportunity to the GOB officials to learn techniques of addressing problems and issues in infrastructure regulation and facilitated exchange of ideas and sharing regional and international experiences.

IIFC sponsored seven participants from Bangladesh Telecommunication Regulatory Commission, Ministry of Planning and Ministry of Finance and Power Cell for attending the course.

Dear Readers,

IIFC launched its own website: www.iifc.net. In the website, you can find highlights of investment opportunities in infrastructure sectors of Bangladesh and download information on the infrastructure projects that IIFC is developing.

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