

**Strengthening Private Sector Participation and
Investment in Physical Infrastructure**
19-22 November 2007, Tokyo, Japan

**Meeting the Financing Gap
- PPPs in Bangladesh Perspective**



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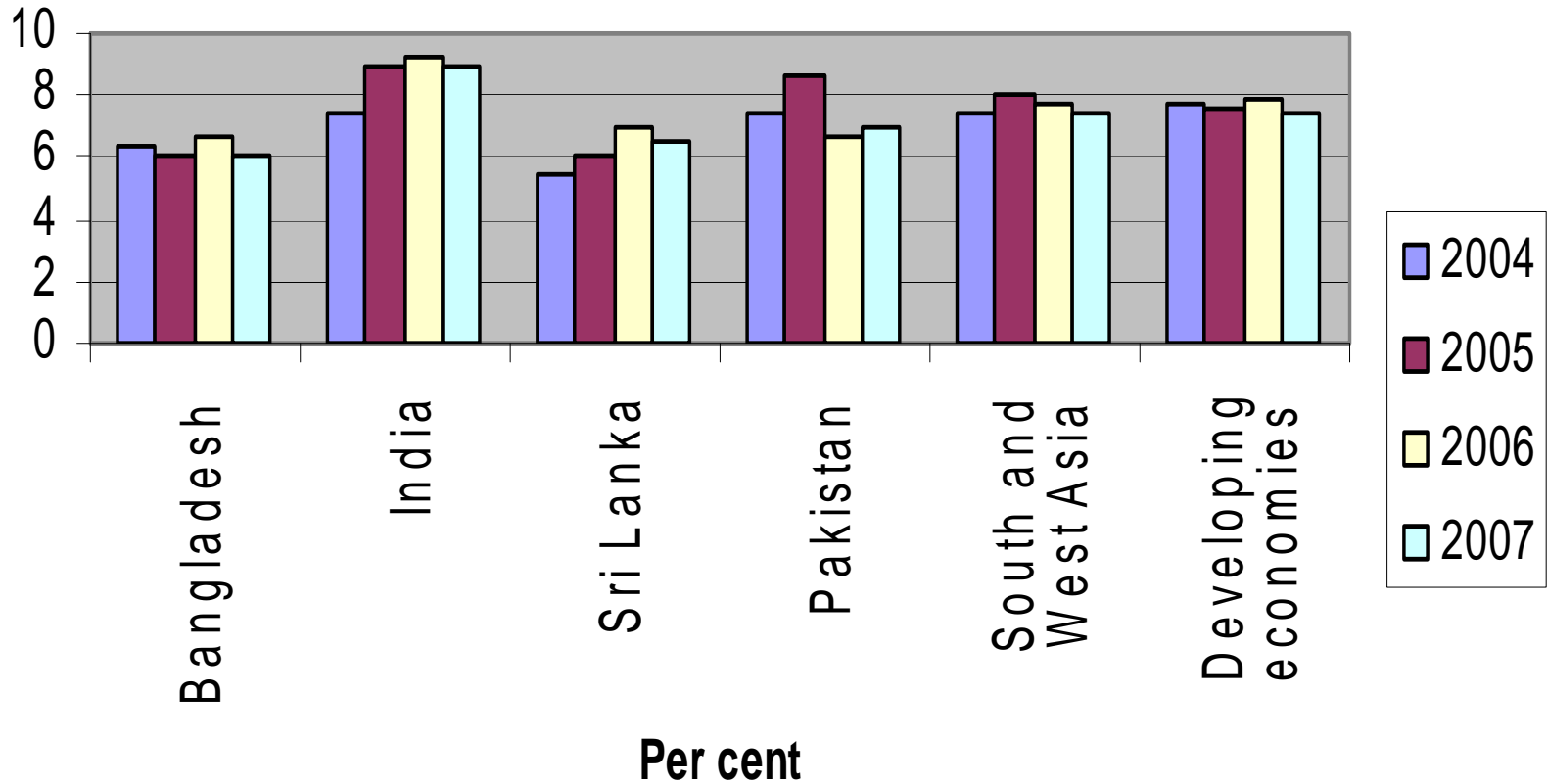
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Transport and Tourism Division,
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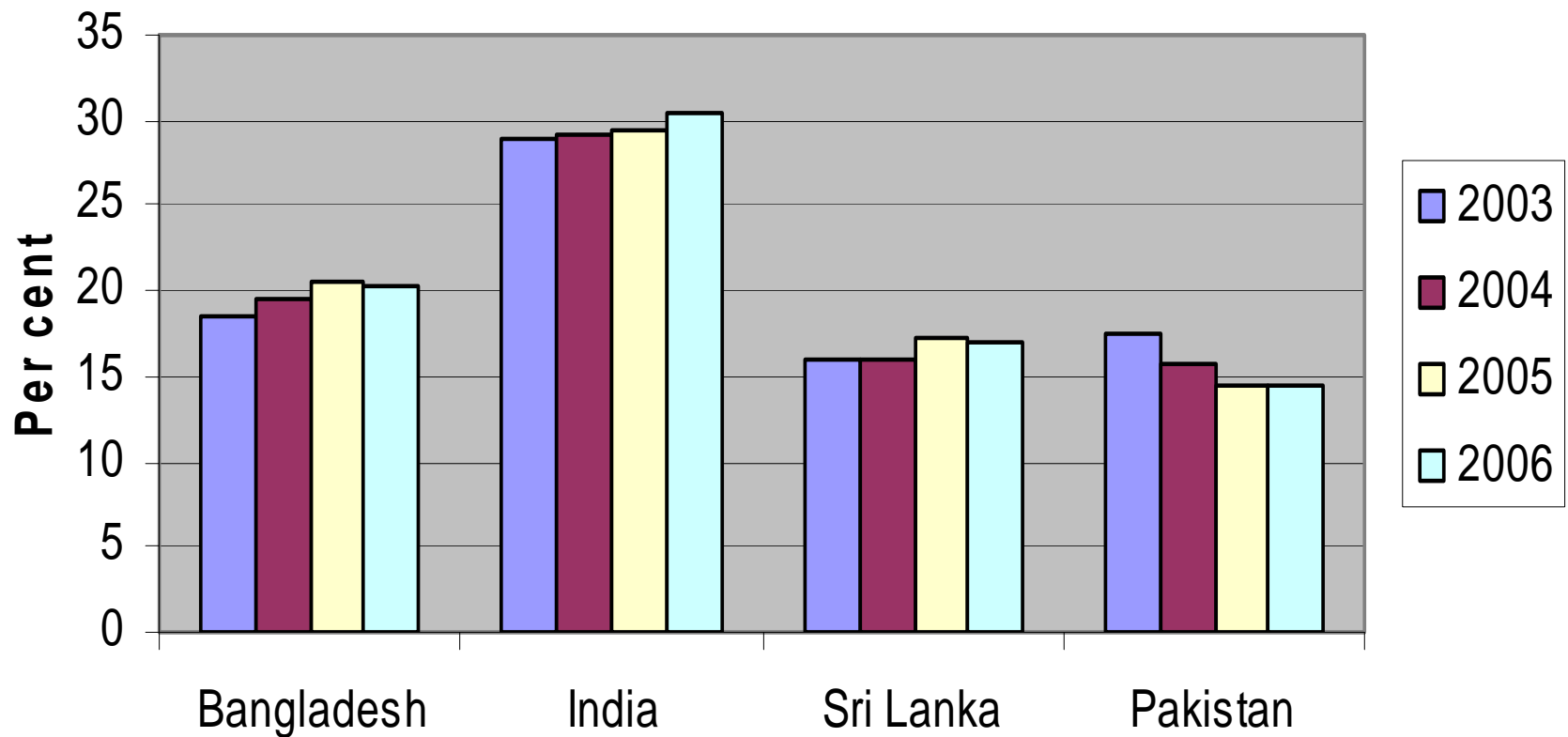
Key Figures

	2002-03	2003-04	2004-05	2005-06	2006-07
GDP (US\$ billion)	51.91	56.50	60.38	61.98	67.54
GDP per capita (US\$)	389	418	441	447	480
Reserve (US\$ million)	2470	2705	2930	3484	4360

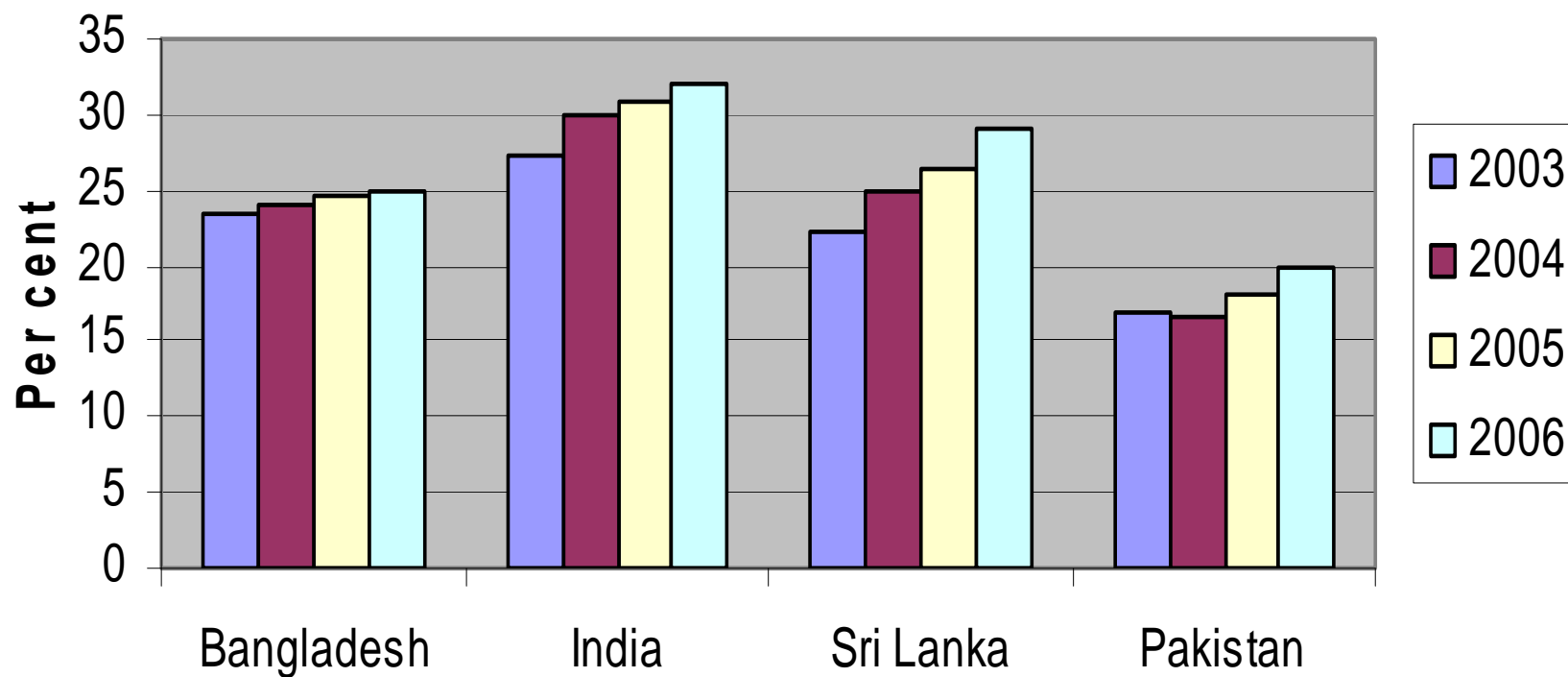
Rates of economic growth, 2004-2007 (per cent)



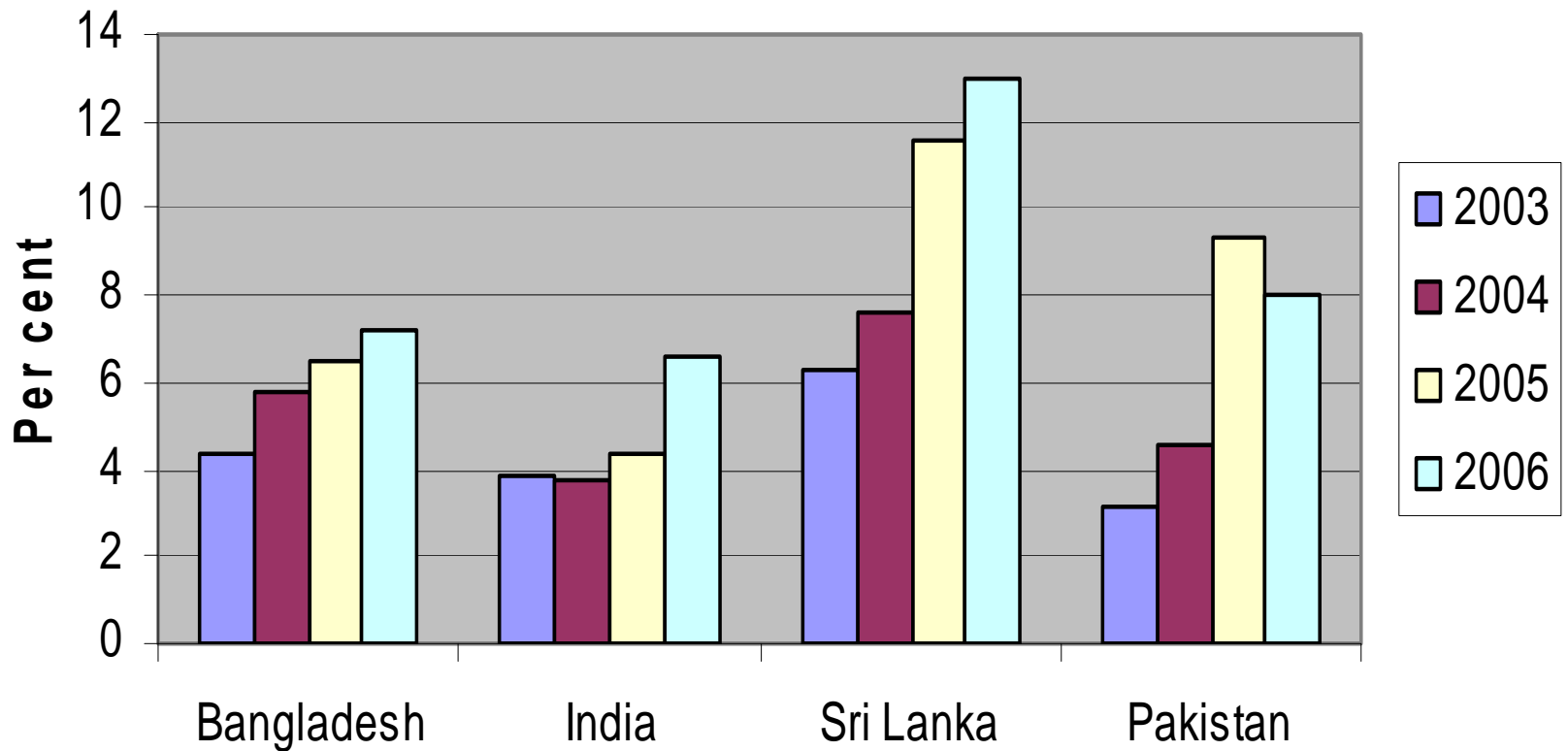
Gross Domestic Savings Rate, 2003-2006 (Per cent)



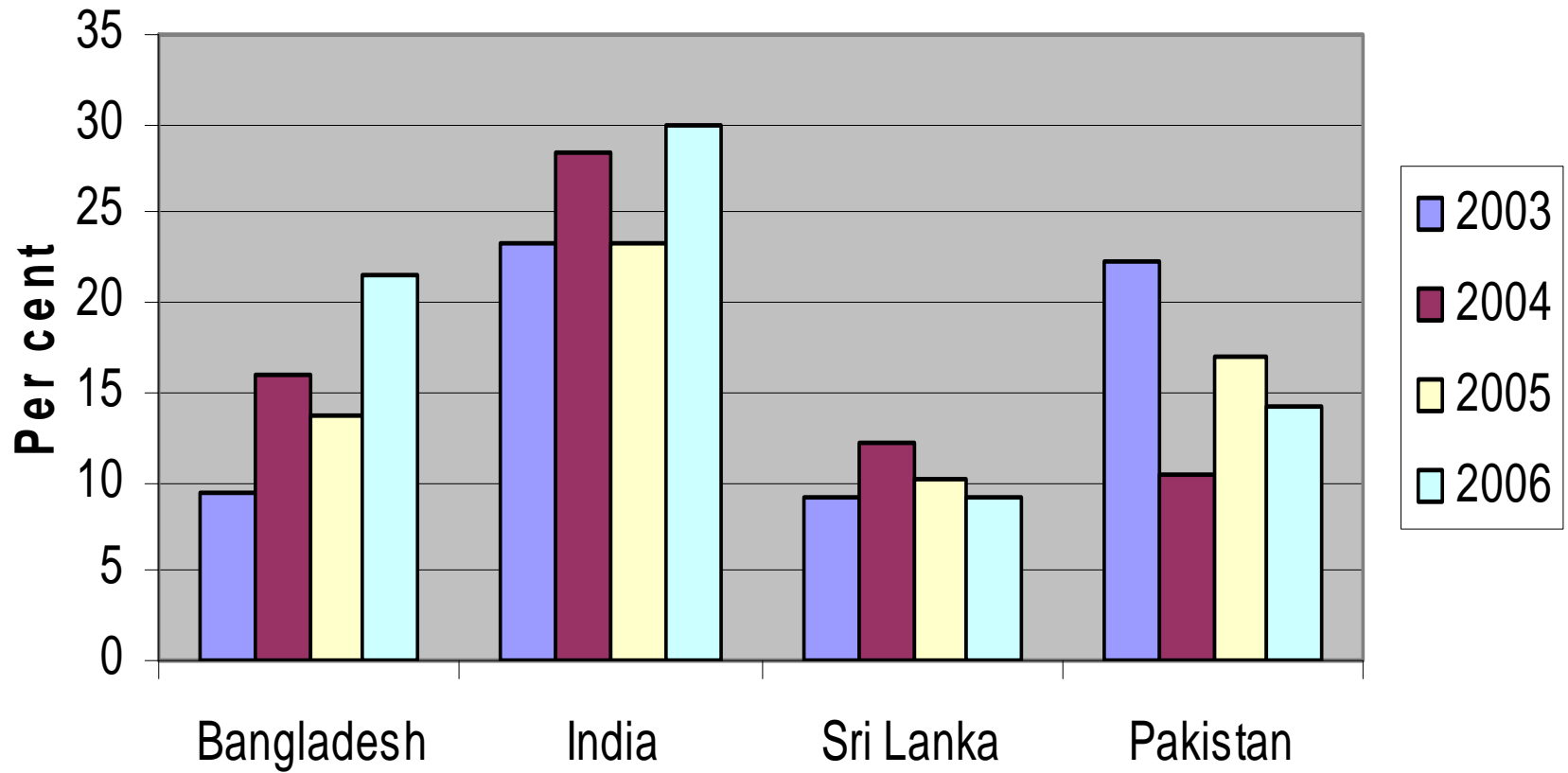
Gross Domestic Investment Rate 2003-2006 (Per cent)



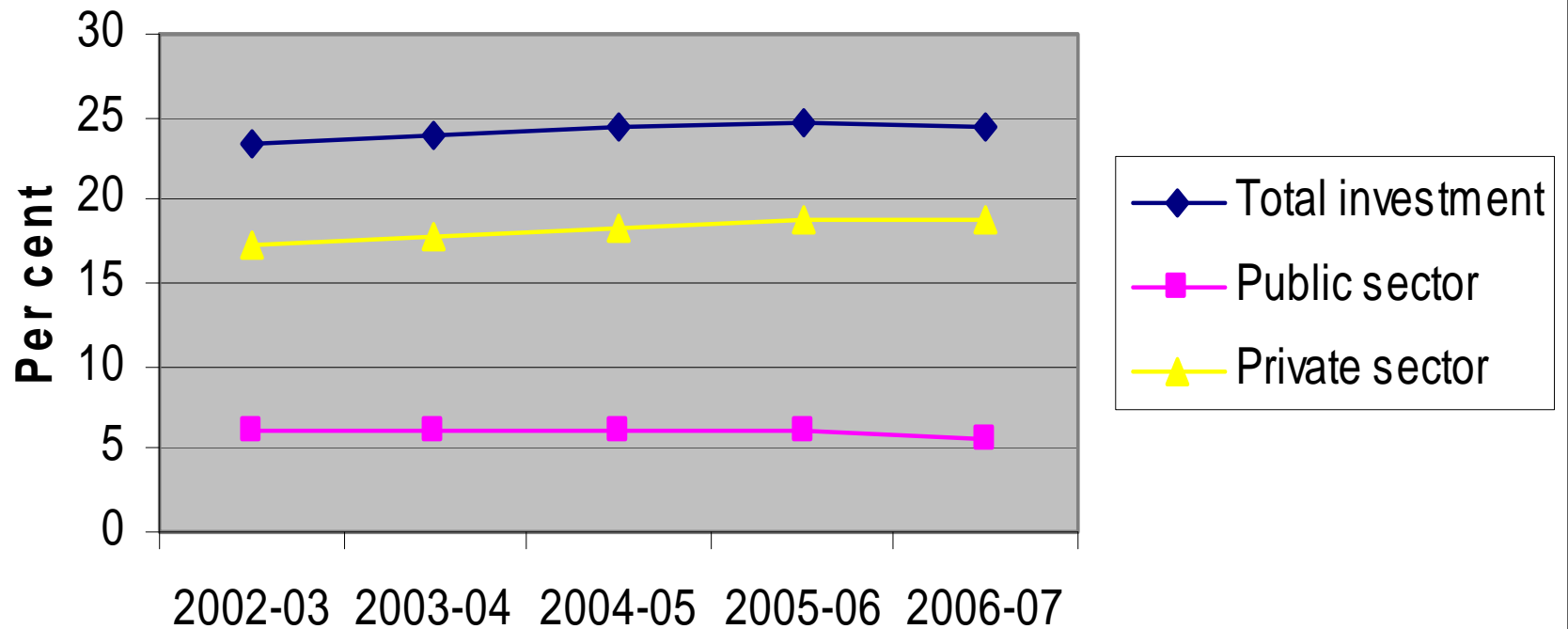
Inflation Rate, 2003-2006



Merchandise Export Growth, 2003-2006



Gross Domestic Investment (Per cent of GDP)



Investment in infrastructure sectors (US\$ M)

	2002-03	2003-04	2004-05	2005-06
Water	124.35	110.55	136.05	90.49
Power	399.08	472.87	475.23	456.43
Energy	116.30	139.96	125.91	45.54
Transport	494.17	494.21	451.84	402.27
Communication	105.34	61.00	156.49	79.35
Physical Inf Watr	162.85	158.57	202.72	212.71
Total in infra.	1,402.09	1,437.16	1,548.24	1,286.79
Total ADP	2,618.86	2,739.26	2,798.26	2,813.19
GDP	51,001.69	54,235.03	55,264.11	60,059.23
Per cent of GDP	2.75	2.65	2.80	2.14
Per cent of ADP	53.54	52.47	55.33	45.74
Total FDI	376.00	385.00	776.00	675.00
Total ADP + FDI (part)	1,590.09	1,629.66	1,936.24	1,624.29
Infr invst % of GDP	3.12	3.00	3.50	2.70
FDI as % of Total (estimated)	12	12	20	21
ODA (US\$ million)	483.73	506.76	434.80	385.77
ODA as % of ADP	35	35	28	30

Summary statistics on investment in infrastructure

	2002-03	2003-04	2004-05	2005-06
Inf Investment in ADP (\$ M)	1402	1437	1548	1287
Total ADP (\$ M)	2619	2739	2798	2813
% of ADP	54.5	52.5	55	45.7
Dev Assistance (\$ M)	484	507	435	386
ODA % in ADP	35	35	28	36
FDI (\$ M)	376	385	776	675
FDI % of GDP	0.72	0.68	1.29	1.09
Inf Invest as % of GDP	3.1	3.0	3.5	2.7

Based on original data from GoB sources;

PPP Investment

- Power and Energy (7 projects), US\$ 1,056 million
- Telecom (6 projects), US\$ 2,081 million

Total: US\$ 3,138 million

(Source: PPI Database, World Bank)

- Private Sector Infrastructure Development Project (PSIDP), US\$ 246 million

(Source: IIFC)

PPP Institutional Framework

- **Policy Framework (PSIG)**
- **Legal and Regulatory Regime**
 - Sectoral laws apply (no special law)
 - Public procurement rules
 - Other relevant laws
 - Independent regulators (energy and telecom sectors)

PPP Institutional Framework (Contd.)

- **Administrative arrangements**
 - Concerned Ministry and Department/Agency
 - (Power Cell for power projects)
 - Board of Investment (BOI)
 - Infrastructure Investment Facilitation Centre (IIFC)
 - Bangladesh Bank (Central Bank)
 - Relevant Committees as entrusted in PSIG (Cabinet Committee on Economic Affairs, Private Infrastructure Committee or **PICOM**, Major Terms & Conditions Committee or **MTCC**, and Pre-qualification and Tender Evaluation Committee or **PTEC**)

PPP Institutional Framework (Contd.)

- **Private investment promotion fund for small-scale infrastructure projects**

Investment Promotion Financing Facility (IPFF),
Managed by the Central Bank. IIFC acts as the technical advisor and reviews the projects for eligibility

Bangladesh Private Sector Infrastructure Guidelines

- **Administration and Management of the PPP Programme are carried out through the Private Sector Infrastructure Guidelines (PSIG)**
- **The PSIG is the first official policy document providing a framework for private investments in infrastructure**
- **GOB has taken steps for opening the infrastructure sector to the private sector – both local and foreign.**

PSIG

- **Government approved the Guidelines (PSIG) in Oct 2004**
- **Private Infrastructure Committee (PICOM) established, with the BOI as its Secretariat**
- **IIFC engaged by PICOM through BOI to operationalize the Guidelines**

Purpose of the Guidelines

- **To establish, within the Government, procedures to identify private infrastructure projects**
- **To document a set of guidelines for both the private sector investors and the Government**
- **To establish institutional arrangements to monitor and expedite the implementation of projects at a national level**

Nature of Private Infrastructure Projects

- **The guidelines mention the criteria for “Infrastructure”:**
 - facilities having significant public interest
 - Investments that require the government to regulate and approve the tariff;
 - Investments in which government need to guarantee the off-take of products and services
 - Investments that require special fiscal incentives
 - land, buildings for which buying/selling is restricted
 - investments which require permission to use government assets
 - private sector land/buildings/establishments that require the government to assist with acquisition

Formation of PICOM

- **The institutional framework for PPPs is centered on the “Private Infrastructure Committee” known as PICOM.**
- **PICOM is under the Prime Minister’s office**
 - **The Principal Secretary as the Chairman**
 - **BOI has been entrusted with the responsibilities of its Secretariat**
 - **IIFC has been appointed as the Technical Advisor**
 - **Members**

Objectives of PICOM

- **The objective of PICOM is to :**
 - **Co-ordinate, monitor and expedite the resources, strengths and capabilities of both the private and public sectors**
 - **PICOM is the focal point for promoting and progressing Private Infrastructure Projects**

Solicited Projects

- **Government identifies eligible Projects**
- **carries out feasibility studies**
- **prepares commercial and contractual framework**
- **prepares Tender Documents and**
- **seeks Tenders from Investors**
- **evaluates and ranks the Tenderers**

Unsolicited Projects

- **Private Sector submits proposal to line ministry, executing agency or BOI**
- **Processing done by the Line Ministry.**
- **Unsolicited proposals need to contain**
 - a brief description of the Project;**
 - a feasibility study of reasonable depth**
 - technical specification, cost, performance parameters**
 - economic, financial and environmental sustainability;**
 - rights and obligations of the Investor and Government;**
 - qualifications and experience of the Investors;**
- The executing agency assesses against overall sector plans**
- **If satisfactory, it is sent to PICOM for enlistment**
- **Investors are then solicited through normal tendering process**
- **The original proponent gets automatically pre-qualified**

The Roles of Committees

Cabinet Committee on Economic Affairs (CCEA)

- Cabinet Committee to designate project as private sector
- Gives final approval to Concessionaire's tender

Private Infrastructure Committee (PICOM)

- Committee to expedite Private Infrastructure Projects
- Lobby for regulatory changes, carry out capacity building etc.

Major Terms & Conditions Committee (MTCC)

- Committee to prepare the major commercial and technical terms and conditions in the Contract Documents

Pre-qualification and Tender Evaluation Committee (PTEC)

- Committee to evaluate the pre-qualification statements and the Tenderers proposals

Some observations

- **Huge infrastructure investment gaps exist**
- **Annual investment need in power sector alone is about US\$ 800 m**
- **More FDI in power is expected**
- **ODA may not increase much (US\$ 800 m agreement for water & sanitation)**
- **GoB plans mega projects in transport sector (no PPP investment so far)**
- **Potential to increase the flow of FDI in infrastructure sector (underperformance)**

Weaknesses

- **Legal and administrative uncertainties surrounding PPP deals**
- **Political uncertainties**
- **Misconceptions concerning PPPs**
- **Lack of capacity in the public sector**
- **Weak competitiveness, business environment**
- **Domestic financing**
- **Poor infrastructure facilities**

To promote PPPs...

- **Uncertainties surrounding deals removed**
- **BOT may not be the preferred model at the beginning**
- **Managable project size**
- **Domestic financing**
- **Equitable risk sharing arrangement**
- **Government incentives may be required**
- **Model concession agreement**
- **Capacity to develop bankable projects**

Thank you