



Bangladesh  
**PICOM Newsletter**

Newsletter of Private Infrastructure Committee (PICOM), Government of the People's Republic of Bangladesh

**Issue no.2, July 2007**



**Private Sector Infrastructure Guidelines**

*Creating Awareness about the Guidelines*

Creating awareness about the Guidelines within both public and private sector and all other stakeholders is one of the major tasks for operationalizing the Private Sector Infrastructure Guidelines (PSIG). Introducing the Guidelines to the relevant stakeholders through awareness creation campaign started the process of understanding the Guidelines and its importance for the public-private partnership (PPP) projects.



*Launching Workshop for Awareness Creation on Private Sector Infrastructure Guidelines at Dhaka Sheraton Hotel*

*18 July 2006*

The Board of Investment (BOI) and Infrastructure Investment Facilitation Center (IIFC), an enterprise under the Economic Relations Division (ERD) of Ministry of Finance, jointly organized the launching workshop for awareness creation on PSIG at Dhaka Sheraton Hotel on 18 July 2006. The purpose of this awareness creation workshop was to increase government's commitment to encourage private sector participation in infrastructure projects as well as to develop commitment from all sectors and institutional support for this initiative to move forward. Representatives from the line ministries, investors, chambers, associations, banks, donors and think tanks actively participated in the workshop.



**Editorial**

*PICOM Newsletter: Successful dissemination of information on Bangladesh Private Sector Infrastructure Guidelines, 2004*

We are pleased to announce the publication of second issue of the PICOM Newsletter after successful dissemination of the inaugural issue in the first year. It generated huge interest within public and private sector both. The Guidelines is already being widely used by a number of ministries and executing agencies for releasing infrastructure projects to the private sector.

The focus of this issue is to create awareness about the Guidelines. In addition to that, we have highlighted the present status of different projects and also provided brief descriptions of new private infrastructure projects. Besides, PICOM activities are also being highlighted in this issue.

We hope that this newsletter will be a valuable source in disseminating the project information under PICOM and the progress so far achieved by the ministries, executing agencies, business houses and investors dealing with private infrastructures in our country.

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## Newsletter

### Private Infrastructure Committee

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## Seminars on Awareness Creation on PSIG

### *For creating awareness among the private investors*

For creating a large-scale awareness among the private investors, a number of seminars have been organized. The Dhaka Chamber of Commerce and Industry (DCCI), in cooperation with Infrastructure Investment Facilitation Center (IIFC), hosted a seminar for awareness creation on Private Sector Infrastructure Guidelines at DCCI on 11 November 2006. Four technical papers were presented focusing on the Guidelines, present and future private infrastructure projects and the sources of financing the projects.



Awareness Creation Seminar on PSIG held at The Federation of Bangladesh Chambers of Commerce and Industry on 19 December 2006

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), in cooperation with IIFC, organized another seminar on 19 December 2006. The seminar was attended by Ms Hua Du, Country Director, Asian Development Bank (ADB). IIFC provided the technical assistance for both the seminars. The purpose of these seminars was to make the Guidelines more popular among the private sector investors so that they can come forward to invest in private infrastructure projects and contribute to the development of country's infrastructure. A number of private investors attended these seminars and expressed their interest on different projects.



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## Capacity Building Plan

### *To enhance the understanding of government officials on public-private partnership (PPP)*

PSIG places strong emphasis on capacity building in both public and private sector. The objective is to enhance the understanding of the process of private infrastructure projects. Introducing the Guidelines to the relevant stakeholders through awareness creation has started the process of understanding the PSIG and capacity building. The capacity building efforts will be targeted to government officials, private sector participants from the business community, banking and other financial institutions. To achieve the above purpose, a capacity building plan needs to be developed. The main objective of capacity building is to achieve enhanced understanding of government officials regarding the concepts and process for releasing infrastructure projects to private sector. The capacity building plan also intends to identify a panel of experts so that suitable expert/s can be selected from a list as and when required for a particular training event. IIFC has started creating a database of experts in three different categories (a) local (b) regional and (c) foreign, based on their geographical experience.

As part of the process of developing the capacity building plan, a discussion meeting on strategy for capacity building was held on 6 December 2006 at IIFC with participation from public sector, donors and private sector. A team of consultant has already been engaged to develop the capacity building plan on PPP for the nation. IIFC is currently preparing the strategy for a capacity building plan to implement the Guidelines, through consultation with public and private sector stakeholders.

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## New Projects



### ***1200T Slipway Project of CPA Marine Workshop on ROT basis To enhance the ship building business in Bangladesh***

The project is proposed by the Chittagong Port Authority (CPA). The slipway was built in 1984 and since then, it never went into operation. The slipway is located adjacent to the port cargo operational area which is strategically important for the port's main activities. Now the CPA wishes to start operating the slipway on Rehabilitate-Operate-Transfer (ROT) basis by private operator i.e. without causing any additional expense to CPA. If the slipway is developed, it would be highly beneficial for CPA, since it will be able to receive royalty or lease rental without further investment and maintain vessels in the port area with competitive price.

The estimated cost for the project is USD 5 million. The open land in the project area is 4.85 acres including the land for workshop that is about 1.15 acres. The investor will have the sole opportunity for ship building and repairing which will ultimately enhance the ship building business.



### ***Construction of Mongla Port Jetty on BOT***

The project is proposed by the Mongla Port Authority (MPA) for the construction and operation of the two (2) incomplete jetties of MPA at Mongla and lease out to the private entrepreneurs. The purpose of the project is to facilitate berthing of ships and cargo handling at Mongla Port. It is envisaged that on completion of the jetties on BOT basis, the volume of import and export through this port will increase and it will generate income for the port and will create employment opportunity. Overall it will have positive impact on national economy. Estimated project cost is Tk. 300 million. The proposed land area is about 18 acres which will be handed over to the private operator for construction and ancillary facilities.



### ***Investment Promotion and Financing Facility (IPFF) To boost-up infrastructure development of the country***

The Government has established Investment Promotion and Financing Facility (IPFF) to provide term finance for infrastructure development and promoting domestic infrastructure and strengthen government and institutional capacity building. The broad objectives of the projects are to accelerate private sector-led growth by providing term finance for infrastructure development and promoting domestic infrastructure finance capacity, to support an integrated approach to rural development, to strengthen government and build institutions, to reduce poverty in line with the focus of Poverty Reduction Strategy Paper (PRSP) and the Millennium Development Goals (MDG) in Bangladesh. IIFC signed a Technical Services Agreement (TSA) with Bangladesh Bank (BB) on 26 December 2006 to provide technical advisory services.



Signing of TSA on 26 December 2006 between Bangladesh Bank and IIFC as technical advisor in the IPFF

The project mainly focused on the two major components; (A) Infrastructure Development Lending Component (USD 47.5 million) under which, the project will make available long term financial intermediaries for on lending to eligible, government sponsored infrastructure projects to be developed by the private sector and (B) Technical Assistance (TA) Component of USD 2.5 million. Again the TA component has three sub-components including (a) Technical Assistance for Bangladesh Bank and market participants; (b) IIFC support to PICOM for policy and regulatory reform, awareness creation and capacity building; (c) Support for environmental assessment. The project is effective from August 2006 and Bangladesh Bank (BB) is the implementing agency, responsible for overall implementation, coordination and supervision of project activities.

## Projects Updates



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### *Jatrabari-Gulistan Flyover Project*

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To reduce traffic congestion in the city center

The Jatrabari-Gulistan Flyover Project has already been awarded to private sector and presently is in its construction phase. The project is expected to be completed within its planned time of 5 years. The cost of the project is USD 106 million, with a private investment of USD 103 million and GoB investment of USD 3 million. The tolls will be regulated by Dhaka City Corporation (DCC). The 7 km flyover will minimize the traffic congestion in Gulistan, Motijheel and Jatrabari area and ease movement of vehicles linking the capital with Chittagong and south-eastern region of the country.



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### *Birol and Teknaf Land Ports awarded to Private Sector*

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For enhanced trade facilitation with bordering countries

Bangladesh Sthala Bandar Kartripaksha (BSBK) has awarded the Birol Land Port to Dynamic Trade Syndicate as the private operator. A contract has been signed between BSBK and the private operator on 22 October 2006. With the signing of this agreement, the entire first round land ports have been awarded to private sector. Moreover, Teknaf Land Port is also taken over by the private operator. BSBK has signed agreement with the investor representing the joint venture of M/s Univan Port Services Limited and United Enterprises and Companies Limited for the operation of the port for a period of 25 years on BOT basis. Teknaf Land Port will boost cross border trade with Myanmar. The pre-qualification for the second round land ports have been completed and the shortlisted investors will be issued tender documents soon.



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### *Dhaka-Chittagong National Expressway*

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for faster link of capital with port city

To formulate the commercial structure, a Major Terms and Conditions Committee (MTCC) has been formed for this project. IIFC has been engaged to prepare the Terms of Reference (ToR) for the consultant to be engaged for conducting the feasibility of this project. IIFC will also assist Roads and Highways Department (RHD) in the pre-qualification of investors.

This project comprises a 4-lane carriageway which would be 210 km in length from Narayanganj to Hathazari near Chittagong. The estimated cost of the project is USD 896 million, with a 5-year implementation period. The project is expected to have significant impact on the country's export-import business by creating a smoother and convenient communication between the port city of Chittagong and the capital.

## **PICOM Activities**

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### *Achieving progress in adopting private infrastructure projects*



#### **PICOM Meetings**

The Private Infrastructure Committee (PICOM) held seven meetings since 5 October 2004. Brief proceeding of the last meeting (7<sup>th</sup>) is presented below.

#### **7<sup>th</sup> Meeting**

The seventh meeting was held on 6 September 2006. The agenda items of the meeting were to enlist 'Establishment of Underground Metro Rail (Subway) System in the Dhaka city through BOT Basis' and 'Multipurpose Commercial Complex at Southern Side of Sonargaon Hotel' projects. The decision of the meeting was to include the two projects in the PIPL after the approval of CCEA.

(Brief proceedings of first six meetings can be found in the first issue of the PICOM newsletter)



#### *PICOM Events- enhancing transparency*

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#### **PICOM Website**

A website has been developed for PICOM. This website is expected to have impact in disseminating the information regarding PICOM activities, PSIG and the projects under PICOM. The website details out the stages and procedures of releasing infrastructure projects to private sector. It is expected that all relevant stakeholders would find the website useful. The address of the website is [www.picom.gov.bd](http://www.picom.gov.bd)

#### **Documentary Film on PSIG**

IIFC is in the process of developing an audio-visual documentary film on Bangladesh Private Sector Infrastructure Guidelines. The purpose of the documentary film is to create awareness about PSIG throughout the country, disseminate information on private infrastructure projects, get the private investors attracted to such projects and then introduce and familiarize the PSIG to bring in the desired private investment. The documentary film will contain an audiovisual presentation of private infrastructure projects including the privately operated land ports, Gulistan-Jatrabari Flyover, 1200T Slipway Project etc. There will be exclusive interviews of Chairman, BOI as the Secretariat of PICOM, government high officials, investors and various other people related to the implementation of the projects to share their experiences.

#### **Training on Overview of Public Private Partnership in Infrastructure**

A 2-day Training Programme on 'Overview of Public Private Partnership in Infrastructure' was held on 16-17 January 2007 at IDB Bhaban in Agargaon Dhaka, organized by BOI and facilitated by IIFC. The focus of the programme was to help create a better and detailed understanding about various issues relating to private sector participation in infrastructure projects. The participants were from various ministries, executing agencies, regulatory bodies and financial institutions.

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Training Programme on 'Overview of Public-Private Partnership in Infrastructure' at IDB Bhaban, Agargaon, Dhaka on 16-17 January 2007

The programme covered various areas of PSIG and PPP including the role of BOI as secretariat of PICOM, types of PPP contracts, negotiating and finalizing contracts, fundamentals of financing infrastructure projects, fundamentals of regulations, risk identification, mitigation and allocation etc. The resource persons were from both public and private sector.



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### Leasing PGCB's Optic Fiber Cable (Chittagong-Cox's Bazar) *Attracts large scale private investment in telecom*

Power Grid Company of Bangladesh Ltd. (PGCB) is now installing overhead Optic Fiber Cable (OFC) network commonly known as Optical Ground Wire (OPGW) for telecommunication purposes, along its high voltage transmission lines throughout the country in two phases. In Phase I, the installation of 245 km long Dhaka-Chittagong link was completed and one pair of the link has been awarded to private sector. In Phase II, the installation of 145 km long Chittagong-Cox's Bazar link has also been completed and the tendering process for leasing one pair of OFC link to private sector is under process. IIFC has been engaged to assist PGCB in the leasing process.



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### Newsflash on Private Sector Participation in Infrastructure

- Government has approved the policy on Remote Area Power Supply System (RAPSS) in March 2007 for the electrification of the country's remote locations.
- Captive Power Policy has received approval from Government in March 2007 for providing surplus power to the main grid.
- Government started privatizing the operation of Chittagong Port to bring out the maximum efficiency in cargo handling.
- Government invited proposals for small power plants in private sector on Build-Own-Operate (BOO) basis.
- Construction of Dhaka-Chittagong Expressway has been approved by the cabinet to develop with private investment



## Private Infrastructure Projects

*Approved for Listing in Private Infrastructure Project List*

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Sl	Project	Executing Agency	Enlisted in PIPL	Present Status
1	Gulistan-Jatrabari Flyover	DCC	13-Mar-05	Awarded to Belhasa-Accom JV Ltd. and under construction
2	Sonamasjid Land Port	BSBK	17-May-05	Awarded to Panama Trading and partly operational
3	Hili Land Port	BSBK	17-May-05	Awarded to Panama Trading and partly operational
4	Bibirbazar Land Port	BSBK	17-May-05	Awarded to Shepherd Textile (BD) Ltd. and partly operational
5	Birol Land Port	BSBK	17-May-05	Awarded to Dynamic Trade Syndicate and partly operational
6	Banglabandha Land Port	BSBK	17-May-05	Awarded to ERBA Ltd. and partly operational
7	Tamabil Land Port	BSBK	11-Aug-05	Pre-qualification Completed
8	Burimari Land Port	BSBK	11-Aug-05	Pre-qualification Completed
9	Akhaura Land Port	BSBK	11-Aug-05	Pre-qualification Completed
10	Teknaf Land Port	BSBK	11-Aug-05	Awarded to JV of Univan Port Services Ltd. and United Enterprises and Co. Ltd. and partly operational
11	Haluaghat Land Port	BSBK	11-Aug-05	Pre-Qualification Completed
12	Bhomra Land Port	BSBK	11-Aug-05	Pre-Qualification Completed
13	Procurement of Power from Private Sector on BOO basis	CPA	15-Nov-05	Process changed
14	New Mooring Container Terminal	CPA	19-Jan-06	Feasibility study completed
15	2 <sup>nd</sup> Dhaka-Chittagong National Highway	RHD	9-Jul-07	Project being defined
16*	100,000 flats for lower and lower-medium income	RAJUK	Yet to be notified	Commercial framework defined
17*	1200T Slipway Project under CPA on ROT basis	CPA	Yet to be notified	Project being defined
18*	Development of Mongla Port Jetty on BOT	MPA	Yet to be notified	Project being defined

\* Subject to approval of CCEA

## Private Infrastructure Project Development Stages

	Stage 0	Stage I	Stage II	Stage III	Stage IV	Stage V	Stage VI
Name of Stage	Project Identification	Feasibility	Commercial Framework	Evaluation	Negotiation	Financing	Construction
Stage Completion Milestone	CCEA Approval	Feasibility Study Completed	Issue RFP	Issue Letter of Intent (LOI)	Sign Agreement	Financial Closure	Start of Commercial Operation
<b>Processes and Actions</b>	<ul style="list-style-type: none"> <li>Executing Agency or private sector identifies Project and prepares Project papers</li> <li>Project approved by CCEA/Line Ministry for private sector development</li> <li>Project published in Private Infrastructure Project List</li> </ul>	<ul style="list-style-type: none"> <li>Executing Agency secures funds and engages consultants</li> <li>Project ideas elicited and needs defined</li> <li>Identify regulatory and policy issues (first few projects only)</li> <li>Identify and agree major technical, commercial and contractual parameters</li> <li>Complete feasibility study</li> </ul>	<ul style="list-style-type: none"> <li>Prepare commercial framework and Information Memorandum</li> <li>Executing Agency approval of Pre-qualification Documents &amp; issue</li> <li>Conduct investment promotions meeting</li> <li>PTEC evaluates PQ submission</li> <li>Allocate risk between Govt. &amp; private sector</li> <li>Prepare Contract &amp; Tender Documents</li> <li>Issue Invitation for Tender</li> </ul>	<ul style="list-style-type: none"> <li>Pre-qualified Tenderers prepare Tenders</li> <li>Answer Tenderers' queries and hold Tenderers' conference</li> <li>Executing Agency receives Tenders and PTEC prepares evaluation report</li> <li>Government approval of successful Tenderer</li> <li>Issue LOI to preferred Tenderer</li> </ul>	<ul style="list-style-type: none"> <li>Prepare for negotiations</li> <li>Form Government negotiating team with good technical, financial, commercial, legal skills</li> <li>Carry out negotiations between Investor and Government entities</li> <li>Signing of Contract between Executing Agency and Investor</li> </ul>	<ul style="list-style-type: none"> <li>Investor makes loan applications to lenders</li> <li>Lenders perform due diligence</li> <li>Government and Investor renegotiations for lenders requirements</li> <li>Loan documents prepared</li> <li>Financial closure</li> </ul>	<ul style="list-style-type: none"> <li>Executing Agency to carry out Contract Administration functions</li> <li>Oversee of construction by Lenders' Engineer</li> <li>Conduct satisfactory completion tests</li> <li>Commercial Operations Date</li> </ul>
Approx. Time required							
Small Projects	2 to 6 months	3 to 6 months	1 to 6 months	4 to 8 months	1 to 3 months	1 to 6 months	1 to 3 years
Large Projects	6 months to 1 year	6 months to 18 months	3 to 8 months	6 to 8 months	1 to 6 months	6 to 12 months	2 to 4 years

You are also invited to visit websites [www.picom.gov.bd](http://www.picom.gov.bd) and [www.boi.gov.bd](http://www.boi.gov.bd) to explore more about PICOM and infrastructure projects. For further details, please contact over telephone or e-mail to:



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