



# PPP NEWSLETTER

July – September 2023 | Vol-8

*A Quarterly Publication of Public Private Partnership Authority*

I am delighted to announce that the PPP Authority under the Prime Minister's Office, Government of Bangladesh (PPPA) is going to publish its Quarterly Newsletter covering the period from July to September 2023. I hope this initiative by the PPPA thrives in achieving its intended objectives and consistently provides valuable insights.

Quality public infrastructure and services are prerequisite for well being of the people, ease of life, sustainable development of the country as well as inclusive Value for Money for the government's effort. Bangladesh is advancing so fast towards achieving its vision 2041 and Delta Plan 2100. To keep sufficient pace with this growth rate and demand, the country needs huge amount of investment in public infrastructure and services. It is impossible for the government alone to provide this amount. So, it requires the participation of private sector investments towards the public assets. To achieve this, PPP Authority is working relentlessly.

This regular periodical shows the activities that we have performed during the third quarter of 2023. All remarkable achievements, our success and other important events are covered in this volume. It also depicts our thoughts and ideas on how to improve our understanding and capacity to implement PPP projects in a better way.

Finally, I would like to express my sincere gratitude to all those who have contributed directly to the publication of our Quarterly Newsletter, as well as those who have provided invaluable assistance behind the scenes. I wish the continued publication of the letter.

Bangladesh is growing,  
let's everybody be a part of it.

**Dr. Md. Mushfiqur Rahman**  
Secretary and Chief Executive Officer



On September 2, 2023, Prime Minister Sheikh Hasina inaugurated the 11.5 km Airport-Farmgate segment of the 19.73-km Dhaka Elevated Expressway, marking a significant milestone in the country's transportation infrastructure. This remarkable project, first time in Bangladesh, holds the promise of alleviating traffic congestion and reducing travel times in the capital city.

The Dhaka Elevated Expressway, a PPP project, is poised to transform the city's transportation landscape. Commuters can conveniently pay tolls through manual or automated methods. With 31 network ramps, it ensures easy access to key city points, including a direct route to the airport's third terminal. The project extends beyond improving commuting convenience; it has substantial socio-economic impacts. The Dhaka Elevated Expressway enhances connectivity, stimulates economic growth, attracts foreign investments, reduces fuel consumption and emissions, improves livability, generates revenue through toll collection, and prioritizes safety and community convenience. It is poised to reshape the urban landscape, enhance mobility, and contribute significantly to Dhaka's progress and prosperity. Notably, this project has been made possible through foreign investments totaling TK 8,930 Cr and follows the Public-Private Partnership (PPP) model. It's part of a 23 km thoroughfare set to reach Kutubkhali, with a target completion date of June 2024. This expansion will significantly enhance accessibility to the airport and highways.



## G2G approach in PPP: Present scenario, PPP Authority perspective



**A K M Dinarul Islam**  
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### Introduction

In order to accelerate the socio-economic development of Bangladesh, there is a need of substantial investments in the country's infrastructure sector. Such investments need to take place in both economic and social infrastructure to enable a more inclusive development journey. Private sector participation and investments can greatly contribute to a balanced and sustainable growth, attract foreign direct investments in the country's infrastructure delivery and improve the efficiency of services. The government's infrastructure development approach could therefore ensure that private sector participation runs simultaneously in parallel to Government funded developments. Public Private Partnerships or PPPs are a proven procurement and delivery modality where value-based partnerships are formed between the public and private sector. In PPPs, private sector investments and participation are encouraged in provision of public services.

A targeted approach to attract investments in PPP projects from selected countries was initiated by Public Private Partnership (PPP) Authority on the instructions of the Board of Governors of the PPP Authority who proposed a "Policy for implementing PPP Projects through Government to Government (G2G) Partnership, 2017". The primary objective is to build on strong bilateral relationships with other governments to develop and upgrade large public infrastructure assets in partnership with other countries with the purpose of supporting the growing economy in a sustainable manner and deliver essential public services. The G2G Partnership Policy has been approved by the Honourable Prime Minister as the Chairperson of the Board of Governors for PPP Authority and the Policy has been gazetted on 08 June 2017.

### Basic traits of G2G

Pursuant to G2G Partnership Policy, the mechanism for delivering projects under G2G will be governed by the bilateral G2G Framework Agreement or Memorandum of Understanding (MoU) executed between the government of Bangladesh and other relevant foreign government. In practice, we see the PPP authority representing Government of

Bangladesh enter into an MoU with a state-owned organization of a foreign state. However, the MoU does not cover any specific project rather it covers an overview of the understanding between the two states regarding the development of specific sectors like the development of roads and highways, ports, bridges, power generation and distribution and energy etc. The Policy provides the framework for engagement and modality for delivery of the PPP Projects to be undertaken through a G2G Partnership whereby the implementation will be carried out with the support of other Government through their state-owned or private sector entities. The Policy sets out concept of G2G Partnership, G2G Framework Agreement/Memorandum of Understanding (MoU), Procedure for implementation of G2G Partnership, its applicability, government incentives and benefits, sharing of risks as well, linked component of PPP Projects and monitoring and reporting under this Policy.

### Mode of G2G Partnership involvement

The MoU sets out the detailed procedure about modality of G2G Partnership engagement between Bangladesh and the partner country. In practice, once an MoU is signed with the Partner country, PPPA- requests concerned line ministries and agencies in Bangladesh to nominate projects to be considered by the particular partner country for G2G PPP. After consultation through platform meeting, the project list is further refined and shared with the partner country where their eligible private companies or public entities could participate. Representatives of relevant ministries/divisions/agencies of Bangladesh would consider whether the projects are viable or not and whether the projects ensure public interest. Identically, partner country could do the same. Projects proposed by either side are to be reviewed by each side. Following review, ministries and agencies of Bangladesh would decide whether they would go ahead with the proposed projects for implementation on G2G PPP basis with the private partners or consortium selected by the partner country complying with the partner country's



development plan, sector policies, strategies, priorities etc. To the contrary, the partner country searches whether they could find competent companies generating interest in the propositions proposed to go ahead with the projects. Such is the process to finalize the project lists by both the countries.

Conducting feasibility study is a precondition for embarking on PPP projects. The study covers technical, commercial, legal, environmental and social issues. To carry out feasibility study, an internationally reputed Transaction Advisor (TA) is engaged through competitive bidding process to ascertain viability of both technical and financial as a G2G project. The TA also prepares RFQ/RFP and contracts to be signed between two countries following pragmatic negotiation and credible viewpoint of contracting authority's public interest. Simultaneously, the private partner /consortium conduct their own feasibility to examine the bankability of the project and the potential revenue to be earned from the project up to 20/25 years. Once both the countries complete their feasibility studies and could assess their own commercial prospects of the projects, the two sides negotiate to sign a contract. It is to be mentioned over here that a given G2G Project is developed following the "Policy for implementing PPP Projects through Government to Government (G2G) Partnership, 2017 with the private partner/consortium nominated by the partner country.

### Partner Countries signed G2G MoU/MoC

As of today, six countries signed G2G MoU/MoC with Bangladesh. The countries are Japan, Singapore, United Arab Emirates, Korea, Denmark and Saudi Arabia. There are also other countries shown interest to sign G2G Partnership with Bangladesh.

It is to be mentioned here that Japan is the first signatory in signing G2G MoC with Bangladesh on 15 June 2017. Our Honourable Prime Minister H.E.

Sheikh Hasina during her official visit to Japan from 25 April to 28 April 2023, had a summit meeting with the Prime Minister of Japan H. E. Kishida Fumio on 26 April 2023 in Tokyo. There had been a Japan-Bangladesh Joint Statement on Strategic Partnership between the time-tested friendly countries. Both the leaders shared the determination in deepening economic cooperation for Mutual Benefit and Regional Prosperity. In consonance with the Joint Statement Clause 17, it has been pointed out that both the world leaders expressed their satisfaction with the progress of seven joint PPP projects reviewed in the 5th Bangladesh-Japan Joint Platform Meeting held in Tokyo on 04 October 2022 and the 1st Working Level Meeting held in Dhaka on 08 February 2023 which encourages Japanese companies to expand their investment in Bangladesh and give a stronger boost to development process of Bangladesh.

Other signatories Singapore, UAE, Korea, Denmark and KSA signed G2G MoU with Bangladesh on 12 March 2018, 07 February 2019, 01 April 2019, 30 June 2021 and 28 October 2021 respectively.

It is pertinent to state here that Korea Overseas Infrastructure and Urban Development Cooperation (KIND) has formally launched its office in Dhaka to enhance infrastructure development cooperation with Bangladesh. The Korean state agency launched the Korea-Bangladesh Infrastructure Cooperation Centre (KBICC) in Bangladesh. The opening of KBICC indicates that Korea-Bangladesh relationship is moving forward. It also demonstrates Korea's strong commitment to infrastructure development of Bangladesh and it signifies huge potentials in this area between the two nations.

KIND promotes Korean engineering and participation of construction companies in Bangladeshi infrastructure projects through the PPP scheme. With the state-of-the-art technology and ample experiences in infrastructure development, Korea will continue to stand by Bangladesh in its journey towards infrastructure powerhouse.

### Active Portfolio

The Table below shows the projects which are being implemented on G2G PPP basis:

Sl. No.	Partner Country	Name of the Project
1	Japan	<ol style="list-style-type: none"> <li>1. Construction of Outer Ring Road</li> <li>2. Improvement of Chattogram to Cox's Bazar Highway through PPP</li> <li>3. Construction of Multimodal Hub at Kamalapur Railway Station</li> <li>4. Upgrading of Nabinagar-Manikganj-Paturia Road (N5) into Expressway</li> </ol>



	Japan	<ol style="list-style-type: none"> <li>5. Operation and maintenance of 3rd Terminal at Hazrat Shahjalal International Airport (HSIA)</li> <li>6. Chattogram Metropolitan Sewerage Project Patenga Catchment</li> <li>7. Local Bridge Rehabilitation project</li> </ol>
2	Korea	<ol style="list-style-type: none"> <li>1. Circular Railway Line</li> <li>2. Improvement of Dhaka-Joydevpur-Mymensingh Road into Expressway with Service Lane on Both Sides</li> <li>3. Construction of Bhulta-Araihazar-Bancharampur road over the river Meghna</li> <li>4. Bangabandhu Sheikh Mujib Shilpa Nagari (BSMSN) Water Supply Project</li> <li>5. Expansion and strengthening of Electrical Distribution System through Underground Network in Purbachal New Town</li> </ol>
3	Singapore	<ol style="list-style-type: none"> <li>1. Construction of Bay Terminal (One Terminal)</li> </ol>
4	United Arab Emirates	<ol style="list-style-type: none"> <li>1. Construction of Bay Terminal (One Terminal)</li> </ol>
5	Kingdom of Saudi Arabia (KSA)	<ol style="list-style-type: none"> <li>1. Patenga Container Terminal (PCT)</li> </ol>

Presently, Bangladesh and Japan are working together on seven G2G PPP projects in transport and water and sanitation sector. As of now, Japanese investment of six projects is amounting to USD 09.5 Billion. The investment of Japan in the "Local Bridge Rehabilitation project" is yet to be finalized. Bangladesh and Korea are working on five G2G PPP projects total investment of which is USD 10.1 Billion. Singapore is investing USD 2.89 Billion on one Bay Terminal project. KSA is investing USD .153 Billion on "Patenga Container Terminal" project. The investment of UAE on another "Construction of Bay Terminal" project is yet to be finalized.

### Way Forward

The G2G model is aimed at potential collaboration between Bangladesh and G2G partner countries. It will ensure technology transfer and development of expertise of the local players. As such, local developers /investors /contractors will be benefitted directly from this mechanism which in turn would boost the process of enhancing Foreign Direct Investment (FDI) to our government exchequer.

We have our Vision 2041 and the Perspective Plan 2041 (PP2041) that sets the road map to become an Upper Middle-Income Country (UMIC) by 2031 and to achieve a High-Income Country (HIC) status by 2041. With this end, the PP2041 document puts together a strategy, policies, programs and directions on sharply strengthening the PPP initiatives that will guide Bangladesh to reach those inspiring targeted goals.

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# CONTRACT SIGNING



## Bangladesh Commits to Prosperity: Annual Performance Agreement Signing Sets Ambitious Goals for PPP Development

The Annual Performance Agreement (APA) signing ceremony took place among the departments under the Prime Minister's office on August 10, 2023. Dr. Md. Mushfiqur Rahman, CEO (Secretary) of the PPP Authority, signed the Annual Performance Agreement on behalf of the PPP Authority. Md. Tofazzel Hossain Miah, Principal Secretary to the Honourable Prime Minister, graced the event as the chief guest. Md. Akhter Hossain, Principal Coordinator (SDG Affairs), Prime Minister's Office, attended as a special guest. The ceremony was chaired by Mohammad Salahuddin, Secretary of the Prime Minister's Office.

In the year 2023-2024, the PPP Authority plans to initiate three new projects in the transport, health, and port sectors. Alongside these projects, the PPP Authority will also organize 24 national & international investors meetings and 31 stakeholder awareness and consultation programs to promote investment under its investment promotion activities. Furthermore, the PPP Authority will conduct 25 specialized and four regulators-related

training sessions in the same year, as outlined in the APA Agreement. Additionally, the PPP Authority will arrange a minimum of eight meetings with different ministries to foster PPP awareness and motivation among them.

Furthermore, the PPP Authority commits to performing various routine tasks to establish the PPP Program as a champion in Bangladesh. These tasks include project screening, the appointment of transaction advisors, conducting feasibility studies, reviewing bid documents, and executing Government-to-Government (G2G) projects, among others.

The APA signing ceremony signifies the government's commitment to enhancing public-private partnerships and promoting economic development in Bangladesh. The ambitious agenda outlined in the APA underscores the dedication of the PPP Authority and its stakeholders to drive progress and prosperity in the country.



## PPP Authority Achieves Major Milestones with Strategic Agreements

### Agreement Signing for Water Supply to Mirsarai BSMSN from Meghna river

The Public-Private Partnership (PPP) Authority of Bangladesh achieved significant milestones by signing crucial agreements in the field of infrastructure development and cooperation during the last quarter of July to September 2023.

On July 4, 2023, the PPP Authority sealed a pivotal deal with IQT Consulting S.p.A, securing transaction advisory services for the esteemed "Water Supply to Mirsarai BSMSN from the Meghna River" PPP Project. This collaboration is poised to enhance water supply infrastructure and address critical needs.



### MoU Signing with Enterprise Singapore

Following this, the PPP Authority, under the Prime Minister's Office, entered into a Memorandum of Understanding (MOU) with Enterprise Singapore on July 5, 2023, a crucial step towards fostering international partnerships and promoting economic growth in the region.



### Contract Signing Ceremony with Kamalapur Multi-modal hub

In another groundbreaking move on July 10, 2023, the PPP Authority partnered with Ernst & Young LLP, securing transaction advisory services for the ambitious "Construction of Multi-Modal Transport Hub at Dhaka (Kamalapur) Railway Station" project. These strategic collaborations signify the PPP Authority's dedication to advancing infrastructure and promoting economic development in Bangladesh, particularly in the realm of railway connectivity.



### Contract Signing with IFC

The Public-Private Partnership (PPP) Authority, also signed an agreement with the International Finance Corporation (IFC) for providing Transaction Advisory Services for the project titled 'Operations and Maintenance of the 3rd Terminal at Hazrat Shahjalal International Airport (HSIA)' on September 27, 2023. This agreement is aimed at obtaining assistance in selecting qualified private partners for the operation and maintenance of the soon-to-be-completed 3rd Terminal at Hazrat Shahjalal International Airport. These agreements highlight the PPP Authority's dedication to driving progress and development in Bangladesh, aiming to meet critical infrastructure needs and promote economic growth.



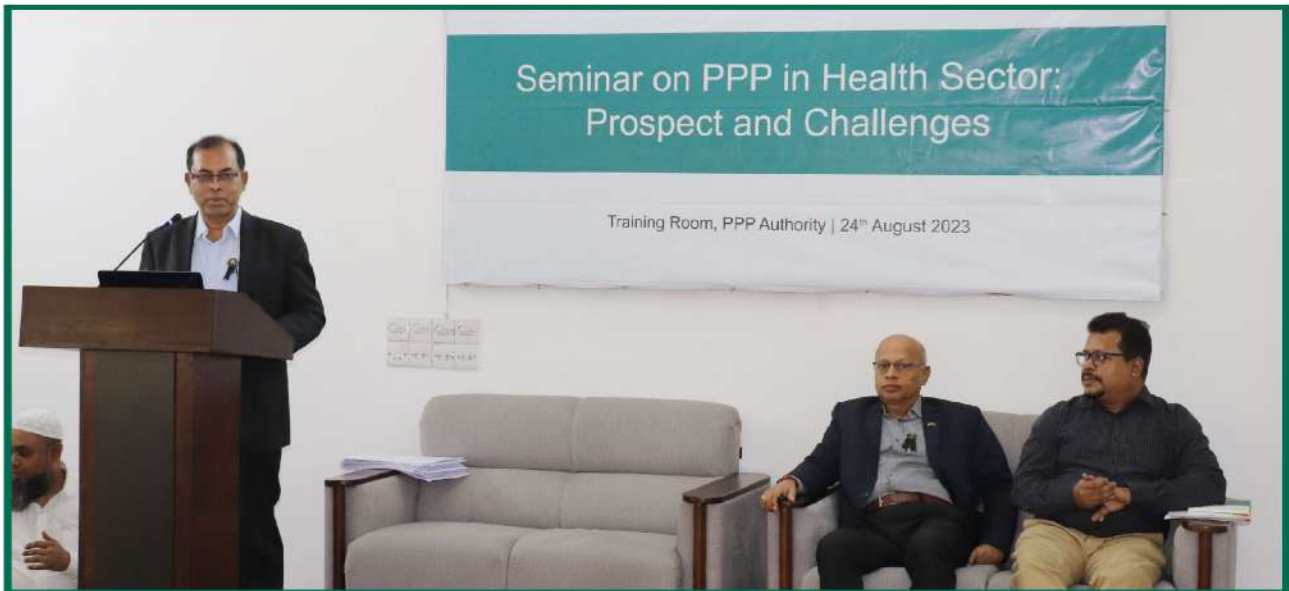
Through strategic collaborations and international partnerships, the authority is poised to play a pivotal role in shaping the country's future, enhancing its infrastructure, and facilitating economic expansion.

## SEMINAR & TRAINING SESSIONS



Dr. Md. Mushfiqur Rahman, CEO of the PPP Authority, inaugurated the two-day workshop on "Public-Private Partnerships: Contract Management" on August 27, 2023, facilitated by CLDP. The workshop aims to provide a remarkable opportunity for all participants to engage in productive

discussions, share ideas, and exchange experiences about PPP Contract Management. Government officials in Bangladesh consistently face challenges when it comes to identifying the best options for PPP concession contracts and mastering the contractual dynamics, thereby hindering the optimal financial modeling of projects. The workshop promises to enrich participants' understanding of PPP concession contracts and equip them with the knowledge to effectively apply it to future PPP concessions.



A Seminar on 'Public-Private Partnership (PPP) in Health Sector: Prospects and Challenges ' was held on August 24, 2023, in the training room of the PPP Authority



A training on 'Public-Private Partnership in the Health & Nutrition (HPN) sector' was held on August 23, 2023, in the training room of the PPP Authority.



# STAKEHOLDER CONSULTATION MEETING



A stakeholder consultation meeting on the "Establishment of a Medical College (Seat Capacity: 50) on the unused land adjacent to the Railway Hospital at Saidpur in Nilphamary and the up-gradation and modernization of the Existing Railway Hospital into 250 beds" was jointly organized by the PPP Authority, the Prime Minister's Office, and the Bangladesh Railway, Ministry of Railways. The meeting took place on August 26, 2023, in Saidpur, Nilphamary. Dr. Md. Mushfiqur Rahman, the CEO (Secretary) of the PPP Authority, graced the consultation meeting as the Chief Guest. Among others, Pankaj Ghosh, Deputy Commissioner & District Magistrate of Nilphamary, Dr. Md. Hasibur Rahman, Civil Surgeon of Nilphamary District, the Additional SP of Nilphamary, high officials from the Ministry of Railways and the Railway Department, local businessmen, and journalists were also present at the consultation meeting. The Upazila Administration, Saidpur, co-organized the Consultation Meeting. The purpose of the meeting was to discuss and gather input from relevant stakeholders regarding the proposed project to utilize the unused land adjacent to the Railway Hospital in Saidpur.





Dr. Md. Mushfiqur Rahman, the Chief Executive Officer of the PPP Authority, participated in the fifth coordination meeting of Investment Development Organizations on July 22, 2023. The meeting took place at Bangabandhu Sheikh Mujib Shilpa Nagar (BSMSN) located in the Mirsarai and Sitakunda upazilas of Chattogram. Following the meeting, he, along with the government's high officials, visited the premises of Bangabandhu Sheikh Mujib Shilpa Nagar. During the visit, they planted a tree as a symbolic gesture to promote environmental sustainability.

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# INTERNATIONAL STAKEHOLDERS MEETINGS



His Excellency Mr. Ramis Şen, Ambassador of the Republic of Turkey to Bangladesh, visited the Public-Private Partnership Authority to discuss issues of mutual interest on July 10, 2023.



A meeting with Global Infrastructure Facility (The World Bank Group) held on September 18, 2023.





A delegation from the Asian Development Bank (ADB), met with Dr. Md Mushfiqur Rahman, CEO of the PPP Authority, on September 14, 2023.



A delegation from the International Monetary Fund (IMF), met with Dr. Md Mushfiqur Rahman, CEO of the PPP Authority, on September 10, 2023.





A meeting was held with the Asian Development Bank (ADB) on August 24, 2023, regarding the "Improvement of Dhaka (Joydebpur)-Mymensingh Highway (N3) into an Expressway with service lanes on both sides through PPP." The ADB is working as the transaction advisor for this project.



A delegation from the Korea Overseas Infrastructure & Urban Development Corporation (KIND), led by Mr. Kang Hoon Lee, CEO of KIND, met with Dr. Md Mushfiqur Rahman, CEO of the PPP Authority, on August 21, 2023.



## Bangladesh-Japan Project Progress Review Meeting



The Bangladesh-Japan Project Progress Review Meeting took place on August 31, 2023, in Dhaka, Bangladesh. The CEO of the PPP Authority delivered the introductory speech at the meeting. The chief guest of the review meeting was Md. Tofazzel Hossain Miah, Principal Secretary to the Honorable Prime Minister, from the Prime Minister's Office, and Chairman of the PPP Authority.

Among the attendees of the review meeting were His Excellency Mr. IWAMA Kiminori, the Ambassador of Japan to Bangladesh; Mr. Tomoyuki TANAKA, Assistant Vice-Minister for Engineering Affairs at the Ministry of Land, Infrastructure, Transport, and Tourism, Japan; the Secretary of the Ministry of Civil Aviation and Tourism of Bangladesh; the Chairman of the Civil Aviation Authority of Bangladesh; the MD and CEO of Biman Bangladesh Airlines; senior government officials; private investors; representatives from MLIT; and PPPA.

The objective of the meeting was to discuss new projects, provide strategic directives to all parties for the implementation of selected projects, and discuss modes of financing for these projects. The meeting concluded with a commitment from the participants to strengthen mutual cooperation and work together to implement infrastructure projects in Bangladesh.



Delegates from Japan paid a courtesy call to Dr. Md. Mushfiqur Rahman, CEO (Secretary), PPP Authority on August 8, 2023.



## Bangladesh and Korea Strengthen Partnership in the 5th Joint PPP Platform Meeting for Infrastructure Projects



The 5th Bangladesh-Korea Joint PPP Platform meeting took place on August 20, 2023, in Dhaka, Bangladesh. The delegation of the Government of the People's Republic of Bangladesh was led by Dr. Md. Mushfiqur Rahman, Secretary, and CEO of the PPP Authority, Prime Minister's Office of the People's Republic of Bangladesh. The delegation from Korea was led by H.E. Mr. Park Young Sik, the Ambassador of the Republic of Korea to Bangladesh. Md. Tofazzel Hossain Miah, Principal Secretary to the Honorable Prime Minister, Prime Minister's Office, and Chairman of the PPP Authority, graced the platform meeting as the chief guest.

The Platform meeting was attended, among others, by Md. Habibur Rahman, Senior Secretary, Power Division under the Ministry of Power, Energy and Mineral Resources; Md. Monjur Hossain, Secretary, Bridges Division under the Ministry of Road Transport and Bridges; Mr. Muhammad Ibrahim, Secretary under the Local Government Division, Ministry of Local Government, Rural Development, and Cooperatives; Dr. Md. Humayun Kabir, Secretary, Ministry of Railways; Mr. Md Shamsul Arefin, Secretary of the Information and Communication Technology Division; and Mr. Kang Hoon Lee, CEO of the Korea Overseas Infrastructure & Urban Development Corporation (KIND), senior government officials, private investors, representatives of KIND, representatives of MoLIT, and PPPA

The objective of this meeting was to discuss new projects, provide strategic directives to all parties for the implementation of selected projects, and discuss modes of financing for the projects. The meeting ended with a commitment from the participants to strengthen mutual cooperation and work together to implement infrastructure projects in Bangladesh.



## PPP Authority CEO Dr. Md. Mushfiqur Rahman Inspects Dhaka Elevated Expressway Progress, Heralding a New Era of Transportation Development



On July 24, 2023, Dr. Md. Mushfiqur Rahman, the CEO of the PPP Authority, visited the Dhaka Elevated Expressway Project to assess its progress. He inspected the construction work from Hazrat Shahjalal International Airport to Farmgate via Kuril.

Officials from Bridge Authority, Ministry of Finance, PPP Authority, Italian Thai Development Public Company Limited, China Shandong International Economic & Technical Cooperation Group (CSI), and Sinohydro Corporation Limited were present during the inspection of the Dhaka Elevated Expressway's construction work.

The first PPP Dhaka Elevated Expressway project is set to partially inaugurate soon, stretching from Hazrat Shahjalal International Airport to Farmgate via Kuril, Banani, Mohakhali, and Tejgaon, bringing immense joy and relief to the people of Dhaka. This 11-kilometer expressway, equipped with 15 ramps, will facilitate easy access and exit for vehicles, helping them avoid traffic-choked crossings and congested roads, effectively bypassing traffic congestion. The project is being implemented with the PPP model in foreign investment of USD 1.3 billion.

The Total 19.73 km expressway will be built from Hazrat Shahjalal International Airport to Kutubkhali on the Dhaka-Chittagong highway, touching 28 city points through ramps to provide entry and exit for city and highway traffic after the completion of the project by June 2024.

Once elevated expressways are operational, people from the country's northern, western, and southwestern regions will be able to travel from one side to another without having to enter the city streets. The inauguration of the Dhaka Elevated Expressway marks a significant milestone in the city's development, promising a happier, more prosperous future for all its residents.



## Cheif Executive officer (Secretary) of PPPA & Teams' Productive Study Tour Explore Port Development in Hamburg through PPP modality



Dr. Mushfiqur Rahman, Secretary to the Government and Chief Executive Officer of the Public-Private Partnership (PPP) Authority in the Prime Minister's Office, recently undertook a crucial study tour to Hamburg, Germany, organized by the International Finance Corporation (IFC). The tour aimed to gain valuable insights into port development strategies and practices implemented in the vibrant port city. He was accompanied by Md. Mostafa Kamal, Senior Secretary at the Ministry of Shipping, Mr. Moazzam Ahmed Mekan, Hub Leader for PPPs in South Asia at IFC, Md. Abul Bashar, Director General of the PPP Authority, Md. Ali Azam Al Azad, Mohammad Abdul Awal, Director at the PPP Authority, officials from the Prime Minister's Office, and officials from the Chittagong Port Authority.

On September 3, 2023, Dr. Rahman and his team began their journey with a flight from Dhaka to Hamburg via Istanbul. Upon arriving in Hamburg, they checked in at the Ibis Hamburg Alsterring, the tour's operational base. The following day, they engaged in a comprehensive series of presentations at the Hamburg Port Consultancy (HPC) office. These presentations included an in-depth exploration of the Port of Hamburg, its stakeholders, the privatization process, and insights into the Hamburg Vessel Coordination Center (HVCC).

The tour continued with a visit to the CTA terminal and a brief city tour on September 5th. On September 6th, they enjoyed a boat trip within the bustling port of Hamburg in the company of port authority representatives. Dr. Rahman also took the opportunity to visit various PPP projects in Hamburg, providing a firsthand look at successful infrastructure initiatives. The tour concluded on September 8, 2023.

Dr. Mushfiqur Rahman's insightful study tour provided an invaluable learning experience; enabling him to bring back knowledge and best practices in port development to further enhance Bangladesh's PPP initiatives.





## NATIONAL DAY OBSERVATION



PPP Authority, Prime Minister's Office arranged a discussion and prayer session on the occasion of the 48th martyrdom anniversary of the Father of the Nation Bangabandhu Sheikh Mujibur Rahman on August 15, 2023 at the office premise. PPP Authority also placed Wreaths at the portrait of Father of the Nation Bangabandhu Sheikh Mujibur Rahman in front of Bangabandhu Memorial Museum in Dhanmondi 32, Dhaka.



PPP Authority, Prime Minister's Office, commemorated the 74th Birth Anniversary of the esteemed freedom fighter, Shaheed Captain Sheikh Kamal, the eldest son of the Father of the Nation Bangabandhu Sheikh Mujibur Rahman, on Saturday, 05 August 2023, with due fervour and solemnity. PPP Authority also paid rich tributes to Shaheed Captain Sheikh Kamal by placing wreaths at the portrait of Shaheed Captain Sheikh Kamal at the office premises. In conclusion of the event, a special prayer was offered, seeking divine blessings for Bangabandhu, Shaheed Captain Sheikh Kamal, and other martyred members of his family, as well as for the continued peace, progress, and prosperity of the country.



## Bangladesh Should Embrace Blended Financing for PPP Projects



### Dr. Najmus Sayadat

Joint Secretary,  
Finance Division

Project finance is a prominent technique within structured finance. In structured finance, the recipient of funds typically sets up a dedicated project company designed specifically for managing the project's cash flows. Lenders provide loans directly to this project company, rather than the project's initiators or sponsors. The assets involved in project management, along with the generated cash flow, serve as collateral for the creditors. As a result, structured finance transactions are categorized as "off-balance sheet financing," which differs from corporate financing, known as "on-balance sheet financing." In corporate financing, a private company integrates the financing for a new project within its existing balance sheet and corporate structure. Structured finance also encompasses other strategies like securitization, structured leasing, and leveraged acquisitions, in addition to project financing.

Project finance is the preferred financing mechanism for large-scale projects and Public-Private Partnership (PPP) projects, where financial institutions provide fund to an independent project company, distinct from its sponsoring private investors, with this distinction being both financial and legal. The foundation of this financing relies on the project's cash flow, necessitating that generated revenue adequately covers operational expenses and services the debt, including interest and debt repayment. This financial arrangement, often referred to as the 'Facilities Agreement,' grants lenders priority in recovering their investments. In the event of a default, as stipulated in the agreement, the lender or a consortium of lenders can exercise step-in rights, assuming control of the project company until both principal and interest are fully recouped. In project finance, the private sector sponsor is exempt from the obligation to provide collateral. This feature liberates private investors to allocate

their resources towards other business ventures. Simultaneously, the public partner values this financing approach because it introduces a third party responsible for monitoring and overseeing the project company's financial performance. However, it's important to note that any revenue generated cannot be distributed to the project's private investors until both principal and interest have been settled using the project's cash flow. This provision serves as a safeguard for the financial stability of the project company. Conversely, the project company operates independently from the other business ventures of its sponsoring private partner. Consequently, any financial turbulence occurring in those unrelated ventures does not have any adverse impact on the project company. In this context, the project company is often described as a 'bankruptcy remote structure.'

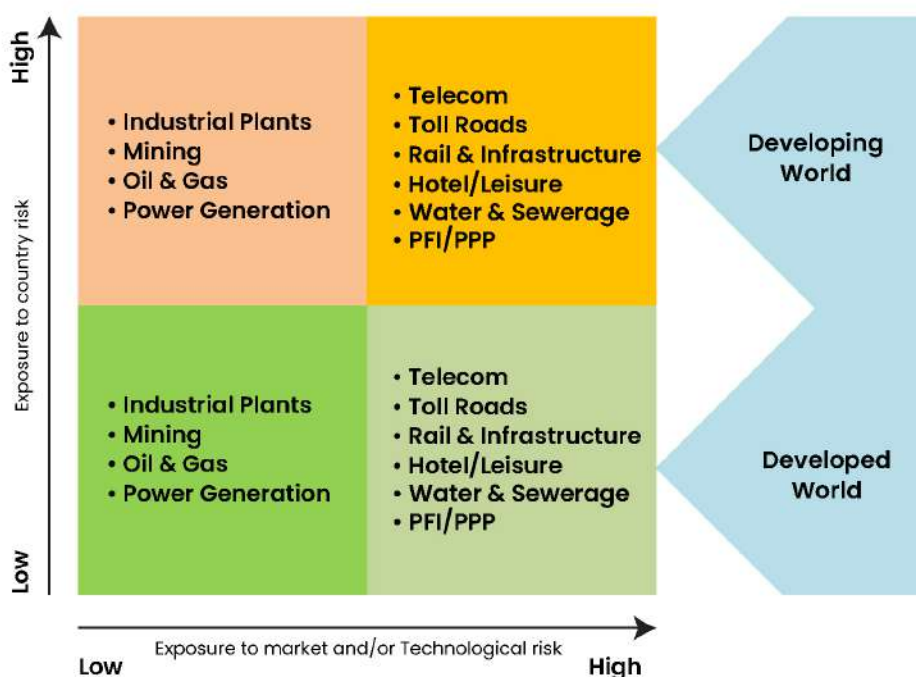
To understand why and when lenders opt for project finance techniques, we must consider their confidence in safeguarding their investments. Project finance operates on a 'non-recourse' basis, implying that lenders cannot reclaim funds from the project company's private sponsor. Consequently, lenders perform extensive due diligence to assess the project's creditworthiness. This due diligence involves a comprehensive evaluation of the risks linked to the project company. If perceived risks are higher or improperly distributed, the project company becomes susceptible to difficulties in servicing its debt, potentially resulting in a loss of creditworthiness. Therefore, within the realm of project finance, it is crucial for the project company to minimize its exposure to risk.

It is noteworthy here that project finance originated in regulated sectors of the developed world around the 1930s. In the United States, it was initially employed in sectors such as oil, gas, mineral resource exploration, electricity generation, and



power, where risks were minimal or very low. Subsequently, other developed countries also adopted project financing in these sectors. During the 1990s, developed nations broadened the scope of project finance to encompass sectors like transport, utilities, telecommunications, water, and others. Interestingly, during this period, developing countries also began embracing this financing method in regulated sectors, such as energy and power.

Since the 2000s, developing countries have gradually expanded the opportunities for project financing to include various other sectors. However, progress has been sluggish due to the perception of higher risks associated with developing countries. Figure-1 illustrates market trends in project finance, which vary depending on the market and the level of underlying risks involved.



Source: Caselli & Gatti based on Esty (2002)

Therefore, it is imperative to bear in mind that, in the context of project financing, the project company must proactively manage and minimize risks to safeguard the uninterrupted cash flow designated for servicing the debt, preventing it from defaulting. Lenders employ a range of accounting and financial tools to evaluate these risks, including metrics like the debt service coverage ratio and the loan life coverage ratio.

In the realm of Public-Private Partnerships (PPP), a field continually evolving with the introduction of new terminology, the concept of 'bankability' holds particular significance. It signifies the likelihood of securing financial support from a bank. The determination of a project's bankability revolves around some basic considerations from the perspective of the public partner, such as, the availability of sufficient cash flow for debt servicing, the dependability of cash flow forecasts, and the project's alignment with the government's overarching strategic plan. Conversely, lenders view the project through a distinct lens, often emphasizing its creditworthy financing structure.

For lending institutions, evaluating the creditworthy financing structure of the project involves a multifaceted assessment. These assessments encompass factors such as whether risks are appropriately allocated or if adequate risk mitigation measures are in place, the equity infusion from private investors into the project company, typically ranging from 20% to 40% of the total investment costs, the presence of secure revenue streams designated for debt servicing, governmental support to ensure the project's commercial viability, and the existence of credit enhancement mechanisms, such as guarantees or guarantee funds.

The provision of grant support or availability payments from the government depends on the unique characteristics of the project. When the government believes a project has economic and social value but isn't financially viable, it may choose to partially procure goods or services using grant support. Conversely, when the government prefers deferred payment and is willing to accept



revenue risk, it may choose to entirely procure goods or services from the project company using the availability payment method. However, in cases where the project is commercially viable, it becomes self-sustaining, and no government support is necessary. Even in such cases, revenue sharing arrangements may exist. The choice among these options depends on the project's feasibility. Nevertheless, complexities can arise when the government views the project as self-sustaining while lenders assess it as lacking creditworthiness.

Indeed, projects, whether in physical infrastructure or social infrastructure, pose considerable risks for investors, especially in the developing countries, such as Bangladesh. These projects are particularly vulnerable to challenges related to sustaining

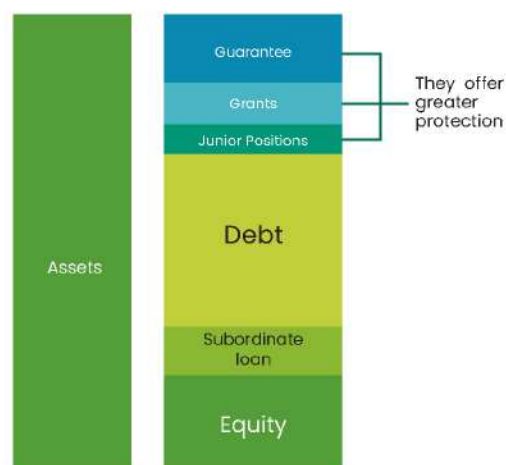
revenue and often necessitate government support in the form of grants or subsidies to mitigate risks. In some cases, lenders may request guarantees from the government or from development partners like the Asian Development Bank or the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, serving as credit enhancement mechanism and or risk mitigation measures. Furthermore, public sector partners may offer subordinate loans to alleviate the risk burden on lenders. Therefore, to establish a financially sound financing structure for PPP projects, particularly those focused on social infrastructure and aligned with climate-smart PPP and Sustainable Development Goals (SDGs), a 'blended financing' approach that incorporates various credit enhancement and risk mitigation measures is essential.

### Project Finance



Traditional Project Finance might be suitable for Economic Infrastructure PPP Which are financially free standing

### Blended Finance



A Credit Worthy Financing Structure is required for social infrastructure PPP, SDG Compliant PPP and Climate Smart PPP

In Bangladesh, PPPs encounter difficulties in securing financing from banks because the public partner often concentrates solely on the project's bankability. To date, commercial closings have been achieved for 14 PPP projects through the signing of PPP contracts with private partners. Among these 14 projects, only five have successfully secured financing, while the others either struggle to secure financing or face the risk of termination due to their inability to secure financing, even after receiving extended timeframes. An examination of the projects that have secured financing reveals that among these five projects, one is financially self-sustaining, one received funding from the government in the form of availability payments, and the other three obtained grant support from the government to ensure the projects' commercial

viability. It's likely that some of the projects facing difficulties will eventually get financing that lenders consider safe and reliable.

Therefore, the crucial point here is that the government must consider designing financing structures with strong creditworthiness and incorporate blended financing elements into PPP projects. Relying solely on the concept of bankability and usual project financing will not be sufficient to secure the substantial investments necessary for PPPs to progress towards achieving developed nation status by 2041.





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