

ADFD & Bangladesh



صندوق أبوظبي للتنمية
ABU DHABI FUND FOR DEVELOPMENT

Economic Overview

The economy of Bangladesh achieved great strides despite the huge development challenges. The country's strategy to diversify the economic structure depends on stimulating the private sector and attracting foreign investment, especially in the industrial sector

Area

148,393 km²

Population (Estimate January 2013)

162.22 million

Economic growth rate (2012)

6.3%

GDP per capita (Estimate 2012)

\$ 747

The most important sectors of the Gross Domestic Product (GDP)

Services 53%

Industry 28.6%

Agriculture 18.4%

The Republic of Bangladesh has notched up significant development achievements over the past two decades, its strong growth rates exceeding 6% per annum over the past 10 years. The country saw significant progress in human development, including the reduction of poverty rate and improvement in education and health services and the individual's share of food consumption.

Despite the huge development challenges associated with the high population density and limited resources, the country has indicators of economic performance that look promising in the short and medium terms. The economy maintained strong growth rates in spite of the impact of the euro zone crisis on exports and investment. Inflation rate fell to 8% by the end of the first quarter of 2013, compared to 11% in the same period of 2012. The trade balance also improved and the financial reserves rose significantly.

Bangladesh GDP is expected to grow by 6% in 2013, benefiting from the growth of the services sector and expatriate remittances to the country. The World Bank says that Bangladesh is capable of maintaining healthy growth rates of up to 8% per annum in the medium term, achieve remarkable progress in its Millennium Development Goals, and create 15 million jobs through the adoption of policies designed to successfully exploit opportunities and manage risk.

The government seeks to achieve sustainable development by stimulating the role of the private sector and attracting more foreign investment, especially in the industrial sector. A large percentage of the population being of working age enhances the potential of low-cost production and availability of skilled labor, the key factors that make Bangladesh an ideal centre to establish manufacturing facilities targeting global markets, especially as wage levels are very competitive.

The government strategy is based on diversifying the economy, which has been dominated for decades by the agricultural sector. Now the focus is on industries and services, with the goal of turning them into engines for future growth, creating more jobs and increasing exports.

Bangladesh has one of the highest population densities in the world, with more than 160 million people living in an area of 148,393 square kilometers. The steady growth of population has led to an increasing demand for power, transportation, communications, and added to the pressure on infrastructure. But the government wants to convert the huge demographic base into a competitive advantage, by improving productivity and participation rates in the labor force.

Economic Overview continued

Bangladesh aspires to become a medium income country by 2021, through increasing GDP growth to 8% per annum; boosting exports and expatriate remittances; adopting a strategy for maintaining the macro-economic growth; bridging the gap in infrastructure; enhancing trade reform in the financial sector; and improving labor skills. Reducing poverty and improving living standards in the urban and rural areas top the government's list of priorities, especially with some 47 million people below poverty line.

The most important development challenges faced by Bangladesh include the lack of natural resources; the lack of savings and investment; foreign debt burden; balance of payment deficit; as well as the continuous exposure of the country to natural disasters, especially hurricanes and floods that hit Bangladesh almost every year, causing huge economic losses, killing, injuring and displacing tens of thousands of people.

Agriculture: Despite the relative decline of agricultural contribution to the GDP to 38% as a result of the economic diversification program of the government, this sector remains a key driver of the local economy. A large number of people across the country depend on agriculture as a source of livelihood.

The most important crops are cotton, of which Bangladesh is the third largest exporter in the world, and jute, of which it is the largest exporter in the world, along with rice and cayman.

It is noteworthy that in Bangladesh, agriculture depends on rainfall, despite the existence of seven rivers in the country, as they are not well exploited due to the limited irrigation networks.

Industry: The industrial sector has grown considerably over the past two decades. Industrial goods have replaced agricultural products as the top export items of the country. The sector provides millions of jobs and has become a main source of the country's foreign currency income, complementing remittances from Bangladeshis working abroad.

The manufacturing sector recorded an unprecedented growth during this period, with the garment industry attracting huge investments from Europe, benefiting from the low cost of labor. The textile industry has accounted for some 47% of the growth in manufacturing.

Customs exemptions in some Western countries and low wage rates have made Bangladesh the second largest clothing exporter in the world after China. About 60% of the country's clothing exports head to Europe, and 23% to the United States.

The government seeks to attract foreign investment in other industries, especially those that are labor-intensive, and so it has established economic zones offering plenty of incentives and exemptions.

Economic services sector:

The services sector, which includes transportation, communications and banking, has witnessed a boom that accounted for nearly 40% of the GDP.

Activity of ADFD and it's Role in Bangladesh

Total loans and grants

AED 492 million

Total number of projects

7

Sectors

Electricity, industry, transportation and water & irrigation

ADFD loans

AED 462 million

Number of loan projects

6

Government grants

AED 30 million

Number of grant projects

1

The activities of the Abu Dhabi Development Fund (ADFD) in the Republic of Bangladesh began in 1976, and since then, this country has remained in the forefront of nations benefiting from ADFD loans and grants, in the context of its vital role in supporting economic and social progress in developing countries.

The total amount of loans provided by the Fund to Bangladesh reached AED 462 million, allocated for 6 projects mainly focused on industry, energy, irrigation and infrastructure. The Fund also managed a grant for another project, provided by the Government of UAE with a total value of AED 30 million. This took the total aid to AED 492 million for seven projects.

Vital support for the process of

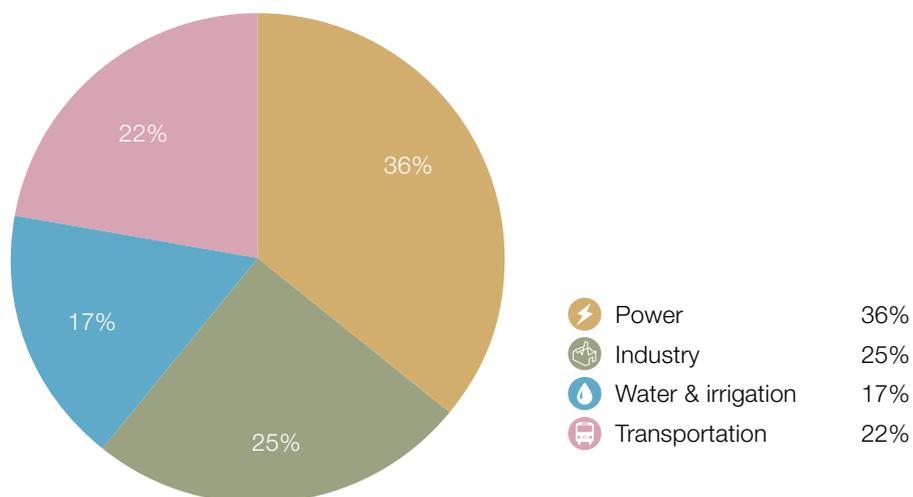
economic development: Since the beginning of its activities in Bangladesh, ADFD has been keen to support the government's efforts to improve infrastructure, as this is the mainstay of economic and social development, and the strong foundation for the growth of various sectors. Energy and irrigation projects account for about 53% of the total loans provided by the Fund, which has also extended support to the industrial sector in order to speed up economic diversification.

Activity of ADFD and it's Role in Bangladesh continued

Sector distribution of ADFD developmental projects in Bangladesh

Value in AED Million

Sector	Number of projects	Value	Percentage
 Power	2	175	36%
 Industry	2	123	25%
 Water & irrigation	2	84	17%
 Transportation	1	110	22%
Total	7	492	100%



Projects Covered by ADFD Loans

The loans provided by ADFD to Bangladesh focused on financing projects with a direct impact on economic and social development, led by the power, irrigation and industrial sectors. The following is a brief review of these projects:

Machinery Plant Project

Sector

Industry



Loan Value

AED 38 million

Industry is the pivotal sector on which the Bangladesh government has based its strategy to diversify the economy beyond agriculture. In the very first year of its operations in Bangladesh, ADFD funded the machinery plant project to stimulate investment in the industrial sector.

The project, fully financed by the Fund, included the purchase of new equipment made from the best materials conforming to international standards, in addition to the installation of this equipment, as well as providing all the graphics and charts for the project and all the advisory and training services for operators.

Electricity Linkage Project

Sector

Electricity



Loan Value

AED 60 million

In line with its mission to effectively contribute to a better standard of living in developing countries, ADFD funded a vital project for electricity linkage in Bangladesh. This project linked the eastern and western regions of the country through a power network to meet the needs of these areas, supporting economic growth.

The project consists of an overhead double electrical transmission line with a tension of 230kV, linking the city of Tongi in the eastern region and the city of Ochordy in the western region, with an initial production capacity of 200MW for the line, which can be increased to 500MW on demand.

The total length of the line is 94.43 miles (151.8km), of which 8 miles (12.9km) go across the river at the crossing points. The ground line has a length of more than 86 miles (138.4km), including iron towers installed on concrete bases.

Chittagong Urea Fertilizer

Sector

Industry



Loan Value

AED 85 million

Fertilizer plants have a great importance in developing countries, especially in agriculture-based economies, because the lack of fertilizer is one of the main obstacles to local crop production. Import of fertilizers is often hindered by low reserves of hard currency. A country with low foreign exchange reserves has to use its limited purchasing power for products with a higher priority, such as food, fuel and medicines.

The Chittagong plant project for urea fertilizer, entirely funded by ADFD, aimed to support industry and agriculture in Bangladesh. An integrated fertilizer plant was established in the city of Chittagong, with a production capacity of 1,000 tones of ammonia, transformed into 1,700 tones of urea.

Projects Covered by ADFD Loans continued

Teesta Dam

Sector

Water & irrigation



Loan Value

AED 54 million

The continued dependence of Bangladesh on rainwater for irrigation was a major obstacle for the agricultural sector, especially when the country has so many rivers that can shore up the irrigation water supply in seasons with low or no rainfall.

ADFD provided a concessionary loan for the Teesta Dam project, which aimed to channel water from the Dinajpur canal and the branched canals, as well as the construction of the Bogra Canal Bridge.

The project enabled the irrigation of more than 48,000 hectares, serving more than 68,000 people.

The project included the establishment of a 44km canal, in addition to secondary and tertiary canals, the Bogra Canal Bridge, and all necessary equipment.

Sheikh Al Baha Power Station Project

Sector

Electricity



Loan Value

AED 115 million

Dhaka city, the capital of Bangladesh has witnessed rapid growth, bringing about a significant rise in the population figure, which put great pressure on infrastructure and reinforced the need for expansion and development.

Adequate power supply was one of the biggest challenges faced by the government in this area.

To help the country meet this growing power need, ADFD financed the expansion and modernization of the Sheikh Al Baha Power Station, which aimed to support the energy sector and strengthen the stability of the national grid, and also to serve Dhaka, an active centre for industry, trade, services and business.

The project included the establishment of new units to generate electricity in a combined cycle, with a total capacity of 225MW. The new units used natural gas as a primary fuel, and heavy oil as a backup fuel. The project includes two gas turbines, each with a capacity of about 75MW, a steam generator and a steam turbine with a capacity of about 75MW.

Projects Covered by ADFD Loans continued

Bangladesh SASEC project to connect roads in South Asia

Sector

Transportation



Loan Value

AED 110 million

Achieving a greater level of economic integration between the countries of South Asia is one of the most prominent foundations on which sustainable development in the countries of the region as a whole can be based on, especially that they have a huge market comprising hundreds of millions of consumers, and can facilitate the flow of people and goods that reflect positively on the performance of the economies of the region and enhance its attractiveness for foreign investment.

As part of its continued support for the Republic of Bangladesh, Abu Dhabi Fund for Development contributed to the financing of the project of roads in South Asia, which aimed to connect international roads in the South Asian region to allow easy flow of imports and exports, and allow the closed countries like Nepal, Bhutan and parts of the north-eastern region in India to have access to sea ports, a matter which will help increase the size of regional and international trade to those countries.

The project also contributed to enhancing the status of Bangladesh as a regional hub for transit in the region and the development of local and regional trade, as well as supporting the development process in Bangladesh itself by improving transport within the country and removes bottlenecks and improves traffic flow and reduces accidents.

The project included the improvement of 70 kilometers of the Godivuur - Chandra - Tangail - Hanickamrol road, which is part of the Asian transit road No. 2, that makes it consists of four paths, including a separate path for slow traffic and bridges at intersections, along with the establishment of two ports for ground transport in the regions of Benapole and Burimari, and provide the administration of Roads Department in Bangladesh with equipment and advisory services in the framework of the institutional development plan for the transport sector in Bangladesh.

Managing Government Grants

In addition to the loans provided by ADFD, the Government of UAE, under the guidance of its wise leadership, provided a grant for the drilling of charitable water wells and buildings.

These would support the efforts in Bangladesh to strengthen economic and social development. Within the framework of its development role, ADFD managed the grant provided by the Government to Bangladesh and ensured its effective management.

Charitable Wells and Buildings

Sector

Water & housing



Loan Value

AED 30 million

UAE government provided Bangladesh with a grant worth AED 30 million to drill charitable wells and erect buildings to help the residents of poverty-stricken areas to meet their water needs, as water shortage is the worst problem faced by people in many developing countries.

About the Abu Dhabi Fund for Development

Abu Dhabi Fund for Development (ADFD) was established back in July 15, 1971, as an independent subsidiary of Abu Dhabi Government, responsible for managing foreign aid. Over the years, it has established its position among the top development aid organizations worldwide.

Since its establishment, ADFD has played an important role in advancing economic development in beneficiary countries by providing concessionary loans that enable these countries to surmount challenges, address economic problems, and improve the living standards of their people.

Over the years, the scope of the Fund's activities has expanded to also shoulder the responsibility of managing the grants provided by the UAE government to finance projects aimed at achieving economic and social growth in developing countries.

The Fund has managed a quantum leap in its financial performance through investments and direct long-term contributions in active companies in strategic sectors of the developing countries, along with investing in a variety of financial instruments.