



**PPP FOR THE DUTCH WATER
SECTOR IN BANGLADESH:
POTENTIAL AND THE NEED FOR
AN ENABLING ENVIRONMENT**

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1 Context

In the last decade, Bangladesh has achieved rapid economic growth, setting a course towards becoming a USD 1 trillion economy within the next few decades. From 2016 to 2021, Bangladesh achieved an impressive average annual GDP growth rate of 6.4%, surpassing many Asian neighbors like Vietnam, the Philippines, Thailand, and Indonesia.¹ Although Bangladesh has recently witnessed some macroeconomic challenges, it has also demonstrated its economic resilience during the COVID-19 pandemic. With such growth performance, Bangladesh is set to graduate from the United Nations' List of Least Developed Countries (LDC) in 2026.²

Since its independence, the Netherlands has supported Bangladesh in its development activities. The bilateral cooperation between Bangladesh and the Netherlands spans over 50 years and has contributed to the Netherlands' strong reputation and position in water management, agriculture, and socio-economic development. As Bangladesh is expected to graduate from LDC in 2026, the bilateral cooperation also needs to transform. The cooperation is expected to shift from a mere government to Government to Government (G2G) collaboration to a wider range of relationships increasingly involving financing institutions, the private sector, and knowledge institutions. Implementation of the Bangladesh Delta Plan 2100 (BDP2100), approved in 2018 by the Bangladesh Prime Minister, is expected to provide ample opportunities to involve the Netherlands' water sector (public, private, and non-profit) in water- and adaptive delta management.

On Friday, 13th of October 2023, a workshop on "The Future of the Dutch Water Sector in Bangladesh beyond ODA" was organized, taking advantage of many Dutch companies/organizations being in Dhaka for the Netherlands Maritime Days in Bangladesh. The workshop focused on the vision of the Dutch Water sector on the transition processes and identifying opportunities and challenges. One of the outcomes of the workshop was the recommendation to explore investment avenues for the water sector enhancement, with a focus on Public-Private Partnerships (PPP), Joint Ventures (JV), and Foreign Direct Investment (FDI).

The Government of the Netherlands (GoNL) has been a long-standing partner of the Government of Bangladesh (GoB), especially in water sector enhancement. Since Bangladesh's independence, the GoNL has provided numerous project assistance to GoB, including developing the Bangladesh Delta Plan (BDP). To implement the Bangladesh Delta Plan, it is essential to increase private investment. Dutch Private Investors are interested in Bangladesh, possibly through PPP. This report explores the avenues for Dutch PPP modalities in Bangladesh.

Based on interviews with key stakeholders³, this report explores the advantages of a potential G2G MoU and the prerequisites and steps to be taken. The Consultant also collected different PPP project documentation, including progress reports, feasibility documents, presentations, Request for Proposal (RFP) Documents, and Concession documents to understand the lessons learned and project challenges existing investors face in implementing PPP projects in Bangladesh.

The rest of this report is organized as follows. Chapter two discusses the opportunities and required process to conclude an MoU between GoB and GoNL. While MoU signing is essential, the ultimate objective needs to be concluding successful PPP project deals by signing PPP agreements with GoB.

This issue is extensively discussed in Chapter 3. Subsequently, Chapter 4 provides recommendations for the Embassy.

2 Opportunities and Required Process to Conclude an MoU between GoB and the GoNL

2.1 Introduction

Bangladesh's future economic growth depends heavily on improving its infrastructure, and it's difficult for the Government of Bangladesh (GoB) to implement all the infrastructure projects with GoB funding. Realizing this issue, GoB has explored the Public-Private Partnership (PPP) mechanism to implement major infrastructure projects. Initially, GoB tried competitive PPP projects for infrastructure projects, but many competitive PPP projects led to delays. Many private investors failed to access project financing and lacked technical capabilities. One such PPP project example is the Dhaka Elevated Expressway PPP project, where the project implementation started in 2011, and the full expressway has not yet been completed⁴. Along with competitive PPP, GoB also tried to attract unsolicited PPP projects, but till now, the PPP Authority has not signed any unsolicited PPP projects.

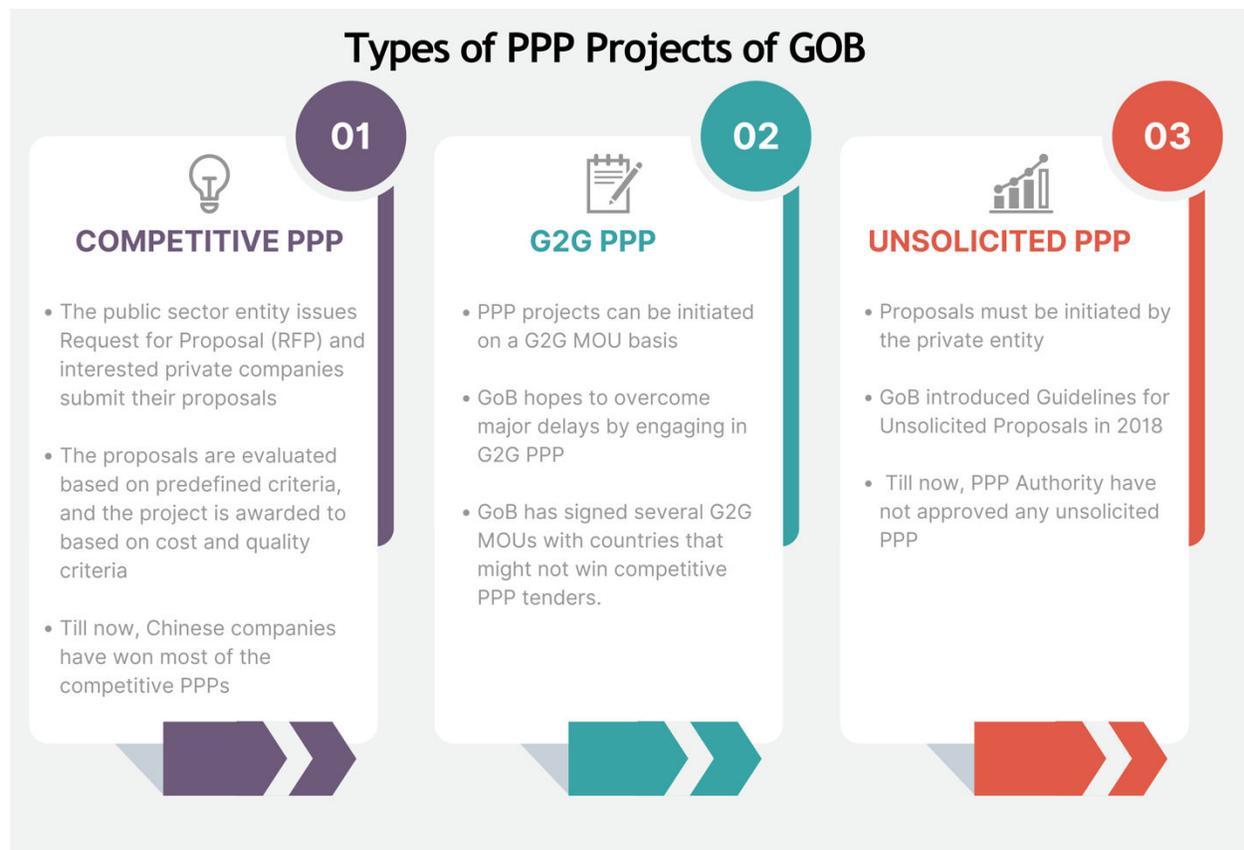


Figure 1: Types of PPP Projects in Bangladesh

Realizing the limitations of both competitive and unsolicited PPP projects, GoB is gradually moving towards Government-to-Government (G2G) PPP. Accordingly, in 2017, GoB introduced the "Policy for Implementing PPP Projects through Government to Government (G2G) Partnership, 2017". Through this Policy, GoB can directly engage with other Governments (i.e., Investor Country⁵) and seek their support in implementing PPP projects. Under the arrangement, GoB may request other Governments to provide financing support and select appropriate state-owned or private entities to act as investors or private partner⁶. In competitive PPP, such a direct selection process is not allowed. Using this policy, many countries, that are not likely to win competitive PPP tenders, have already started exploring G2G PPP project opportunities in Bangladesh. Usually, to explore such project opportunities, it is essential to first sign a Memorandum of Understanding (MOU) between GoB and Investor Country.

Till now, several countries have signed an MOU agreement with the Government of Bangladesh (GoB). The required process and the steps these countries have taken to sign a G2G MOU are discussed in section 2.2. Section 2.3 identifies key stakeholders in this process, and subsequently, their role is discussed.

2.2 Required Steps to Conclude a G2G MoU

When an Investor Country wishes to sign a MOU for PPP projects with the GoB, it normally communicates with the Economic Relations Division (ERD). During this initial communication process, the investor country can highlight its interest in a certain sector(s), like aviation, water, transportation, and others. The ERD then forwards the matter to the Public-Private Partnership (PPP) Authority and requests its opinion. The PPP Authority subsequently consults with the Prime Minister's Office, the Ministry of Foreign Affairs, and various line ministries. If the investor country shows interest in a particular sector(s), the line ministries of those sector(s) are also consulted.

Key Steps of MoU

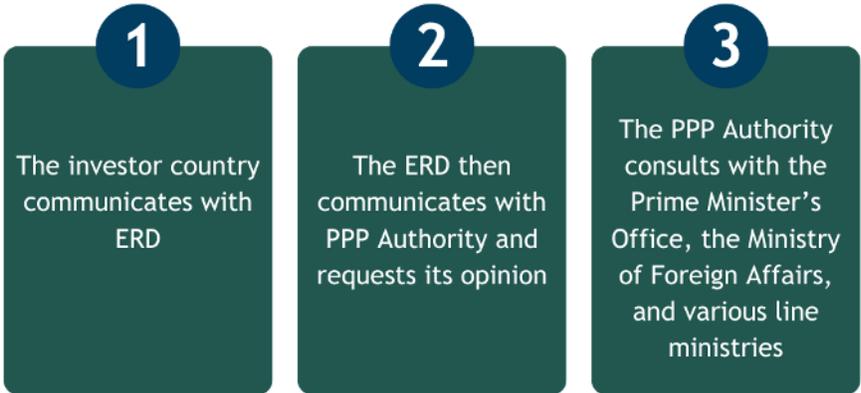


Figure 2: Key Steps of MOU

The duration of this process can vary based on the GoB's priorities, and a request from a country does not necessarily mean that the MOU signing process will be quickly implemented. While approaching

through ERD is the standard practice, in some cases, certain countries directly communicated with the Prime Minister's Office to expedite the process. This approach of directly communicating with the Prime Minister's Office without consulting with ERD and line ministries is not without risk, as it can lead to negative perceptions about an investor country. Line ministries are crucial in Bangladesh's PPP project development and implementation process.

As it takes considerable time to sign an MoU and then develop projects, most countries informally prepare a project pipeline while waiting for GoB's decision regarding the MoU. Some countries have used this strategy of proactively shortlisting some potential PPP projects even before signing an MoU. The potential private investors of these countries met with many line ministry officials and implementing agencies to identify commercially viable PPP projects. Subsequently, these countries started collecting project-related information to understand the potential risk factors and suitability with their existing experience. Once these countries signed an MoU with Bangladesh, they immediately proposed projects from their pipeline.

2.3 Key Stakeholders for MoU

From the steps discussed above, it is evident that the MoU signing process requires cooperation from different key stakeholders. Some of these key stakeholders include:

- 1) Prime Minister's Office
- 2) PPP Authority
- 3) Ministry of Foreign Affairs
- 4) Different Infrastructure focused Line Ministries and Implementing Agencies
- 5) Economic Relations Division

In terms of the most influential stakeholders, the Prime Minister's Office is possibly the most important stakeholder for signing an MoU and successfully implementing a PPP agreement. Usually, the PPP Authority first consults with the Prime Minister's Office after receiving a formal MoU request from any country.

Along with the Prime Minister's Office, the role of the PPP Authority and line ministries is also important during the MOU signing process. Usually, the role of line ministries and implementing agencies increases after the MOU signing process. This issue is separately discussed in Chapter 3, as that chapter mainly deals with the post-MOU context.

3 Assess Possible Ways for Concluding Successful PPP Projects for the Dutch Water Sector in Bangladesh

While it is important to sign an MOU to initiate a G2G PPP project, it does not necessarily guarantee the implementation of a successful PPP project. So, along with signing a MoU, it is also essential to understand what factors can lead to a project award. To clarify this issue, section 3.1 focuses on the post-MOU context.

3.1 PPP Project Development Process after the MoU Signing

To facilitate Dutch private investment in a "Successful PPP," it is essential to first understand how a project is developed after the MOU signing⁷. Usually, after the MOU signing, a Joint PPP Platform Committee is formed comprising government officials, investors, and other stakeholders from Bangladesh and the Investor Country. In most cases, the Principal Secretary of the Prime Minister's Office chairs all the Joint PPP Platform Committee meetings. In this platform, both Bangladesh and the Investor country can propose potential projects, and subsequently, the Joint PPP Platform Committee takes decisions regarding the proposals.

The Joint PPP Platform Committee is crucial in G2G PPP project development for two reasons. **First**, it's responsible for forwarding potential PPP project proposals to the Cabinet Committee on Economic Affairs (CCNA), and all PPP projects need In-Principle CCNA approval. Before forwarding any proposals to CCNA, the Joint PPP Platform Committee conducts comprehensive discussions on potential PPP projects and considers the views of the relevant line ministries. The Prime Minister of Bangladesh typically presides over the CCNA meetings. The Finance Minister steps in when the Prime Minister is unavailable.

Second, once a project gets In-Principle approval from the CCNA, the GoB begins its feasibility study process and addresses different planning issues (like land acquisition estimate and link project DPP)⁸. The Joint PPP Platform Committee plays a crucial role in coordinating the activities of various government agencies during this process. It typically monitors the progress of ongoing PPP projects and handles challenges related to project development (like land acquisition). As the Principal Secretary of the Prime Minister's Office chairs the committee, its decisions can effectively resolve various project development challenges.

Usually, both GoB and private investor(s) from the investor country separately conduct feasibility studies. The feasibility study addresses various technical, financial, legal, commercial, environmental, social, and other aspects. The findings of feasibility studies are extensively used during the project negotiation process, especially for negotiating financial parameters like tariffs, viability gap funding (a form of subsidy from GoB), or even revenue-sharing mechanisms⁹. During the project development phase, the GoB usually sets most of the technical Key Performance Indicators (KPIs), including the project's design, construction parameters, and more. As such, these technical KPIs are largely predetermined, so the private sector prepares its cost estimate considering the GoB's technical KPIs.



Figure 3: PPP Project Development Process after the MOU Signing

However, financial parameters are subject to thorough negotiation, which can involve multiple rounds of extensive discussions. If the private investors from the investor's country propose an ambitious cost estimate and subsequent tariff/VGF requirement, the GoB team often counters by presenting the cost estimate of similar GoB projects from Bangladesh. Therefore, it is essential to conduct the feasibility study carefully to address potential counterarguments from the GoB.

Once both GoB and private investor(s) from the investor country reach a common ground on technical and financial aspects, the Request for Proposal (RFP) is issued, where only the proposed private investor(s) from the investor country can submit a bid. If GoB agrees with that bid, the line ministries or agencies formally accept the private investor(s) as the nominated investor. Subsequently, the PPP project concession agreement is sent to the Law ministry and other agencies for vetting. After the vetting process, the project needs to obtain final CCNA approval. This CCNA approval differs from the initial CCNA approval as the initial one is mainly intended to facilitate the project planning process. After final CCNA approval, the award letter is issued in favor of the private investor(s).

This report provides a detailed description of Patenga Container Terminal PPP Project in section 3.2 to demonstrate the PPP project development process after the MOU signature. This particular project has been selected as it is the only signed G2G PPP project in Bangladesh. While several G2G projects are currently in development, only one G2G project has been signed so far.

3.2 Lessons Learned from the Patenga Container Terminal PPP Project

3.2.1 Overview

On 28 October 2021, the Ministry of Investment of Saudi Arabia signed a G2G PPP MOU with Bangladesh. Subsequently, in December 2023, the Chittagong Port Authority (CPA) signed a G2G PPP Agreement with the Saudi Arabia company Red Sea Gateway Terminal (RSGT). Interestingly, this project received CCEA In-Principle Approval on 3 March 2021, even before Saudi Arabia's MOU signing date with Bangladesh¹⁰. This highlights that Saudi Arabia selected a PPP project that CCEA had already been approved. In Bangladesh, the CCEA In-Principle Approval is considered a major inception milestone of any PPP project development. Subsequently, the project went through a detailed feasibility study and negotiation process. Overall, this project's development process was quick as GoB had already constructed the Patenga terminal. The project had no land-related issues, and access to roads, utility, customs, and other facilities was ensured due to the brownfield nature of the project.

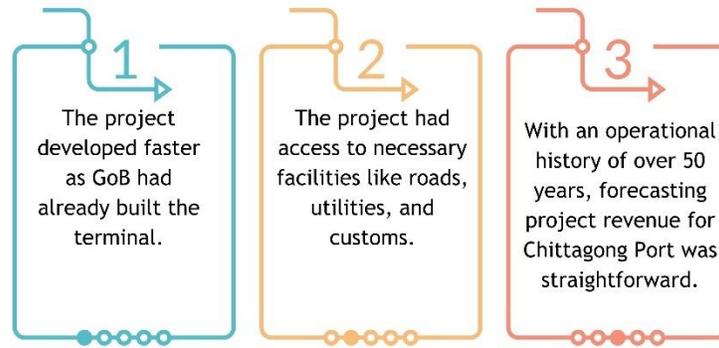


Figure 4: Major Features of Patenga Container Terminal PPP Project

3.2.2 Factors Contributing to the Quick Project Award

As their first G2G PPP Project, the Kingdom of Saudi Arabia Government and investors selected a project directly related to Bangladesh's export competitiveness. For a long time, Chittagong port users had concerns regarding container handling efficiency, and the business community actively advocated the introduction of private sector participation in port management. Because of slow container handling by CPA, the operating costs of port users were very high, which impacted the exporter's competitiveness in the international market. When a country has such a need, it simplifies the negotiation process for foreign investors. So, immediately after signing its G2G MOU, the Kingdom of Saudi Arabia officially expressed its interest in the Patenga project. Selecting this project was a strategic decision for Saudi investors for two reasons.

First, GoB made considerable progress in developing the Patenga project, and Saudi investors obtained a CCNA-approved structured project. As Saudi investors selected a CCNA-approved project, most of the project coordination-related issues were already addressed. For instance, the link road for the Patenga terminal project was constructed even before the contract was awarded to the Saudi investor (Picture 1).

Second, for a new investor like Red Sea Gateway Terminal having a well-structured project is crucial to minimize its project development cost. The Saudi investor focused on establishing its local office through a relatively simple project. Subsequently, the company can target relatively complex projects using the local team in the future.



Picture 1: Link Road beside the Patenga Container Terminal project¹¹

3.2.3 Risks Taken by the Private Partner



Picture 2: An Overview of Patenga Container Terminal

Limited Flexibility with a Predetermined Terminal Design

The Patenga Container Terminal PPP Project was effectively a brownfield O&M PPP project. CPA determined the terminal design and layout, and the private partner was not involved in the design process. Chittagong Port Authority completed the terminal's civil construction component in 2022. As the civil construction has already been completed, the CPA will hand over the project on an "As It Is" basis. Even if the private partner wishes, changing many construction-related aspects of the project can be difficult. For instance, rising sea levels can impact the Patenga terminal in the future. It

can be difficult for private partners to implement required adaptation measures in the future unless these aspects are already integrated into the project design.

The Development of Several Other Container Terminals in the Project Region

The Patenga Container Terminal project is located in Chittagong, and GoB is currently developing several container terminal projects in the same area. For instance, GoB is currently planning the construction of the Bay terminal, and the project received CCNA approval in 2019¹². The Bay terminal will be developed just beside the sea, and larger ships will be able to berth in this terminal. In addition, GoB is also planning to develop the Laldia Container Terminal in the same area¹³. Already, the Government has made considerable progress in constructing Matarbari Deep Seaport, which is not far from Patenga (less than 100 km). In the future, all these projects will compete with the Patenga Container Terminal.

Despite the apparent risks, Saudi Arabia has successfully secured an important PPP project award. In terms of innovative strategies, this particular project has several innovative aspects. For Dutch companies, it is essential to use some of these strategies in future projects and simultaneously avoid some of the risks the Saudi Company have absorbed. To clarify possible ways to conclude successful PPP projects for Dutch companies, section 3.3 will discuss certain macro-level undisclosed market preconditions.

3.3 Precondition to Engage the Dutch Water Sector in a Successful PPP

Sections 3.1 and 3.2 show that the signing process for a G2G PPP project agreement must go through several approval and negotiation stages. Officially, GoB always welcomes PPP investment proposals, but not all investment proposals lead to successful PPP investment. Certain macro-level undisclosed market preconditions can distinguish a promising PPP proposal from one that ultimately becomes successful, i.e., one for which a formal PPP agreement is signed.

While just one G2G PPP project has been signed in the last seven years, many countries are still targeting G2G PPP projects. In the future, other countries can also enter this landscape (like Turkey). Recognizing that multiple countries are already trying to get G2G PPP projects from different implementing agencies is essential. With visible competition, different line ministries of GoB have also started developing their own unofficial preconditions for collaborating with international investors. These unofficial preconditions of different line ministries and implementing agencies are discussed in sections 3.3.1-3.3.4.

3.3.1 Develop Potential PPP Project Pipeline Even Before Signing the PPP Contract

For most countries, it took considerable time to formally sign an MOU and then develop a PPP project. Considering this reality, nowadays, some countries informally start the project pipeline preparation while waiting for GoB's decision regarding MOU.

3.3.2 Ensure Land Availability

A fundamental issue while developing a project pipeline is assessing land availability. In Bangladesh, PPP projects often face difficulties due to land-related disputes. Being a densely populated country, often illegal occupants live in project areas. Unless required access to land is ensured, it can be challenging to ensure the timely implementation of a PPP project. Therefore, ideally, any project with land-related disputes or availability concerns should not be explored in a G2G framework.

3.3.3 The Importance of Developing Relationships with Investment-Focused Ministries and Agencies

In the long run, developing relationships with investment-focused ministries and agencies can facilitate Dutch private investment in Bangladesh. Usually, the relationship development process needs a long-term approach. In the long run, the GoNL needs to gradually develop relationships with agencies with a track record of working with foreign investors.

3.3.4 Select Projects from the GoB's Priority List

A potential strategy for reducing project development costs is to select projects that have undergone some development by the GoB. Selecting Public-Private Partnership (PPP) projects from the Annual Development Programme (ADP) or the GoB's Five-Year Plan can reduce the overall project risk for Dutch investors. In some cases, selecting projects from the relevant ministry's priority list can reduce project development-related challenges. Usually, projects listed in ADP or Five-Year Plan have undergone some preparation and scrutiny process.

On the contrary, proposing a new project outside GoB's pipeline under the G2G PPP framework can be risky for two reasons. **First**, a new project will take considerable time to ensure consensus-building among the line ministries and implementing agencies. While proposing a PPP project outside the GoB's pipeline is technically possible, the investor(s) must work extensively with different agencies to ensure proper coordination.



Figure 5: Potential consequences of proposing a new project under the G2G PPP Framework

Second, depending on the project context, when project stakeholders find that an investor is interested in a completely new PPP project idea, they may start demanding ambitious project elements. For example, if Dutch investors propose a Smart Green City near Dhaka, stakeholders may start proposing goals like 100% renewable energy, zero waste, and a high-speed rail network. This issue is common in Bangladesh, and these ambitious expectations can lead to overdesign/over-engineering. A PPP project should always avoid overdesign/over-engineering and try to align with commercial realities. Projects already included in the ADP or the GoB's Five-Year Plan usually have realistic targets. When a project is included in ADP, it signals that GoB needs it for its own development purpose. Such eagerness from GoB is important for structuring a win-win case for Bangladesh and the Netherlands.

3.4 Draw Project-Level Lessons Learned from Other PPPs

In terms of lessons learned, the success factors of Patenga terminal (discussed in section 3.2) and all the macro-level undisclosed market preconditions (discussed in 3.3) can be important lessons learned for potential Dutch investors. Along with macro-level undisclosed market preconditions, some project-level issues need to be addressed in future PPP projects, which are discussed in section 3.3.

3.4.1 Importance of Having a Reputed Transaction Advisory Firm

In Bangladesh, very few consulting firms have been able to successfully close PPP deals, and IFC is one of them. IFC has a proven track record of providing transaction advisory services for innovative PPP projects in Bangladesh, such as the Patenga PPP terminal (discussed in 3.2) and the Purbachal water supply PPP project. Their expertise and experience in PPP can be invaluable for potential Dutch investors for three reasons. **First**, IFC's long-standing presence and project experience in Bangladesh have allowed it to build strong relationships with local stakeholders, including government agencies. These relationships can be crucial in facilitating negotiations and ensuring the smooth implementation of PPP projects. In some cases, even the PPP Authority informally proposed IFC's involvement in technically complex projects.

Second, IFC's success fee model, i.e., receiving payments in case of a successful deal, aligns their interests with the potential private investors. **Third**, IFC's reputation as a member of the World Bank Group signals project credibility to the broader market players, potentially making it more attractive to other investors, lenders, and stakeholders.

3.4.2 Selecting Relatively Less Risky Projects in the Initial Stage

As most potential Dutch investors have limited experience in Bangladesh, it will be more logical to select relatively less risky projects. Previously, the Kingdom of Saudi Arabia adopted this strategy, and it has been proven successful in Bangladesh. Dutch investors can also follow this approach of intentionally selecting relatively less risky projects, i.e., low-hanging fruits. While it is challenging to define a risky project, some board guidelines can be followed by Dutch Investors to reduce risk.

First, one strategy for reducing risk can be targeting business growth-focused projects. In the last decade, GoB supported projects that directly facilitate business growth (like energy, transport,

aviation, and port improvement) rather than projects that mainly target social benefits (like health facilities). While GoB has taken many health PPP projects in the last decade, these projects have achieved minimum progress. A case study highlighting the importance of selecting a business growth-focused PPP project is discussed below:

Case Study 1: Choosing a Business Growth Focused Project Vs. Social Infrastructure Project

One country selected a bridge project as its first G2G PPP project. In Bangladesh, most people are familiar with paying tolls for crossing rivers, and these projects are important for business growth. This familiarity of payment is one of the preconditions for commercially viable PPP projects. When people are accustomed to paying for PPP services (like bridge use), the need for government viability gap funding (or subsidy) decreases. In addition, most of the policymakers in Bangladesh are from a business background, and they are more aligned with projects with immediate business growth prospects (e.g., roads, bridges, airports, ports).

On the other hand, developing commercially viable PPP projects becomes challenging if people are not used to paying for certain services or pay very minimum tariffs (e.g., embankment protection/dredging/irrigation). Social projects like embankment protection can require extensive viability gap funding and can be difficult to negotiate. If the Dutch Embassy adopts this approach and preselects some viable PPP projects in business growth-focused sectors, it can ensure smooth project development in the long run.

Second, to reduce risk, it's crucial to target projects that have limited social unrest possibility and are politically less challenging. For instance, implementing a dredging PPP project can be challenging in Bangladesh. In Bangladesh, locals are often unwilling to provide land to keep the dredged silt material. While in some areas, dredged silt materials could be quickly sold for construction purposes, in remote rural areas, it is time-consuming to sell dredged silt materials. For developing a viable dredging PPP project, ensuring the private sector's access to land facilities for storing the dredged silt is essential. Unless the Government ensures such access, this type of project can be risky for potential Dutch investors.

3.5 Explore PPP Guidelines with the PPP Authority Specifically for Water-Related Projects

Till now, Bangladesh has developed limited PPP projects in the water-related sectors. One contributing reason behind such limited water PPP projects is the lack of clear sectoral guidelines for promoting the delta/water PPP project. For instance, if we consider Bangladesh's energy generation sector, the GoB clearly defined the sectoral framework for implementing Independent Power Producer (IPP) projects in the 1990s. To encourage the private sector in the country's power sector, the Government of Bangladesh adopted the Private Sector Power Generation Policy of Bangladesh, 1996 (revised 2004) and Policy Guideline for Enhancement of Private Participation in the Power Sector, 2008. The GoB also took a pragmatic step in introducing the Electricity Act 2016, where

adequate provisions have been kept to facilitate private investment in developing the country's power sector.

Recently, the GoB has started adopting similar strategies for promoting private investment in Economic Zones. For instance, the country introduced the Bangladesh Economic Zones Act (2010), and subsequently, the Government developed the Private Economic Zone Policy 2015 and Bangladesh Economic Zones (Appointment of Developer) Rules 2020. These policies and rules created an enabling environment for private sector investment in economic zones.

Bangladesh has no sectoral policy guidelines for facilitating private investment in different water-related sectors. Bangladesh introduced the PPP Law in 2015 but has no sectoral guidelines. With no sectoral policy guidelines, private investors are uncertain about the Government's plan, project development process, and risk-sharing mechanism. Even officials of different government agencies (like BWDB) are uncertain about the PPP project development process and how the Government agencies can share risks in water PPP projects. These officials do not have gazetted guidelines or rules, so Bangladesh's water PPP project development process is usually extremely difficult.

Along with private investors and government officials, policy guidelines are also important for lenders. Most large-scale water infrastructure projects are capital-intensive and cannot be logically implemented without loan financing. While providing loan support, lenders check the bankability of certain infrastructure projects and the future business prospects of that particular sector. Without a clear sectoral guideline, it is difficult for lenders to assess the viability of a loan proposal from a potential PPP investor. If we look into the project financing context for large PPP projects, then in most cases, investors face difficulties in sourcing financing from lenders. In the future, the GoNL can assist GoB in developing sectoral PPP guidelines. Developing guidelines can facilitate an enabling environment for the private sector by reducing project risk.

4 Conclusion and Recommendations for the Dutch Embassy

Bangladesh is a promising market for all Dutch investors but with many unknown challenges. In this new market, the best initial approach is establishing a market presence first with a relatively simple and less risky project. Once this market presence is established, more complex PPP projects can be gradually explored. The Dutch Embassy can play a crucial role in facilitating this initial market presence.

In terms of recommendations for the Embassy, sections 3.3 have provided some macro-level recommendations. Subsequently, sections 3.4 provide some project-level recommendations. To avoid repetition, these points have not been discussed in this chapter. Other additional points are discussed in Chapter 4. However, some of these recommendations are not directly related to G2G PPP but to the overall promotion of Dutch investment in Bangladesh. While this study is mobilized to explore investment avenues for the water sector enhancement, there can be investment avenues in other sectors. Bangladesh and the Netherlands can mutually benefit by enhancing investment relationships in all possible sectors.

4.1 Explore PPP Project Opportunities in Different Sectors

In terms of PPP investment opportunities, it is essential to focus on a broad range of sectors. As different countries are already competing for G2G PPP projects in Bangladesh, having a broad perspective on projects is crucial. In the future, these countries can also compete in water PPP projects with the Netherlands. While Dutch companies have a strategic advantage in the water, it is also possible to find opportunities in other sectors like Agriculture, health, and IT. Dutch companies also have a strategic advantage in these sectors and the GoNL needs to adopt a long-term planning approach.

4.2 Exploring B2B Opportunities

Along with exploring G2G PPP projects, focusing on Business-to-Business (B2B) business opportunities for Dutch companies is also essential. Bangladesh's economy is growing, which can create unique business opportunities for Dutch companies. Already, Dutch companies are working on different B2B projects in Bangladesh, and it is essential to scale this up. For instance, a consortium of Dutch and Bangladeshi companies is currently working on onion storage development in Bangladesh, and there can be similar opportunities in the future.



Picture 3: Onion Storage Project of Bangladesh

Another potential B2B area is the growing sustainability and business transformation requirement of Bangladesh's Ready-Made Garment (RMG) companies. In terms of sustainability, the RMG industry in Bangladesh is under increasing pressure to meet stringent environmental sustainability requirements. Big retailers are putting pressure on Bangladeshi companies to maintain environmental sustainability standards. In terms of business transformation, Bangladesh's RMG companies must focus on automation and diversifying product offerings.

This presents an opportunity for Dutch companies to provide solutions and services to help Bangladesh's RMG industry meet these requirements. These could include enhancing productivity and efficiency through automation and digitalization, promoting sustainable water management practices, and addressing the need for specialized fabrics and raw materials. A picture of one Bangladeshi

company's ETP plant is provided below, and Dutch companies can provide this type of ETP development support through a B2B agreement.



Picture 4: ETP Plant

The Embassy of the Netherlands in Bangladesh also implements different types of innovative industry-focused development programmes. For instance, the Embassy formally launched the Food Tech Bangladesh programme in 2022. The Food Tech Bangladesh programme works with different local companies. Ideally, these programmes should have components facilitating Dutch private investment in Bangladesh. Local companies can also facilitate Dutch companies' investment in Bangladesh's Blue economy sector. This will allow Bangladeshi companies to learn from their Dutch partners.

4.3 Creating Business Facilitating Group

Reviewing the practice of other European countries reveals that other countries have adopted a very targeted business promotion approach. For instance, in 2005, the British Business Group (BBG) was founded as a forum to enable British companies to promote and support their commercial interests in Bangladesh¹⁴. BBG works to improve the business environment for British companies that operate in Bangladesh. The board of BBG includes representation from influential business leaders of Bangladesh along with the Deputy Director of Trade & Investment of the British High Commission. On an annual basis, the UK also arranges Bangladesh – UK Trade and Investment Dialogue and has created a Joint Working Group (JWG). JWG covers various trade and investment issues, including mutual barriers to market access and trade¹⁵. Denmark also has a trade council for Bangladesh, which serves as a one-stop solution center for Danish small and large enterprises¹⁶. The Dutch embassy can adopt a similar strategy to facilitate Dutch investment in Bangladesh.



Picture 5: Bangladesh – UK Trade and Investment Dialogue

Annex 1: List of Stakeholder Interviews

Name	Position	Organization
Mr. Bassel Younan	Regional Head, Invest International	Invest International
Md Mahady Hassan	Water Resource Management Specialist	World Bank

Annex 2: List of Approved G2G PPP Projects Currently in the Development Phase¹⁷

1. Construction of Bridge on Bhulta-Araihazar-Bancharampur road over the river Meghna
2. Operation and Maintenance of 3rd Terminal at Hazrat Shahjalal International Airport (HSIA)
3. Multimodal Hub at Kamlapur Railway Station
4. Bangabandhu Sheikh Mujib Shilpanagar Water Supply Project
5. Sewerage Treatment Plant at Catchment 6, Patenga under Chattogram WASA
6. Establishment and Operation of Laldia Container Terminal at Chittagong Port through PPP model

¹ Munir, Z., Chakraborty, S. and Ishtiaque, T. (2022). *The Trillion-Dollar Prize Local Champions Leading the Way*. [online] Boston Consulting Group. Available at: <https://web-assets.bcg.com/6e/15/0081bc4b4871b53ea0f25348bb0d/the-trillion-dollar-prize-local-champions-leading-the-way.pdf> [Accessed 17 Mar. 2024].

² The World Bank (2023). *The World Bank In Bangladesh*. [online] World Bank. Available at: <https://www.worldbank.org/en/country/bangladesh/overview>.

³ The list of stakeholders has been included in Annex 1.

⁴ <https://www.tbsnews.net/bangladesh/infrastructure/elevated-expressway-deadline-may-be-extended-again-424914>

⁵ For the avoidance of doubt, for this particular report, the term “Investor Country” has been defined as countries which intends to sign or have already signed a G2G PPP MOU with the Government of Bangladesh.

⁶ https://www.pppo.gov.bd/download/ppp_office/Policy_G2G_Partnership-2017.pdf

⁷ For the avoidance of doubt, for this particular report, the term “Successful PPP” has been defined as projects where PPP agreement has been signed

⁸ In a PPP project, different support from the government agencies may be required. For instance, a PPP project may require land acquisition support, and for that, a separate public sector project Development Project Proposal (DPP) may be required.

⁹ In the Patenga port terminal PPP project, the Saudi investor agreed to share project revenue with GoB. The project had no viability gap funding.

¹⁰ In Bangladesh, the CCEA In-Principle Approval is considered the inception milestone of any PPP project.

¹¹ <https://www.tbsnews.net/bangladesh/patenga-container-terminal-trial-docking-cargo-ship-21-july-459198>

¹² <https://www.pppo.gov.bd/projects-bay-terminal.php>

¹³ <https://www.pppo.gov.bd/projects-bay-terminal.php>

¹⁴ <https://www.bbg.org.bd/about-us/history/>

¹⁵ <https://www.gov.uk/government/news/bangladesh-uk-trade-and-investment-dialogue-2023>

¹⁶ <https://bangladesh.um.dk/the-trade-council/about-trade-council>

¹⁷ For the avoidance of doubt, this annex is a living document as continuously new projects are being proposed along with dropping some previously approved projects.