

Data Sheet

USAID Mission:	Bangladesh
Program Title:	Bilateral Energy
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	388-007
Proposed FY 2004 Obligation:	\$3,500,000 DA; \$1,000,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$3,000,000 DA; \$1,000,000 ESF
Year of Initial Obligation:	FY 1996
Year of Final Obligation:	FY 2007

Summary: USAID's program to improve the performance of key institutions in the energy sector includes technical support, training and other assistance to do the following:

- Increase institutional capacity through reforms in the gas and power sector;
- Create an improved enabling environment to help attract foreign investment; and
- Improve rural power sector performance to help alleviate poverty in rural areas.

Assistance to reform the energy sector addresses both power and gas and emphasizes policy change and regulatory reform.

Inputs, Outputs, Activities:

FY 2004 Program:

Policy (\$500,000 DA, \$750,000 ESF). USAID will continue to provide technical assistance and training to restructure and reform the state-dominated power and natural gas sector. USAID assistance also will:

- Encourage continued "unbundling" and separation of policy, regulatory and commercial functions;
- Promote improved performance of distribution companies; and
- Assist the Government in anticipating and addressing the social impacts of market reforms.

Assistance to build financial, management and operational capabilities will be extended to promote other energy sector reforms instituted by the Government of Bangladesh (GOB), for example, power sector distribution and power and gas transmission. Support for a partnership between the Power Grid Company of Bangladesh (PGCB) and the Bonneville Power Administration (BPA) to improve the institutional capacity of PGCB will continue. New partnerships for other key energy institutions--including the new Bangladesh Energy Regulatory Commission--will be developed based upon opportunities and prospects for success. The program will place particular emphasis on supporting and making fully operational an effective and independent regulatory body through tailored training and technical assistance. A recently established academic partnership between the Bangladesh University of Engineering and Technology (BUET) and the University of Houston (UH) through USAID's "Institutional Partnerships Program" will strengthen local capabilities in energy economics and related policy issues. Principal contractors and grantees: National Association of Regulatory Utility Commissioners; UH; BPA; others TBD.

Energy (\$1,000,000 DA, \$250,000 ESF). USAID will help introduce the new regulatory development model, develop a tariff methodology to reflect the cost of supply, and provide other focused assistance to the energy sector, both gas and power. If the GOB decides to allow gas exports, USAID will provide technical assistance and training to the Bangladesh energy sector to address the many financial, technical and policy issues that are likely to accompany the large-scale export of gas. Principal contractors and grantees: TBD.

Rural power (\$2,000,000 DA). USAID's Rural Power for Poverty Reduction Program (RPPR-II) will provide training and technical assistance to consolidate the successes of the earlier programs that brought electricity to remote areas through rural power distribution cooperatives. The program also will further strengthen the management and technical capabilities of the Rural Electrification Board (REB) and its constituent rural electric cooperatives. The program focuses on ensuring the sustainability of USAID's long-standing effort in this sector while cultivating promising opportunities for other donor support to allow for a more coordinated overall technical assistance effort. Principal contractors and grantees: National Rural Electric Cooperative Association.

FY 2005 Program:

Policy (\$500,000 DA, \$500,000 ESF). USAID plans to continue its assistance for gas and power sector reform, strengthening the regulatory regime and other capacity building efforts. USAID also will provide assistance to GOB and energy sector entities to improve the enabling environment for attracting greater private investment in the energy sector. Principal grantees and contractors: TBD.

Energy (\$500,000 DA, \$500,000 ESF). USAID will provide assistance to create new human and institutional capacity within the most reform-oriented energy sector entities, such as Gas Transmission Co. Ltd., PGCB, Dhaka Electric Supply Company, etc., which are key institutions in implementing true sector "unbundling" and regulatory reform. Existing partnerships for technical assistance and training in the energy sector will continue to facilitate and further encourage the reform and restructuring process. The academic partnership established under the "University Linkages" program is expected to continue. Principal grantees and contractors: U.S. Energy Association and others TBD.

Rural power (\$2,000,000 DA). The RPPR-II project will continue to focus on strengthening institutional management and promoting efficient systems operation to ensure the sustainability of this long-standing effort. Principal contractor: National Rural Electric Cooperative Association (NRECA).

Performance and Results: In FY 2003, power sector unbundling exceeded expectations, with 3,337 kilometers of transmission lines transferred to the newly established PGCB against a target of 3,000 kilometers. Assistance in rural electrification has further strengthened the capacity of the REB and the rural power co-operatives. The number of electric connections in rural areas continues to increase significantly. The total number of legal power connections grew from 6.31 million in FY 2002 to 7.20 million in FY 2003. A crucial move towards sector reform took place in March 2003, with passage by Parliament of the Bangladesh Energy Regulatory Commission Act. USAID has assumed the lead role among donors in assisting the GOB to establish and make operational the regulatory commission, with assistance aimed at making it a truly independent entity to curb corruption in the sector.

By the time the energy program is completed, USAID anticipates that an independent regulatory body for the gas and power sectors will be established and functioning effectively, the private sector will play a significant role in power generation with at least sector transmission and distribution "corporatized," and the rural electrification program will be effective and largely self-sustaining.

US Financing in Thousands of Dollars

Bangladesh

	DA	ESF
388-007 Bilateral Energy		
Through September 30, 2002		
Obligations	34,150	1,599
Expenditures	27,441	99
Unliquidated	6,709	1,500
Fiscal Year 2003		
Obligations	4,250	0
Expenditures	4,001	356
Through September 30, 2003		
Obligations	38,400	1,599
Expenditures	31,442	455
Unliquidated	6,958	1,144
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2004 NOA		
Obligations	3,500	1,000
Total Planned Fiscal Year 2004		
Obligations	3,500	1,000
Proposed Fiscal Year 2005 NOA		
Obligations	3,000	1,000
Future Obligations	4,200	2,500
Est. Total Cost	49,100	6,099