Honesty = Success, Dishonesty = Failure
An overview of power sector unbundling in Bangladesh (1996-2006)

Sharier Khan runs a critical eye over the power sector operations of the past ten years and compares the performance of the AL and BNP governments

WHEN Bangladesh was born in 1971, the impoverished nation's economy was entirely dependent on agriculture. There was almost no industrial activity. A country of 70 million people consumed only 183 megawatts of power.

But by 1990 the country was slowly advancing in diversifying its economic activities. When democracy was restored in 1991 the country's power demand rose to 1,500 megawatts, and it still had 300 mw surplus power. Till this time, the capital intensive power plants were built under loans, grants and even barter trade agreement with donors and friendly nations.

Democracy changed everything in the power sector. The demand for power suddenly started rising while lack of funds, primarily, contributed to lack of supply growth. Besides, at the policy-making level there was a lack of understanding of the importance of the power sector to the economy. Between 1991 and 1996, a couple of power projects, such as the Raozan 210 mw plant, were implemented. But their quality was very poor because of built-in corruption in the deals.

As the first democratic government in two decades, the BNP failed to add adequate new power plants by the time it left power. The country was facing perennial power crisis when the second democratic government of the Awami League came to power in 1996.

However, the BNP government had done some ground-work on reforming the power sector. It framed a 20-year Power Sector Master Plan (PSMP) that would later act as the road-map for the sector's development, and also initiated the process to involve the private sector in power generation and drafted a private power policy.

When the new government came to power in 1996, the power scenario was grim. The government, for the first time, attached high importance to addressing the situation as fast as possible. Given the odds, this political commitment made this government the most successful in the power sector in the history of the country -- though that success is not fully free of controversy.

Because of this commitment the country succeeded in securing private power deals through open international tender, totaling more than 1,100 mw, without a single re-tender or any allegation of bid manipulation.

Of them, agreements on two major projects gave Bangladesh one of the lowest power tariffs in the world. Above all, it has proved that open tender and transparency work. In contrast, the next BNP government failed to lead in the power sector and surrendered to corruption, proving that bid manipulation and opaqueness fail to generate anything for the nation.



AMIRUL RAJIV

Era of Private Power

Phase I (1996-2001)

Faced with a bleak power scenario the government, in late 1996, opted for the comparatively expensive private sector barge-mount plants as a short-term but quick solution. Side by side, it initiated the long-term solution: bigger land-based and cost-effective power plants. The government also came up