with a Private Power Policy that was drafted during the previous government's tenure. The government planned to add a 1,300 mw private power within the next five years.

At the same time, the government was also implementing some public sector power projects under the controversial supplier's credit scheme.

PDB floated the first tender for barge-mount plants in five areas of the country in late 1996, and as many as 39 companies expressed interest.

PDB signed its first deal for a 114 mw plant in Khulna in mid-97. Within a few more months it signed three more deals. These deals would add more than 400 mw power to the national grid within 10 months of the agreement.

The first 114 mw barge-mount power plant, US company Wartsila-led Khulna Power Company Ltd, was commissioned in October 1998 -- several months behind schedule. Two other companies, NEPC and Westmont, commissioned their plants in 1999, many months behind schedule. A fourth barge-mounted deal fell flat.

Barge-mount schemes are not very cost effective as they charge around 5.2 cents per unit of power -- which is much higher than that of the large land-based power plants. This tariff is, again, set on the condition that the barge-mounted plants be given tax-free imported fuel oil (in contrast, PDB run barge-mount plants do not get tax-free fuel oil). The government has also agreed to supply these barge-mount plants with cheap natural gas in the near future. When this supply starts (the government would bear the gas pipeline cost), the power tariff will slip down to 4.6 cents.

Former PDB Chairman Nuruddin M Kamal has explained to the press that the barge-mount projects were delayed because of the government's inexperience in conducting negotiations with private parties, and also the inefficiency of the private companies in ensuring project finance within the agreed schedule.

Success Case Study I:
Meghnaghat 450 mw

The first land-based private power project pursued was the 450 mw Meghnaghat power plant. This project of PDB, pushed by the Asian Development Bank (ADB) with a 10 per cent equity, started moving forward from January 1997 through pre-selection of five competent power companies through open tender.

US company AES was the lowest bidder in the Meghnaghat project as it proposed a "levelized" (or average) 22-year power tariff of 2.79 cents; a price much below PDB's own power generation rate, and one of the lowest rates in the world.

The Meghnaghat project came into operation from October 2002, eight months ahead of schedule.

Success Case Study II:
Haripur 360 mw

While the government assigned the PDB with the Meghnaghat scheme, it assigned the Power Cell to spearhead another major private power scheme -- the Haripur 360 mw plant. The idea behind involving the Power Cell was to create a sense of competition among two government agencies. The idea clicked quite well.

The Power Cell floated the tender for the 360 mw Haripur project in early 1997. Through competitive bidding, US company AES again won the bid by offering a levelized power tariff of 2.72 cents.

The Power Cell dealt with this project without much trouble because there was no issue of free electricity like that of the Meghnaghat scheme. Plus, there was no corruption regarding the land site development.

This Power Purchase Agreement (PPA) and other agreements of this project were signed in late 1998, and the site was inaugurated on May 1999. By May 2001, the Haripur plant started partial power production, and went into full production later that year. This scheme gave the country the cheapest ever power.

Era of Private Power
Phase II (2001-2006)

After the October 2001 elections, the new BNP-led alliance government's policy regarding power sector changed drastically. The government stopped most activities regarding private power, and hardly pursued public sector power projects.

In the next five years, the government repeatedly demonstrated that whatever power project it would pursue would only go to the parties which are either close to the ruling party, or have paid a handsome bribe to a certain young but very powerful politician. As a result, the government failed to deliver in the sector.

The new government came in the context of a good power supply scenario where demand and supply had little gap. The previous government had

How corruption can affect the best deal

While the AES deal was free from any allegation of corruption, the government mishandled Meghnaghat's 100 hectare site development, which is a huge contract of Tk 150 crore.

This contract was awarded to a Chinese company by blatant bid manipulation and re-tendering because the local agent of that company was a ruling party parliamentarian. This favouritism and corruption delivered a badly developed site, much behind schedule. AES, upon inspecting the site, refused to accept the land.

As the ruling party parliamentarian had paid bribes, allegedly, of as much as Tk 20 crore to a section of PDB and power ministry officials and some policy-makers, PDB pressured the AES to accept the land. This feud created such a deadlock that the fate of the project was uncertain for months in 2000.

AES, on the other hand, threatened to suspend construction of its other power project -- the Haripur 360 mw scheme -- and had gained the World Bank's support.

The project was already running 146 days behind schedule when finally the Prime Minister's Office intervened and asked the power ministry to resolve it as a priority issue. PDB ultimately paid a penalty of $4.5 million to AES to undertake remedial works on the land site.

The AES Meghnaghat scheme, itself, stands as a shining example of how sheer political will can present Bangladesh with the best of any deal, while at the same time, through the Tk 150 crore land site development deals, it demonstrates that corruption always affects the nation and fails to deliver the right value.