

INTERVIEW

Buyer's Credit for Bangladesh Chemical Industries Corporation

Supporting Export of Fertilizer Plant-related Facilities by a Japanese Company

Interview with Deputy Director MORIMOTO Soichiro and FUJII Haruna
Division 2, New Energy and Power Finance Department II,
Infrastructure and Environmental Finance Group

Mr. MORIMOTO Ms. FUJII

The Japan Bank for International Cooperation (JBIC) signed in November 2019 a loan agreement for buyer's credit (export finance) with Bangladesh Chemical Industries Corporation (BCIC), a state-run entity of the People's Republic of Bangladesh (Bangladesh). This loan is co-financed with MUFG Bank, Ltd., and the Hongkong and Shanghai Banking Corporation Limited Tokyo Branch, bringing the total co-financing amount to approximately JPY110.3 billion. The co-financed portion is covered by insurance from Nippon Export and Investment Insurance (NEXI). The funds is used for BCIC to purchase from Mitsubishi Heavy Industries, Ltd. (MHI) a complete set of the equipment for the largest fertilizer plant to be built by BCIC.

Large-Scale Fertilizer Plant to Produce Two-Thirds of Total Imports of Fertilizer

Production of crops such as rice and jute is a major industry of Bangladesh, which is rich in water resources from the Ganges River.

Morimoto explained the background of this project as follows: "One of the major industries in Bangladesh is agriculture. However, Bangladesh relies on imports of approximately 1.5 million tons of fertilizer to satisfy its annual demand of 2.5 million tons. In order to increase the self-sufficiency ratio of fertilizer, BCIC announced a plan to demolish the existing aging fertilizer plant situated in the northeastern part of Bangladesh and construct a new fertilizer plant on the same premises. It will be the largest and most advanced facility in the country with a capacity to produce 1 million tons of fertilizer per year. In spring of 2017, JBIC received a request from MHI, which participated in an international bid for this project, to finance it if they were to win the bid."

Fujii, who was in charge of this project, said, "JBIC provided loans for the export of equipment for two small fertilizer plants in Bangladesh in the 1990s, and again in 2016 to the Bangladesh Power Development Board, which built a gas-fired combined cycle power plant. The amount of the loan to BCIC was large compared to previous loans to Bangladesh, and it was the first time for them to borrow from abroad. Due to these factors, the Bangladesh side took time to approve this project, which resulted in a delay in initiating the negotiation process. However, based on the good relationship we've already built with our Bangladesh counterparts, we were able to closely work with them."

Making Significant Progress in Loan Negotiations in a Face-to-Face Meeting

In October 2018, it was announced that MHI won the international bid for the project, based on high evaluations of the fertilizer plant facilities they supplied in the past. Following the announcement of the result of the bid, JBIC started full-scale loan negotiations with BCIC.

Fujii stated, "As this was the first cross-border loan for



BCIC, we started by explaining JBIC's financing scheme. However, we were unable to receive responses to our questions from the Bangladesh side due to their prolonged internal coordination process. To overcome this situation, we visited Dhaka in June

2019 with a co-financer. A face-to-face meeting with the officials and staff members of the government and BCIC enabled us to build mutual trust and clarify all issues, bringing significant progress in the negotiations.

In September 2019, we flew to Dhaka again to finalize the negotiation, and the loan agreement was signed in November."

Fujii added, "Signing the loan agreement was also difficult work. As per the request of the Bangladesh side, which wished to speed up the signing of the loan agreement, we flew to Dhaka on short notice. However, as an official Bangladesh government contract form needs to be used for a loan agreement document, we could not prepare it before we left Japan. Therefore, as soon as we arrived in Bangladesh, we drew up a loan agreement, signed it in the afternoon, had a light business dinner with the participants, then left Dhaka for Tokyo on the same day. It was a very hectic schedule. I felt relieved when the loan agreement was successfully completed."

Morimoto says, "Afterwards, we received a message from the finance minister of Bangladesh expressing his appreciation for financing from JBIC and his expectations for JBIC's continued support for Japanese companies which will invest in Bangladesh for the development of the country."

Expanding Support for Business in "Economic Frontier" Markets

Fujii remarked that she was able to be involved in the whole negotiation process from beginning to end, and that she was pleased to contribute to a very important project for Bangladesh. The construction of the fertilizer plant starts in 2020 and will be completed in 2023. The plant is expected to significantly increase domestic production (self-sufficiency) of ammonia and urea fertilizers, which are important for the agricultural sector in Bangladesh.

Morimoto expressed his aspiration, saying "In recent years, Bangladesh has achieved economic growth, with real GDP growth exceeding 7%. Many Japanese companies focus on Bangladesh as an overseas investment destination, and JBIC also recognizes the country as an "economic frontier" market. Under such circumstances, a loan of JPY110 billion to Bangladesh has great significance. Based on this experience, we wish to continue supporting the export and overseas business expansion by Japanese companies into other economic frontier markets, by utilizing our various financial instruments and services."