

Lighting up the land of Bangladesh

Bangladesh is known as a "land of rivers". Here, the interlaced waterways of all sizes resemble the blood vessels of the earth, invigorating this ancient land. However, despite the abundance of water resources, Bangladesh has been plagued with a severe shortage of electricity.

By April 2018, with a land size of about 147,570 square kilometers, Bangladesh was ranked as the eighth populous country in the world¹. However, the country is experiencing a shortage of electricity that has constrained the development of the local economy.

To alleviate the shortage of electricity, Bangladesh's North-West Power Generation Company Limited (NWPGL) and China National Machinery Import & Export Corporation (CMC)



The exterior of the site of the Sirajganj project

cooperated to build three combined cycle power plants (CCPP) at Sirajganj in northern Bangladesh in three phases. In 2010, 2014 and 2015, NWPGL signed EPC (Engineering, Procurement and Construction) contracts with CMC, purchased three Siemens SGT-2000E gas turbines with generators, and also signed long-term service agreements for the equipments.

The phase II was put into operation in February 2018. By May 2018, the phase III was still under construction. These projects will help alleviate the shortage of electricity in Bangladesh, bringing light to more areas of this vast land.

In Sirajganj III, Siemens, CMC, NWPGL and other related organizations conducted an in-depth analysis of the export composition of the project and jointly designed a co-financing plan. Working as the Mandated Lead Arrangers of

¹ Bangladesh National Portal. Know Bangladesh: <https://bangladesh.gov.bd/site/page/812d94a8-0376-4579-a8f1-a1f66fa5df5d/Know--Bangladesh>

the project, Siemens Financial Services (SFS), through its in-house bank, Siemens Bank, and Standard Chartered Bank collaborated with NWPGL and CMC to help the project benefit from a multi-sourcing financing structure composed of the coverage from China Export & Credit Insurance Corporation (SINOSURE), the German export credit agency (ECA) Euler Hermes and the Multilateral Investment Guarantee Agency (MIGA), which is a member of the World Bank Group. In the project, SINOSURE and Euler Hermes provided coverage for the Chinese and German exports respectively while MIGA covered the rest of the project loan that couldn't be covered under the ECA tranches. Under such insurance arrangement, Chinese and foreign banks including Siemens Bank jointly provided loans to the project and achieved financial close, allowing CMC to proceed with the project.

This was also the first time for SFS to undertake financing with the coverage from SINOSURE. "This type of transaction is the very first of its kind for Siemens," said Anton Conradie, Head of Debt of Energy Finance Asia Australia at Siemens Financial Services. "Therefore, for future EPC projects, with Siemens' participation, it will now be possible for us to provide financing options to the end customer and Chinese EPCs through our cooperation with SINOSURE."

Sharing risks to sustain the capital "lifeline" of the project

In an overseas EPC project, products could be described as the skeleton of a body and funds provide the life blood. Only when a continuous supply of "blood" is guaranteed can the project be brought to life.

In recent years, with the development of the Belt and Road Initiative and that of relevant markets, more and more overseas project owners are requiring EPC companies to bring capitals to projects. Therefore, sustaining a complete and reliable capital chain for projects with partners has become a new challenge facing Chinese companies. Moreover, it's not enough just to have funds in place: in an overseas EPC project, the exports of all products, services and technologies need to be covered by ECAs to help the suppliers or lending banks deal with the political and environmental risks in the owner's country.

In Bangladesh, many large infrastructure projects need to be supported by offshore funds as the domestic banking system is not yet robust enough. Although this ancient country has a magnificent natural environment, its investment environment remains challenging. Therefore, with the help of ECAs, international banks can help with the funding of large infrastructure projects by

offering long-term financing.

Sirajganj III involves Chinese and German exports, as well as local supplies. To help the Chinese partners better manage risks in the project, Siemens leveraged its global network and actively coordinated with German ECA Euler Hermes. This ultimately helped the project receive coverage from Euler Hermes, allowing risk sharing between the Chinese and German partners. This practice also echoes the *Guiding Principles on Financing the Development of the Belt and Road*, which advocates that policy financial institutions and export credit agencies of countries involved shall “strengthen coordination and cooperation, and play their role in financing promotion and risk-sharing through various means such as loans, guaranty, equity investment, co-financing, etc².”

To further support the financing of the project, SFS also needed to get approval for coverage by SINOSURE in addition to that by Euler Hermes. This was a considerable challenge for SFS as it had not been done before.

Working together to “break the ice”

"A tight schedule and a heavy task" is a good summary of what Siemens was faced with at that time.

As Bangladesh remains in urgent need of alleviating the local shortage of electricity, NWPGL hoped to reach the financial close in the shortest possible time and requested that the 12- to 18-month timeline needed for arranging such project financing be shortened to less than 9 months. However, SFS first had to obtain the consent of the coverage from SINOSURE. This meant that SFS needed to “break the ice” and gain approval from SINOSURE in an extremely short time.

To facilitate the approval, Siemens’ energy financing experts in Singapore and financial advisory experts in China worked closely together with personnel of Standard Chartered Bank in Bangladesh and China. Through many calls, visits and negotiations, SFS demonstrated its credentials as an experienced and reputable lender in the market to SINOSURE, and was finally able to obtain approval from the Chinese ECA within a short time. This enabled SFS’ first

² Guiding Principles on Financing the Development of the Belt and Road:
<https://eng.yidaiyilu.gov.cn/zchj/qwfb/13757.htm>

financing for an overseas EPC project under the coverage of SINOSURE.

For this "ice breaking", Conradie said, "Close and constructive communication is very important and Siemens China colleagues played a key role in the dialogue with SINOSURE."

Establishing the cooperation with SINOSURE is of great significance to Siemens and Chinese EPC companies. It means that in future EPC projects, China's exports may also receive financing supports from Siemens under the coverage of SINOSURE. This will provide more possibilities to the project financing of Chinese EPC companies and ultimately help them go further in the global market.

Sirajganj III is the third project in Bangladesh supported by Siemens' capital. It also allows for further cooperation with SINOSURE and more possibilities for Siemens.

As the Belt and Road Initiative creates more opportunities overseas for Chinese companies, with complete and comprehensive financial solutions, Siemens will continue to join hands with Chinese companies to sustain the capital "lifeline" of the Silk Road and invigorate vast lands beyond borders.