



USAID Contract #388-C-00-06-00008-00

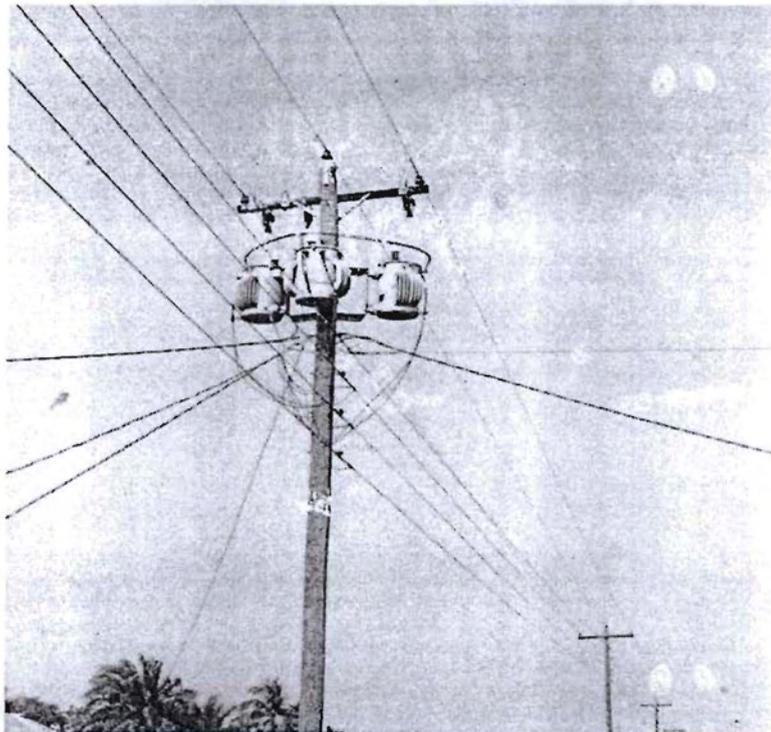
USAID Project #388-06-MA-D-S012-002

Rural Electrification Development Program (REDP)

Quarterly Report

October – December 2006

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**REDP REPORT
OCTOBER - DECEMBER 2006**



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ABBREVIATIONS

BPDB	Bangladesh power development board
BSTI	Bangladesh Standards and Testing Institute.
CAP	Country assistance plan (DFID)
CFR	Carriage and Freight (Incoterm)
CIF	Carriage Insurance and Freight (Incoterm)
CPT	Carriage Paid To (Incoterm)
DFID	Department for International Development
GBP	Pound (Sterling)
GOB	Government of Bangladesh
GOB PPR	Government of Bangladesh Public Procurement Regulations
IPP	Independent power producer
MDG	Millennium development goals
MIS	Management information system
MOF	Ministry of finance
MPENR	Ministry of power, energy and mineral resources
MW	Megawatt (1000 kW)
NGO	Non-governmental organisation
NRECA	National rural electrification cooperative association
PBS	Palli bidyut samabay samity (Rural Electricity Cooperative)
PDB	Power Development Board
PKSF	Palli kama sahayak foundation
PPR	Public Procurement Regulations
REB	Rural electrification board
REDP	Rural Electrification Development Program
SPG	Small power generation
TOR	Terms of Reference.
USD	United States Dollar
USAID	United States Agency for International Development

SUMMARY

During the period October through December 2006, REDP project work generally progressed according to schedule despite disruptions caused by the machinations of Bangladesh politics during the election process.

As in previous quarters principal effort throughout this quarter was directed towards expediting the first tranche of REDP materials procurement.

Following two successful bid opening proceedings on 16 and 18 October 2006, the materials first tranche procurement exercise culminated in December 2006 with completion of bid evaluations by REB and NRECA concurrence for award of 13 procurement contracts.

Bid evaluations and recommendations for award of contract were conducted by REB. NRECA undertook separate bid evaluations and acted only as observers at REB tender evaluation committee meetings.

REB tender evaluation committee recommendations for contracting the remaining 22 sub lots were not afforded NRECA concurrence at the end of this quarter. Reasons for non provision of NRECA concurrence are indicated in Section 3 of this report.

Estimated potential contract value for the first tranche of REDP materials procurement is USD 28.5 million.

Member Awareness Education and Board Development program continued during this period with some field visits to PBS to enable interviews with directors, staff and members. Throughout this quarter civil unrest in the country precluded effecting the scheduled number of field visits. Curriculum development commenced utilizing information gathered during the field visits.

Principal achievements during the period were:

- Materials procurement bid opening proceedings completed on 16 and 18 October 2006.
- REB effected bid evaluations for tranche 1 of materials procurement.
- NRECA effected separate bid evaluations for tranche 1 of materials procurement.
- NRECA review of REB Technical Evaluation Committee recommendations.
- NRECA concurrence with 13 recommendations of REB Technical Evaluation Committee.
- Scheduling of second tranche materials procurement for 9 PBS.
- NRECA field visit to REB Chittagong warehouse.
- NRECA field visit to Cox's Bazaar PBS.
- Continuation of field visits to PBS for Member Awareness Education and Board Development training.
- Curriculum development for Member Awareness Education and Board Development training.
- Local consultant contracted to manage the proposed Socio-economic impact study.
- Completion of TOR for Consulting Services to Design and Implement a Socio-economic Impact Study of the Rural Electrification Development Program (REDP).

Following the NRECA development of the TOR for the proposed Socio-economic impact study, secondary consideration was given during this quarter October through December 2006 for selecting a local consulting company to effect the Socio economic survey. NRECA anticipate solicitation of

proposals from local consulting companies during the period January through March 2007. Selection and contracting of a local consulting company will follow evaluation of proposals.

REDP tranche 1 materials delivery is considered unlikely before August 2007 and start of construction work improbable before early 2008, consequently minimal work was completed during this period on materials usage monitoring.

SECTION 1: INTRODUCTION

1.1 Background to the Rural Electrification Development Program (REDP).

* "The overall programme cost is £161 million. The GOB will contribute £122 million through the Annual Development Programme (ADP), and DFID will contribute £38 million for investment components to REB through the Ministry of Finance. The remaining DFID funds will be used for microfinance (£10 million), management, supervision and monitoring (£1 million), and education and awareness building (£1 million). Disbursement procedures accord with existing rules to fund GOB agencies, donors and NGOs. The full cost of operation, maintenance and asset replacement will be met through user charges.

REDP represents a five-year DFID commitment of up to £50 million to increase the provision of electricity in rural and peri-urban areas of Bangladesh. This will be achieved through a package of financial support for electricity network expansion and intensification within the Second Rural Electrification Master Plan (2000-2020). The program will provide 1.35 million new electricity connections to households and rural businesses, directly benefiting up to 10 million people. A microfinance component is included to enable poorer households and small businesses to cover the connection charge and develop new income earning opportunities. If successful, the program will supply electricity to up to 20% of the unconnected rural population.

DFID will support three investment components of the REB Master Plan. This will involve a mixture of grid expansion (sub-transmission, mainly 33 kV electrical lines), which is expensive but essential, and intensification, which is less costly, but connects large numbers of customers to existing infrastructure. DFID will pay for the foreign exchange elements, which are heavier in main grid expansion than intensification work; the Government will pay for local costs. These components are the main immediate priorities of REB for investment. While DFID is seeking to enhance the poverty impact of the programme, our approach is to support the overall REB Master Plan, not 'cherry-pick' specific sub projects.

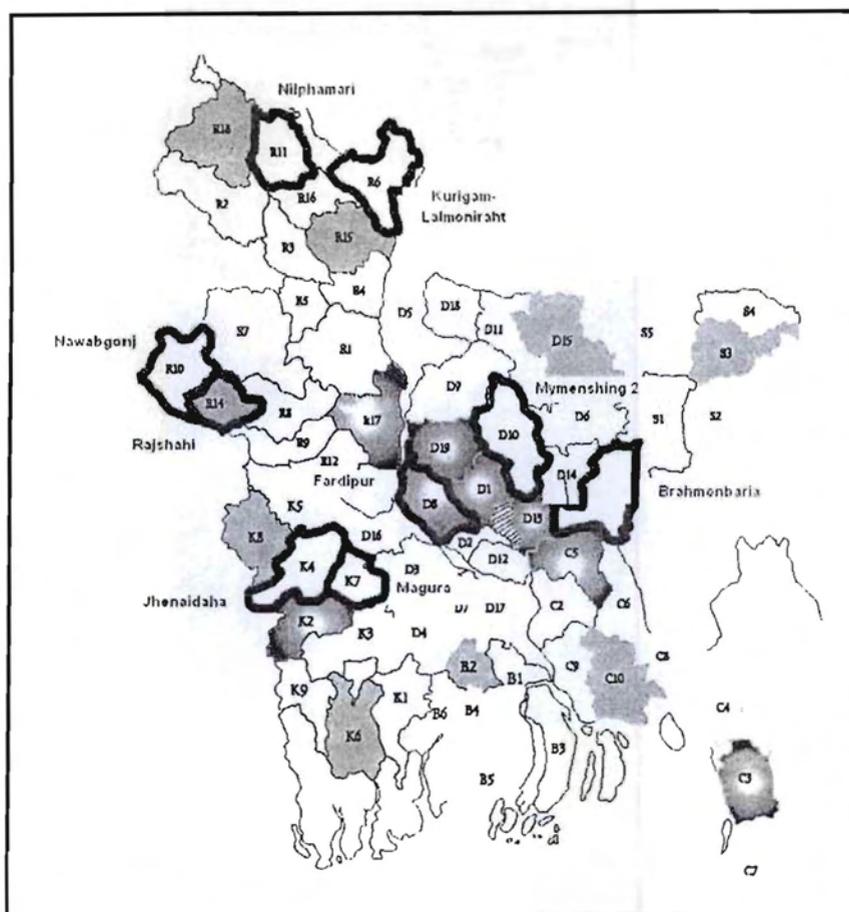
First, a major expansion of the main distribution infrastructure backbone in 9 PBS will be supported. The total investment cost of this component is £27 million, with which 8,000 km of new line will be constructed and 2,000 km renovated. These PBS were established by the REB in the mid to late 1990s and have received little additional investment since that time. They are all located in more remote, poor areas of Bangladesh. DFID support will enable additional villages to be connected to the rural grid, together with an increase in the number of connections (intensification) through the construction of new spur lines from the existing backbone within these nine PBS. The cost of intensification is relatively modest, and will enable 250,000 poor households and a large number of enterprises located near the backbone grid to be connected. This component will account for approximately 71% of the project's total investment package.

Second, DFID will support intensification in 56 existing PBS, at the cost of £8 million. This will involve the construction of one and two pole lines from existing lines, linking households and enterprises located near the backbone grid. It will connect 1,000,000 new consumers with a relatively low investment. This component will account for approximately 21% of the project's total investment package.

Third, the investment package will provide some support to the expansion of the main backbone infrastructure and intensification in 67 PBS. DFID will be funding only the poorer PBS with lower revenue generation potential. The investment cost of this component is £3 million. This component will connect 100,000 households and a number of businesses in more remote locations. This component will account for approximately 8% of the project's total investment package".

* *Extract from DFID REDP Project Memorandum, dated 11 December 2005.*

1.2 9 PBS Receiving Principal Support from REDP



Name of PBS	Name of Thana	Name of District	Area (Sq.Km.)	No. of Villages	Population	Name of PBS	Name of Thana	Name of District	Area (Sq.Km.)	No. of Villages	Population
Rajshahi	Boalia	Rajshahi	96.68	-	294,056	Nawabgonj	Bholahat	Nawabgonj	123.52	91	70,507
	Durgapur	Rajshahi	195.03	122	137,640		Gomastapur	Nawabgonj	318.13	235	191,972
	Godagari	Rajshahi	472.13	396	217,811		Nachole	Nawabgonj	283.68	190	97,119
	Mohanpur	Rajshahi	162.65	154	176,396		Nawabgonj	Nawabgonj	451.80	192	389,524
	Paba	Rajshahi	280.42	261	213,379		Shibgonj	Nawabgonj	525.43	367	422,347
	Tanore	Rajshahi	295.39	207	138,015		Bhaluka	Mymensingh	444.05	102	264,991
Brahmanbaria	Akhaura	Brahmanbaria	99.28	125	112,982	Mymensingh-2	Gafargaon	Mymensingh	401.16	218	379,803
	Banchharampur	Brahmanbaria	217.38	118	258,371		Trishal	Mymensingh	338.98	160	336,797
	Brahmanbaria	Brahmanbaria	495.85	398	659,449		Sreepur	Gazipur	465.24	186	320,530
	Kashba	Brahmanbaria	209.76	236	243,833		Magura	Magura	406.50	252	286,925
	Nabinagar	Brahmanbaria	353.66	198	378,539	Magura	Mohammadpur	Magura	234.29	182	160,340
	Nasirnagar	Brahmanbaria	311.66	129	234,090		Shalikha	Magura	228.64	118	132,291
	Sharail	Brahmanbaria	239.52	146	254,481		Sreepur	Magura	179.18	160	144,471
Jhenaidah	Harinakunda	Jhenaidah	227.19	129	162,078	Faridpur	Alfadanga	Faridpur	136.00	118	80,873
	Jhenaidah	Jhenaidah	467.75	283	333,192		Bhanga	Faridpur	216.34	227	214,702
	Kailgonj	Jhenaidah	310.16	196	219,126		Boalmari	Faridpur	272.34	255	190,159
	Kotchandpur	Jhenaidah	165.66	79	107,193		Char Bhadrasan	Faridpur	141.59	129	89,876
	Maheshpur	Jhenaidah	416.96	194	246,350		Faridpur	Faridpur	407.02	298	335,386
	Shaikupa	Jhenaidah	373.42	258	293,341		Madhukhali	Faridpur	230.20	238	165,438
Kurigram	Bhurungamari	Kurigram	236.00	124	176,822	Nilphamari	Nagarkanda	Faridpur	379.02	335	267,193
	Chilmari	Kurigram	224.97	152	100,516		Sadarpur	Faridpur	290.21	287	172,059
	Fulbari	Kurigram	163.63	165	129,668		Dimla	Nilphamari	327.00	58	160,000
	Kurigram	Kurigram	276.45	256	217,311		Domar	Nilphamari	251.00	47	152,000
	Nageshwari	Kurigram	415.30	367	279,775		Jaldhaka	Nilphamari	326.00	77	198,000
	Rajhat	Kurigram	166.23	180	158,648		Kishoreganj	Nilphamari	265.00	130	202,000
Ulipur	Kurigram	504.19	418	345,205	Nilphamari	Nilphamari	351.00	107	242,000		
Total Area (Square km)			15,371		Total Population			11,696,670			

1.3 Scope of Services

NRECA have been contracted through USAID to provide project technical oversight, monitoring and impact assessment of REDP. An education program for members of Cooperatives also forms part of the scope of services.

Principal elements of the NRECA scope, over a five year timescale, are:-

- Review and monitoring of REB procurement process for DFID funded REDP materials.
- Review and monitoring of REDP project materials selection.
- Review and monitoring of REB DFID funded materials bid evaluation and subsequent contract placement.
- Monitoring usage of materials funded by DFID for REDP.
- Effect a socio economic survey to establish benefits of REDP.
- Effect an education program for new PBS members and elected Directors to improve Cooperative participation and accountability.

1.4 Objectives

Primary objectives of the NRECA input to the project are:

- To verify materials selection by REB is consistent with REDP requirements.
- To assist REB with materials procurement process and to verify or otherwise compliance with GOB Public Procurement Policy 2003.
- Reporting on REB compliance with REDP and GOB requirements.
- To monitor and substantiate usage of REDP materials is in accordance with REB masterplan and REDP investment requirements.
- Regularly reporting on progress of REDP.
- Establish baseline socio economic data for REDP areas.
- Effect socio economic surveys within REDP areas midway and on completion of REDP.
- Provide socio economic reporting on influence of REDP.
- Establish and effect an education training program for new PBS members and directors.
- Reporting on membership education and training program.

1.5 Project Team

As of end December 2006 the NRECA project team in Bangladesh for REDP comprised:

<u>Person</u>	<u>REDP Duties</u>
Jim Ford	NRECA Country Representative
John Cook (Completed assignment on 14 December 2006)	Project Engineer
Maruf Hasan Bhuiyan	Utility Engineering Specialist
Narayan Chandra Saha	Education and Training Specialist
Brigadier (rtd) M A Malek	Local Management Specialist
Tawheed Reza Noor	Local Socio Economic Consultant

SECTION 2: KEY ISSUES.

2.1 Background

As indicated in all previous quarterly reports, shortage of power, particularly at peak demand periods, continues to result in significant load shedding and consequent difficulties for all PBS.

A steep increase in prices after 2005 for commodities such as copper, aluminum and steel appeared not to have had the anticipated deleterious influence on REDP distribution material prices. Consequently most winning bid prices were below the REB estimate for this REDP first tranche of procurement.

Bid evaluations for 31 sub lots were undertaken separately by REB and NRECA. In only 13 cases were the evaluation conclusions in accord. The remaining 18 sub lot evaluation conclusions differed in opinion. Differences in opinion were major in 8 evaluations, the remainder having marginally less significant differences.

These key issues are discussed in greater detail below and also in Section 3.

2.2 Power Shortage

As indicated in previous quarterly reports shortage of power dominates operation of all PBS and continues to exacerbate public discontent with REB.

With no new major power generator connections probable for at least three years the present situation is likely to deteriorate significantly.

During this quarter October – December 2006 power demand appears to have eased slightly. Monsoon rains and cooler weather reducing demand for irrigation pumping in rural areas with reduced air conditioning demand in the urban areas. Power available at peak times seems to have been provided to Dhaka and urban areas rather than dispatched to PBS areas.

In the 9 PBS where load data is available even with a reduced demand load shedding continued unabated.

On visits to Chittagong PBS and Cox's Bazaar PBS over two consecutive days in December NRECA staff noted continuous load shedding at each location between 1700 and 2100 hrs.

As can be seen from illustrations 2.2.1 and 2.2.2 on the next page, nearly all of the 9 REDP PBS receive significantly less than half the power demanded at the peak hour of 1930.

Adding more distribution system will aggravate the power deficit situation in addition to further reducing any financial viability PBS may have.

Illustration 2.2.1

Shows 1930 Hrs demand and supply for 9 PBS on 30 November 2006.

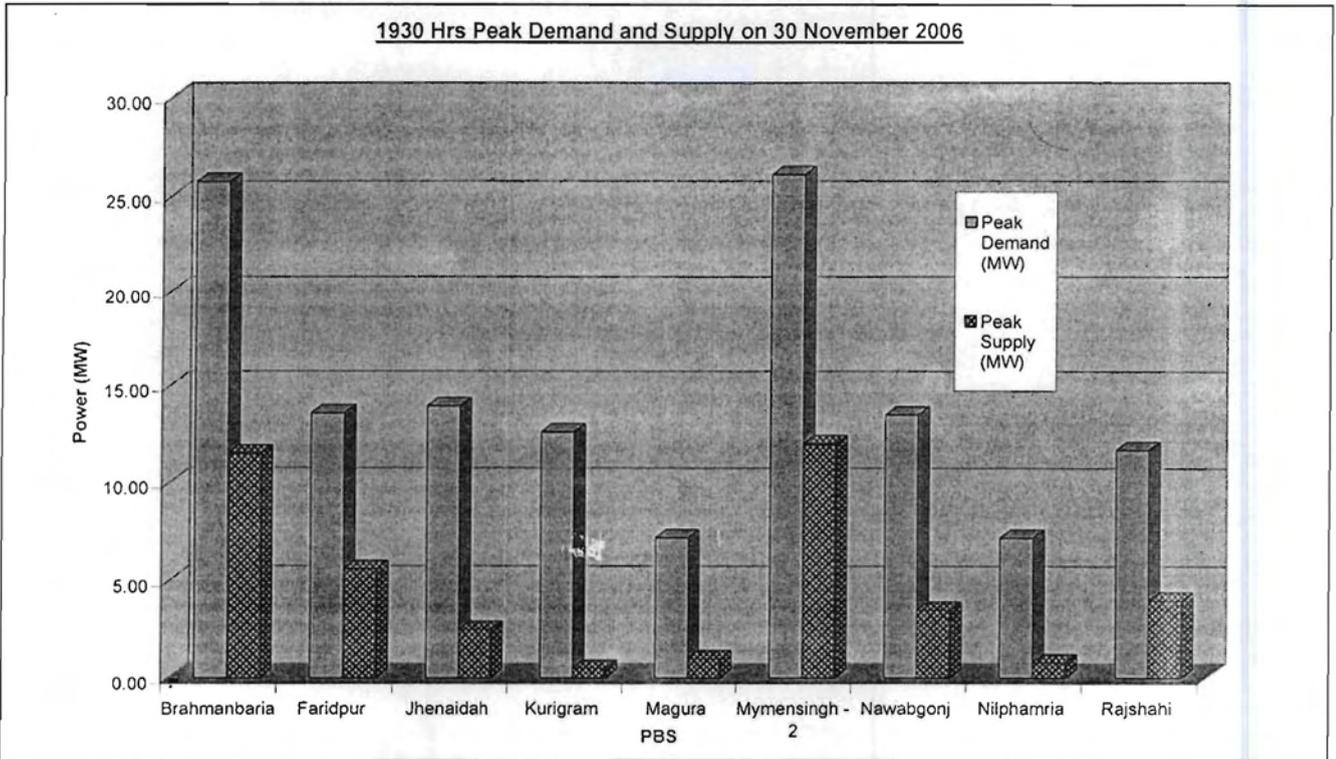
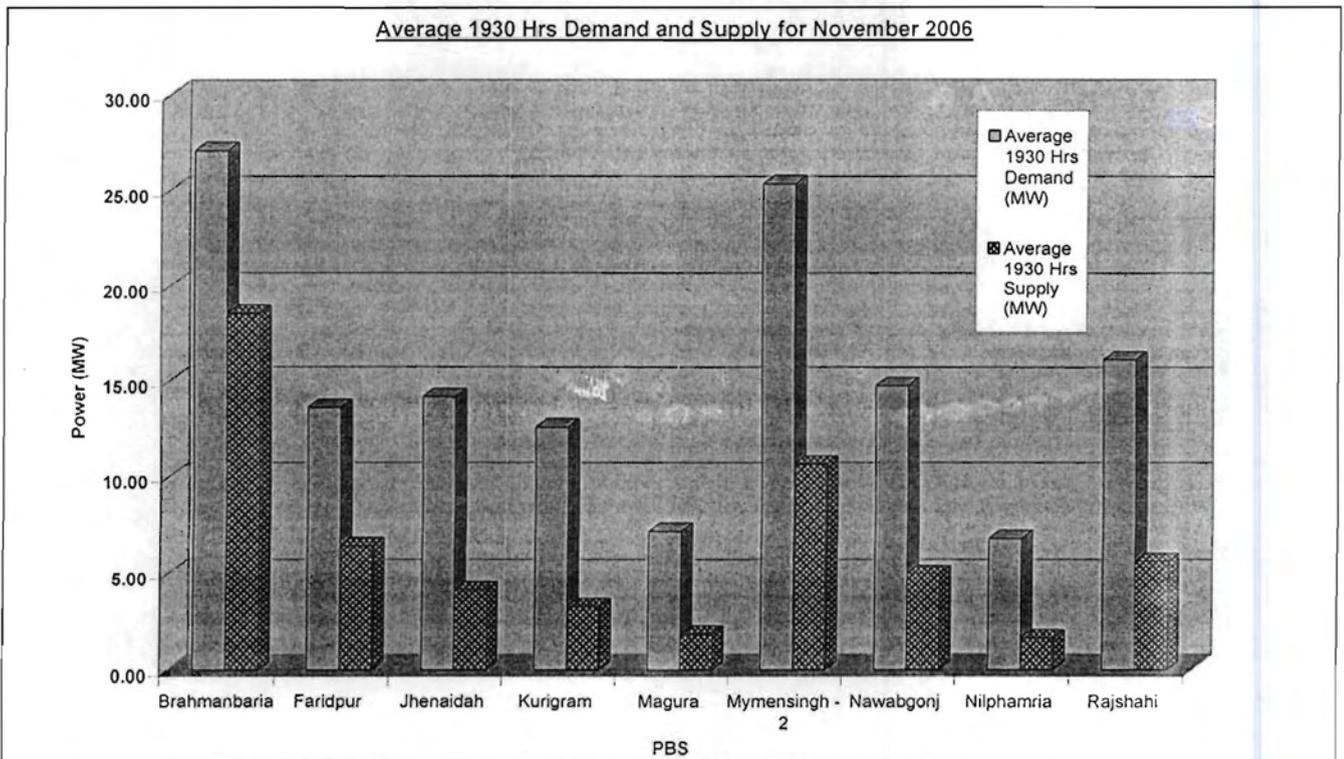


Illustration 2.2.2

Shows 1930 Hrs average demand and supply for month of November 2006.



2.3 Commodity Prices

As indicated in the previous quarter report, REB originally calculated required REDP funded material quantities on the basis of prices from early in 2005.

Increased commodity prices were expected to significantly increase the prices of REDP materials but this has not transpired.

Forecasts now indicate commodity prices reducing during 2007. Should the forecasts prove to be correct sufficient funding will be available to procure the intended quantities of materials for REDP.

2.4 Bid Evaluations

Although not explicit in the agreement between DFID and GOB for NRECA to provide formal approvals of REB bid evaluation results, REB are not prepared to place contracts with suppliers until NRECA provide no objection to selection of each winning bidder.

Clearly NRECA have not provided concurrence for REB to place contracts when evaluation opinions differ.

Discussions, factory inspections and agreement with NRECA on the evaluation results will extend the time required for REB to place contracts for supply of all materials.

The opinion differences are elucidated in Section 3.

SECTION 3: MATERIALS PROCUREMENT.

3.1 Background

DFID through GOB are providing a total of GBP38 Million (USD 76 million converted at GBP1 = USD 2.00) for the procurement of materials as indicated in the introduction to this report.

Previous quarterly reports indicated the methodology adopted to try and enhance the competitiveness of the international bidding process for REDP materials. In addition core monitoring subjects for the procurement were established and agreed with REB. These core monitoring subject details were described in the quarterly report for July through September 2006.

Materials procurement bid documents were purchased by 63 potential bidders. Bids were submitted on 16 and 18 October 2006 by a total of 47 companies or agents.

The materials procurement process has significant detailed content. Description and analysis of the procurement process details is contained in a December 12 2006 Interim Report on Materials Procurement and Bid Evaluation Process.

This quarterly report indicates only the fundamental process facets for the first tranche of materials procurement.

Second tranche of materials procurement has been scheduled to commence during February 2007. However, given the extended timescale for finalizing details of the first tranche and failure of REB and NRECA to agree on some evaluation fundamentals, commencement of the second tranche procurement will be deferred. With the second tranche of procurement an opportunity will be taken by NRECA to reinforce the positive aspects of the first tranche procurement, eliminate remaining anomalous bid conditions and to try and improve competition.

3.2 Bid Conditions and Compliance with Core Monitoring Requirements

In general the materials procurement bid conditions complied with GOB PPR and bids were submitted in accordance with good international practice.

Core monitoring subjects were in the main addressed by REB.

The REB evaluation process raised a number of issues about a potential awards of contract. In particular REB decisions for potential awarding of contracts to certain pole, transformer and meter suppliers was considered contentious by NRECA. These issues remain under discussion at the end of December 2006.

3.3 Bid Submissions

Much of the earlier work by NRECA for the materials procurement process concentrated on encouraging REB to solicit competitive bids from international and domestic companies.

Various measures were adopted to enhance the appeal of the solicitations to international bidders. These measures were comprehensively described in previous quarterly reports and also in the December 12, 2006 Interim Report on Materials Procurement and Bid Evaluation Process.

No bids were received for 4 sub packages, DFID (67PBS)-006 traditional wire and lead meter seals, DFID (9PBS) 09-033 4 Wheel Drive Vehicle, DFID (9PBS) 09-034 Pick Up Cab Vehicles and DFID (9PBS) 09-035 Motorcycles.

Bids were received from manufacturers or agents in 12 countries including Bangladesh. Bidders and country of nationality shown in Table 3.1 below.

Table 3.3.1
Indicates nationality of participating bidders

<u>Country</u>	<u>Bidding Companies or Agents</u>
Australia	1
Bangladesh	21
Brazil	1
China	9
France	1
Singapore	1
South Korea	1
Spain	1
Sri Lanka	1
Thailand	1
Turkey	2
USA	7
Total Number of Bidding Companies or Agents	47

Bidders from Bangladesh and China made up 64% of total participation in the procurement process.

Table 3.3.2
Indicates the companies participating and the materials offered.

<u>Companies Bidding</u>	<u>Bidders Name</u>	<u>Country</u>	<u>Material Type</u>
1	Nu Lec	Australia	Reclosers
2	B&T Cables Ltd	Bangladesh	Service Conductor and Line Conductor
3	BRB Cable Industries Ltd	Bangladesh	Service Conductor, Substation Conductor, Line Conductor
4	Castle Construction Company	Bangladesh	Poles
5	Contech Construction	Bangladesh	Poles
6	Creative Electrical	Bangladesh	Single Phase Meters
7	Dada Engineering	Bangladesh	Poles
8	Diran Enterprise	Bangladesh	Anchor Logs and Cross Arms
9	Electro Venture Ltd	Bangladesh	Transformers

Table 3.3.2 (Continued)

<u>Companies Bidding</u>	<u>Bidders Name</u>	<u>Country</u>	<u>Material Type</u>
10	Energypac	Bangladesh	Power Transformers
11	Gemcon Ltd	Bangladesh	Poles
12	Index Trading	Bangladesh	Guy and Grounding Wire
13	Pathar Ltd	Bangladesh	Poles
14	SBS Cables Ltd	Bangladesh	Service Conductor and Line Conductor
15	Southern Engineers	Bangladesh	Capacitor Banks
16	SQ Trading	Bangladesh	Street Lights
17	SQ Wire and Cable Company	Bangladesh	Service Conductor and Line Conductor
18	Techno Electrical	Bangladesh	Single Phase Meters, Fuse Cut Outs and Lightning Arresters
19	Techno Venture	Bangladesh	Transformers
20	TPT Cable Ltd	Bangladesh	Line Conductor
21	Trade East West	Bangladesh	Single Phase Meters, Three Phase Meters, Accessories for Conductors and Guys, Fuse Links, Meter Seals, Connectors, Street Lights
22	Transcontinental IMX	Bangladesh	Fuse Cut Outs and Lightning Arresters
23	Toshiba	Brazil	Reclosers
24	Eaglerise Electric and Electronic	China	Transformers
25	Huay Electric	China	Meter Seals
26	Juah Kuang	China	Street Lights
27	Ningbo Tiann	China	Power Transformers
28	Shanghai Trisun	China	Street Lights
29	Shenyang Shining	China	Meter Seals
30	Universal Trading	China	Line Tools
31	Zhejiang People High Voltage Ceramics	China	Fuse Cut Outs
32	Zhejiang Zhiyue	China	Single Phase Meters

Table 3.3.2 (Continued)

<u>Companies Bidding</u>	<u>Bidders Name</u>	<u>Country</u>	<u>Material Type</u>
33	Trefileurope	France	Guy Wire
34	Jascom Enterprise (Singapore)	Singapore	Single Phase and 3 Phase Meters
35	Entac	South Korea	Reclosers
36	Orbis technologies	Spain	Single Phase Meters
37	ACL Cables Ltd (Sri Lanka)	Sri Lanka	Service Conductor
38	Bangkok Cable Company	Thailand	Service Conductor
39	Cepken Dis Tiscaret	Turkey	CT's and VT's
40	Esit Elektrik	Turkey	CT's and VT's
41	ACE Energy Systems	USA	Connectors
42	Cooper	USA	Reclosers and Fuse Cut Outs
43	Elster Electricity	USA	Meters
44	Itron Inc	USA	3 Phase Meters
45	Preformed Line Products	USA	Accessories for Conductors and Guys
46	Siemens	USA	Voltage Regulators
47	Tyco Electronics	USA	Accessories for Conductors and Guys

As discussed in the December 12 2006 Interim Report on Materials Procurement and Bid Evaluation Process, the quantity of international bids was disappointingly low.

3.4 REDP Bid Evaluation Procedures

REB were entirely responsible for effecting an official evaluation of the bids. Evaluations by REB were completed in accordance with GOB PPR requirements. NRECA also undertook bid evaluations separately from REB. A separate bid evaluation by NRECA enabled substantiation or otherwise of the REB evaluation.

Evaluations by REB and NRECA were cognizant of the following:

- Determination of Commercial Responsiveness.
- Determination of Financial Responsiveness.
- Determination of Technical Responsiveness.
- Financial adjustments to bid evaluation prices where applicable for late delivery, capitalized cost of transformer losses and qualifying local preference.

- Detailed evaluation of pre-selected bids.
- Other adjustments as appropriate.
- Preparation of bid evaluation report for Tender Evaluation Committee and recommendations for contract award.

GOB PPR require an evaluation committee to be constituted for reviewing the results of each REB department evaluation. The REB Evaluation Committee was responsible for making recommendations to the REB chairman, RE Board or GOB Ministry for placing contracts.

Contracts with values of up to 120 million Taka, (approximately USD 1.71 million) are within REB financial authorization limits and are approved by the board of REB.

GOB Ministry approval is required for contracts with values exceeding the REB financial authorization limits.

NRECA attended the REB Tender Evaluation Committee (TEC) meetings as observers. As observers NRECA were intentionally not party to decisions made by the REB (TEC).

Not being party to REB TEC decisions ensured NRECA, and by association DFID, avoided providing any approval or disapproval for placing contracts.

At the REB TEC meetings NRECA were able to determine the reasoning for each of the REB evaluation recommendations for award of contract.

In accordance with NRECA role in the procurement exercise, NRECA evaluation results and REB TEC recommendations were compared.

Where a REB TEC evaluation recommendation was in accord with the NRECA evaluation, no objection was made by NRECA for REB to continue with contract award. Generally evaluation conclusions were in accord when the lowest price commercially acceptable bid was selected for award of contract. However for a number of bid packages a consensus in the evaluation conclusions was not always forthcoming, for various reasons. These reasons are elucidated in Section 3.5.

REB were informed by letter about recommendations for award of contract where NRECA had no objection.

Similarly, REB were also informed in writing about REB contract award recommendations where NRECA evaluation conclusions differed. NRECA also provided REB with the reasons for the opinion differences.

A total of 13 REB TEC recommendations for award of contract concurred with NRECA evaluation conclusions at the end of this quarter October through December 2006.

3.5 REDP Evaluation Results

Table 3.5.1
Indicates evaluations agreed by REB and NRECA.

<u>Sub Package</u>	<u>Principal Items</u>	<u>Bidder Selected Following REB Evaluation</u>	<u>Status of Bid</u>	<u>Announced Price</u>	<u>Evaluated price</u>	<u>NRECA Observation</u>
(67PBS)-001	Service Conductor	SBS Cables Ltd	Lowest Price.	USD 1,859,400	USD 1,859,400	No objection to REB placing contract.
(67PBS)-002	Sub Station Conductor	BRB Cable Industries Ltd	Lowest Price.	USD 80,615	USD 80,615	No objection to REB placing contract.
(67PBS)-003	Fuse Cut Outs	Zhejiang People High Voltage Ceramics	Lowest Price.	USD 309,060	USD 309,060	No objection to REB placing contract.
(67PBS)-005	Three Phase Meters	Trade East West	Lowest Price	USD 984,000	USD 984,000	No objection to REB placing contract.
(09PBS)-008	Overhead Line Conductor	SBS Cables Ltd	Lowest Price	USD 1,469,000	USD 1,469,000	No objection to REB placing contract.
(09PBS)-009	SPC Poles	Contech Construction	Lowest Price.	USD 2,263,400	USD 2,263,400	No objection to REB placing contract.
(09PBS)-013	Conductor	SBS Cables Ltd	Lowest Price.	USD 2,502,600	USD 2,502,600	No objection to REB placing contract.
(09PBS)-014	Accessories for Conductor and Guy Wire	Trade East West	Lowest Price.	USD 831,390	USD 831,390	No objection to REB placing contract.
(09PBS)-016	Fuse Cut Outs and Lightning Arresters	Transcontinental	Lowest Price	USD 827,750	USD 827,750	No objection to REB placing contract.

Table 3.5.1 (Continued)

<u>Sub Package</u>	<u>Principal Items</u>	<u>Bidder Selected Following REB Evaluation</u>	<u>Status of Bid</u>	<u>Announced Price</u>	<u>Evaluated price</u>	<u>NRECA Observation</u>
(09PBS)-019	Single Phase Meters	Techno Venture Ltd	Lowest Price	USD 675,000	USD 675,000	No objection to REB placing contract.
(09PBS)-020	Three Phase Meters	Trade East West	Lowest Price	USD 1,153,250	USD 1,153,250	No objection to REB placing contract.
(09PBS)-024	Anchor Logs and Cross Arms	Diram	Lowest Price	USD 1,120,000	USD 1,120,000	No objection to REB placing contract.
(09PBS)-031	Voltage Regulators	Siemens	Lowest Price	USD 1,203,671	USD 1,203,671	No objection to REB placing contract.

Table 3.5.2

Indicates evaluations NOT agreed where NRECA have some concerns about the REB recommendations.

<u>Sub Package</u>	<u>Principal Items</u>	<u>Bidder Selected by REB Evaluation</u>	<u>Lowest Price Bidder</u>	<u>Announced Price</u>	<u>Evaluated price</u>	<u>NRECA Observation</u>
(67PBS)-004	Single Phase Meters	Techno Venture Ltd		USD 630,000	USD 630,000	REB have applied domestic preference loading to Zhejiang offer to promote Techno Venture to first ranking. NRECA do not agree with application of domestic preference as present understanding indicates virtually all meter components are imported into Bangladesh.
			Zhejiang Zhiyue	USD 610,000	USD 701,500	

Table 3.5.2 (Continued)

Sub Package	Principal Items	Bidder Selected by REB Evaluation	Lowest Price Bidder	Announced Price	Evaluated price	NRECA Observation
(67PBS)-006	Meter Seals	NO BIDS				REB want to re-tender using DFID funds. NRECA prefer REB use local funds as package value is USD 17,000
(09PBS)-012	Copper Conductor	None	BRB Cable Industries Ltd	USD 427,023	USD 427,023	REB contend price is above estimate and want to re-tender. NRECA and GOB PPR disagree.
(09PBS)-018	Capacitor Banks	None	Southern Engineers (Only Bidder)	USD 238,520	USD 238,520	REB contend price is above estimate and want to re-bid. NRECA and GOB PPR disagree.
(09PBS)-023	CT's and VT's	None	Esit Elektrik	USD 869,000	USD 869,000	Second ranked bidder has made complaint about veracity of Esit offer. REB have deferred a selection decision. NRECA consider the second ranked bidder can only have known about the Esit offer from REB people involved in the evaluation.
(09PBS)-025	Connectors	Trade East West	Lowest Bidder	USD 199,700	USD 199,700	REB to seek further minor technical clarification
(09PBS)-027	Street Lamps	SQ Trading (Bangladesh Trading House)		USD 154,700	USD 154,700	By various means REB appear to have rejected three lower priced bidders in favor of most expensive offer
			Shanghai Trisun	USD 61,020	USD 61,020	

Table 3.5.2 (Continued)

<u>Sub Package</u>	<u>Principal Items</u>	<u>Bidder Selected by REB Evaluation</u>	<u>Lowest Price Bidder</u>	<u>Announced Price</u>	<u>Evaluated price</u>	<u>NRECA Observation</u>
(09PBS)-028	Line Tools	Universal Trading	Universal Trading	USD 385,195	USD 385,195	Single bidder, minor technical clarification required
(09PBS)-029	Power Transformers	Techno Venture	Techno Venture	USD 1,607,536	USD 1,607,536	All three bids rejected as technically non compliant. REB want to re-tender.
(09PBS)-030	Reclosers	Nu Lec	Nu Lec	USD 347,220	USD 347,220	Lowest bidder, minor technical clarification required.
(09PBS)-032	Fuses and Switches	Energypac	Domestic Bidder	USD 334,490	USD 334,490	Lowest bidder, minor technical clarification required.

Table 3.5.3

Indicates evaluations NOT agreed where NRECA have MAJOR concerns about the REB recommendations.

Sub Package	Principal Items	Bidder Selected by REB Evaluation	Lowest Price Bidder	Announced Price	Evaluated price	NRECA Observation
(67PBS)-007	Single Phase Meters (Class 200)	Trade East West. (Bangladesh Trading House)		USD 333,650	USD 333,650	REB contend lowest price bidder have not demonstrated sufficient supply experience. Manufacturer in China will require inspection. REB to obtain further information from Jascom. Lowest price bidder appears acceptable subject to manufacturers factory inspection.
			Jascom Enterprise (Singapore Trading House.)	USD 217,000	USD 217,000	
(09PBS)-010	SPC Poles	None	Dada Engineering	USD 2,220,000	USD 2,220,000	REB contend Dada have insufficient experience in manufacture. NRECA disagree REB intend to re-tender.
(09PBS)-011	Distribution Transformer	Techno Venture Ltd		USD 1,302,000	USD 2,172,809	NRECA have significant reservations about the veracity of information supplied by Techno Venture. Probability of collusion between two Bangladesh bidders. Bidder information to be investigated. Eaglerise lowest capital cost. Loss values appear more realistic than competitors. NRECA are unable to substantiate the reservations about transformer loss values provided by Techno Venture, consequently and reluctantly NRECA will not object to award of contract to Techno Venture.
			Eaglerise Ltd	USD 1,195,600	USD 2,491,391	

Table 3.5.3 (Continued)

<u>Sub Package</u>	<u>Principal Items</u>	<u>Bidder Selected by REB Evaluation</u>	<u>Lowest Price Bidder</u>	<u>Announced Price</u>	<u>Evaluated price</u>	<u>NRECA Observation</u>
(09PBS)-015	Distribution Transformer	Techno Venture (Bangladesh Manufacture)		USD 2,310,000	USD 3,589,998	NRECA have significant reservations about the veracity of information supplied by Techno Venture. Probability of collusion between two Bangladesh bidders. Bidder information to be investigated. Eaglerise lowest capital cost. Loss values appear more realistic than competitors. NRECA are unable to substantiate the reservations about transformer loss values provided by Techno Venture, consequently and reluctantly NRECA will not object to award of contract to Techno Venture.
			Eaglerise Electric and Electronic	USD 2,145,000	USD 4,329,355	
(09PBS)-017	Fuse Links	Trade East West. (Bangladesh Trading House)		USD 245,480	USD 245,480	REB rejected lowest price bid on basis of minor information omission. NRECA disagree with this rejection. REB to solicit further information from lowest price bidder.
			Techno Electricals Ltd	USD 181,702	USD 181,702	
(09PBS)-021	Meter Seals	Trade East West. (Bangladesh Trading House)		USD 130,000	USD 130,000	REB rejected lowest and second lowest bids to select East West. REB rejected on basis of omission to submit sample with blue color.
			Shenyang Shining	USD 116,000	USD 116,000	

Table 3.5.3 (Continued)

<u>Sub Packace</u>	<u>Principal Items</u>	<u>Bidder Selected by REB Evaluation</u>	<u>Lowest Price Bidder</u>	<u>Announced Price</u>	<u>Evaluated price</u>	<u>NRECA Observation</u>
(09PBS)-022	Single Phase Meters + Sockets	Trade East West or Techno Electrical. (Bangladesh Traders)		USD 525,000	USD 525,000	REB contend lowest price bidder have not demonstrated sufficient supply experience. Manufacturer in China will require inspection. REB to obtain further information from Jascom.
			Jascom Enterprise. (Singapore Trading House)	USD 296,000	USD 296,000	
(09PBS)-026	Guy and Grounding Wire	SBS Cables Ltd		USD 1,452,700	USD 1,452,700	Domestic preference applied to Trefileurope offer. NRECA agree with application. REB want to retender as the winning bid price is above REB estimate. NRECA and GOB PPR disagree.
			Trefil Europe	USD 1,363,752	USD 1,568,314	

3.6 REDP First Tranche Material Costs

REB estimated cost prior to the bid solicitation was approximately USD 32 million for the first tranche of REDP materials.

67 PBS materials were estimated to cost USD 5,064,030 with 09 PBS materials estimated to cost USD 26,751,617.

Materials composition and estimated costs were detailed in the quarterly report for July through September 2006

Based on historical costs and allowances for commodity price increases NRECA considered the REB estimate was reasonable.

Following submission and evaluation of bids, many bid prices were found to be unexpectedly lower than the estimated prices. Reasons for lower than expected prices are manifold, not all are readily explainable as the veracity of available information is open to doubt.

One particular example of a bid price being much lower than estimated concerns SPC poles. For a number of years donor agencies have suspected some SPC pole manufacturers have operated as a cartel. The suspected cartel operation has effectively ensured the REB rules for market entry prevent new entrants. An expectant new entrant SPC pole manufacturer, appearing to have sufficient manufacturing experience, offered poles at USD 800,000 less than the second lowest price bidder. REB TEC rejected this low priced offer on the grounds of insufficient experience according to REB experience criteria. NRECA took a view that such cost savings require serious consideration and REB shall be required to make a full inspection of the manufacturers facilities.

The lowest priced bid may be a "loss leader" price in order to enter the lucrative SPC pole market or the price may truly reflect an open market.

The December 12 2006 Interim Report on Materials procurement and Bid Evaluation Process provides some indications and discussion topics for reasons why some prices were not as estimated.

On an assumption of the lowest priced bids eventually being selected for contract award the anticipated costs for the first tranche of REDP materials are shown in Table 3.6.1 below. Comparisons are also made with the estimated costs.

Table 3.6.1 Anticipated Contract Costs

<u>Procurement.</u>	<u>Anticipated Contract Costs</u>	<u>Estimated Costs</u>	<u>Percentage Difference</u>
67 PBS (Sub Packages 01 – 07)	USD 4,077,075	USD 5,064,030	19.5% less than estimate.
09 PBS (Sub Packages 08 -35)	USD 25,191,348	USD 26,751,617	5.8% less than estimate.

The above table provides anticipated contract costs. Actual contract costs remain reliant on NRECA and REB agreeing final selection of contractors.

Diagram 3.6.2. 67 PBS Materials Composition and Anticipated Contract Costs.

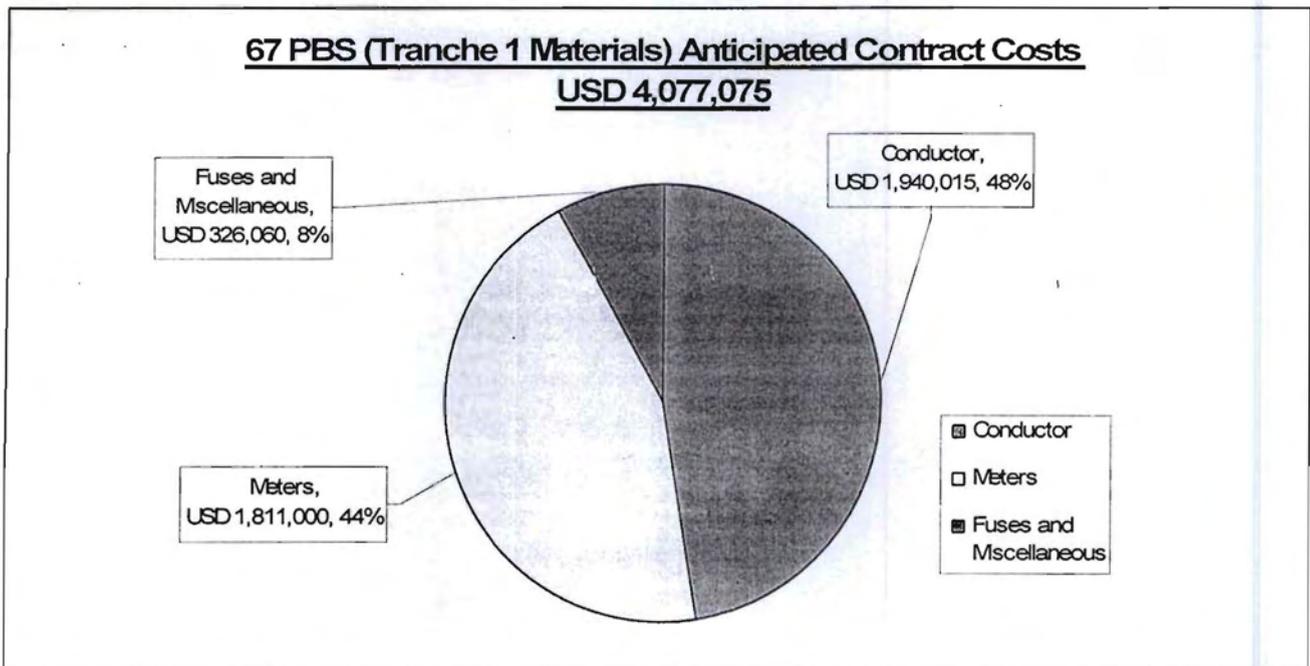
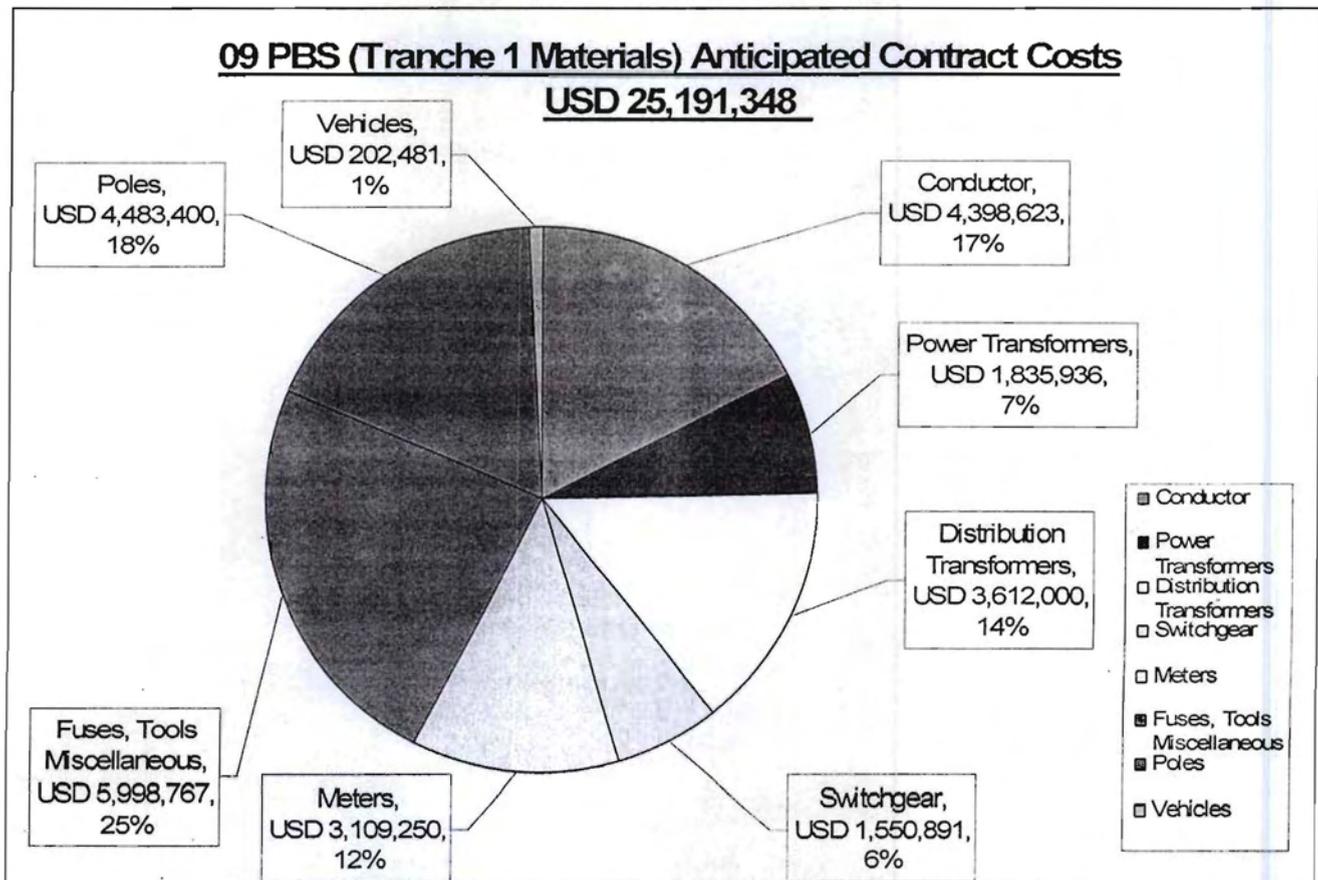


Diagram 3.6.3. 09 PBS Materials Composition and Anticipated Contract Costs.



3.7 REDP Materials Procurement Funding and Draw Down

GBP38 million (approximately USD76 million at GBP 1 = USD 2) is available in total for REDP materials procurement.

For 2005 - 2006 DFID have provided GBP 22.5 million (approximately USD 45 million) to GOB / REB for procurement of REDP materials.

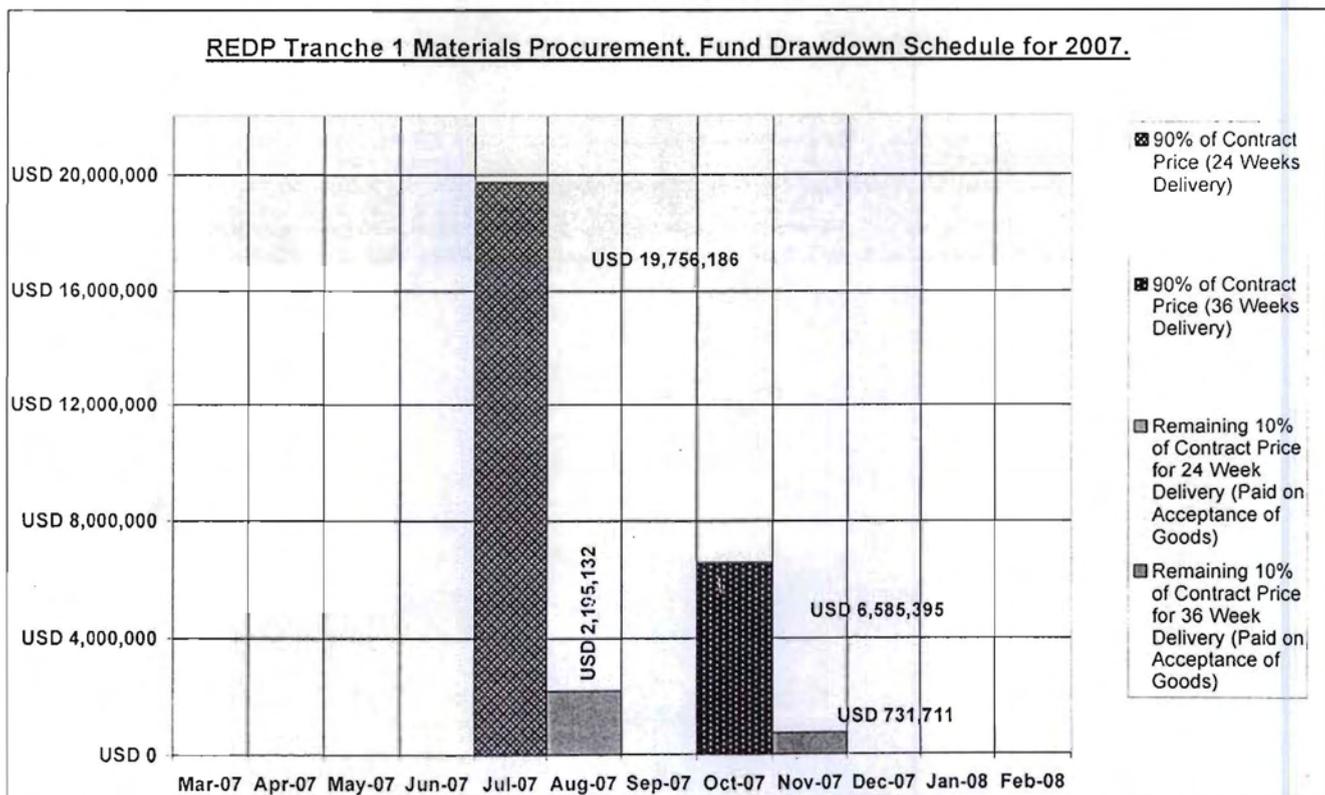
DFID anticipate funding availability as follows:

Financial Year	Funds	Allocation
2005 - 2006	GBP 7.5 Million (USD 15 Million)	REB
2006 - 2007	GBP 12.5 Million (USD 25 Million)	REB and PKSF
2007 - 2008	GBP 10 Million	REB and PKSF
2008- 2009	GBP 10 Million	REB and PKSF
2009 2010	GBP 8 Million	REB and PKSF

Estimates produced by REB suggest approximately USD 30 - 35 million will be committed to contract for the first tranche of materials. Fund draw down requirements for REDP procurement were notified to DFID during November 2006 following appraisal of contract prices.

Earlier indications were that contracts for materials purchase were to be signed with suppliers during December 2006 and January 2007, however none were completed in December. As of when this report was prepared, the target was looking like March. Projected draw down of funds shown below.

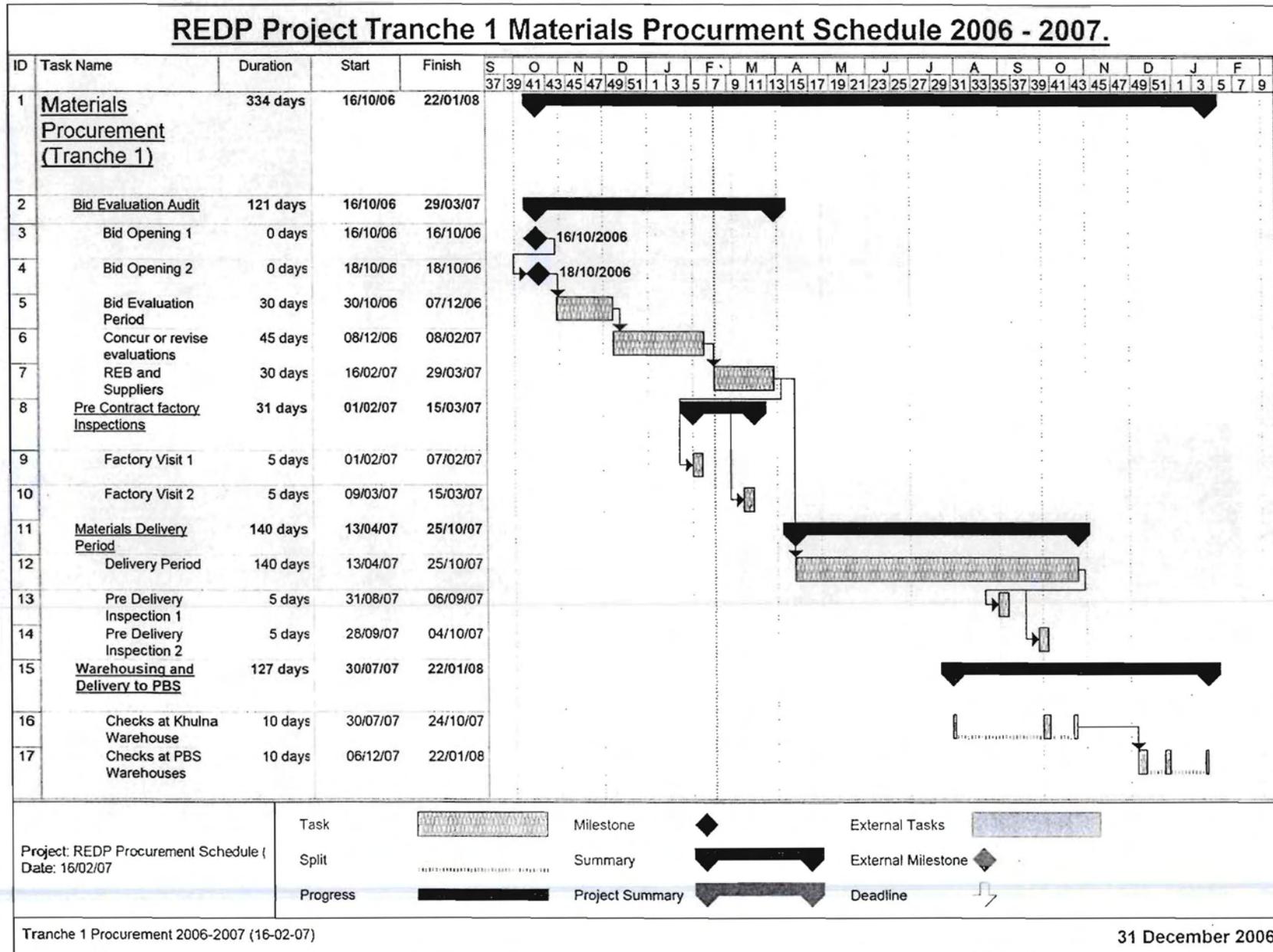
Diagram 3.7.1 Drawdown of Funds Schedule for 2007.



3.8 Procurement Schedule

Gantt chart of suggested schedule for first tranche materials procurement shown in 3.8.1 on the following page.

3.8.1 Schedule for First Tranche of Materials Procurement.



SECTION 4: MONITORING OF MATERIALS USAGE

4.1 Progress

REB will utilize DFID funded materials for ongoing REDP construction projects. The construction projects are to be formulated from the individual PBS master plans. As DFID funded materials have yet to be delivered, monitoring of usage has not commenced. NRECA are in the process of preparing the monitoring methodology.

4.2 Proposed Monitoring Methodology

Indicated below are basic considerations for monitoring the usage of DFID funded materials:

Task 1: Storing DFID funded materials at Khulna Warehouse

- Assist Khulna Warehouse personnel with acceptable storage of all materials.
- Where practicable, DFID materials to be segregated from existing REB materials.
- Assist REB warehouse staff to selectively tag DFID materials to enable identification at PBS warehouse and during construction phase.

Task 2: DFID funded Material at PBS

- Assist PBS Store personnel with storing all DFID funded materials in a separate place from existing materials.
- Randomly monitor issues of materials to construction contractors to check correct quantities.

Task 3: Monitoring of Construction Work in 9 PBS.

- Regular inspections of construction works in each PBS.
- Comparison of detailed construction plans with master plans.
- Compare material quantities issued with work effected.
- Monitor construction quality and compare with REB standards.
- Monitor category of customer connections with reference to DFID criteria.

Task 4: Monitoring of materials usage in 67 PBS and 10 lakh customers.

- Monitor progress of construction works and compare with issue of DFID materials.
- Check meter issues and compare with new customer connections.
- Randomly monitor issue and installation of DFID procured meters.

SECTION 6: PBS MEMBER AWARENESS EDUCATION AND BOARD DEVELOPMENT PROGRAM

6.1 PBS Member Awareness Education and Board Development Program

Principal objective of the program is to address the issues pertinent to the raising member consumer participation levels from reactive to proactive for facilitating the activities in empowering the membership to take responsibility for their actions and decisions as well as conducting programs to enhance the capabilities of the PBS Directors.

The initial tasks of the program will be to review some of the earlier works developed with REB and PBS by NRECA. As from the outset of RE program in Bangladesh, NRECA with the funding of USAID, assisted the RE personnel in formation of PBS and accordingly, a wide range of training programs were developed to raise the awareness of member – consumers and the PBS Board members. The ongoing USAID funded RPPR-II Program's Task C.1 (Strengthening Training Programs and Procedures) particularly has the earmarked activity to continue the same with respect to the development of curriculum materials for all types of training programs aimed at REB and PBS personnel.

This Task will involve working with the REB Training Directorate, as well as the REB Management Operations Directorates in order to ensure that the content and approach for these newly developed programs are appropriate to the PBS system. At the PBS level, the PBS Member Services Departments will be directly involved with the implementation of the programs. This component of DFID project will work with REB and the PBS to explore the most effective approaches for successfully implementing the programs with consideration being given to the improved utilization of the PBS Village Advisors.

After the development of the programs and their initial implementations through the REB and PBSs, the ongoing oversight and monitoring of this initiative through the end of the project will become part of the overall Supervision and Monitoring Task.

Following are the steps assumed in the Project Proposal for implementation of the entire program:

- Validation of training needs of the PBS Board members and consumer – members as identified by the RPPR – II program.
- Identification of possible implementation schemes.
- Development of curriculum outlines for relevant programs.
- Preparation of the required curriculum materials and translation into Bangla.
- Completion of pilot testing of the curriculum materials.
- Implementation of both types of programs.
- Monitoring of implementation at both REB and PBS

6.2 Member Education and Awareness Work

Local management specialist Brigadier Gen M A Malek (Retd) together with education and training specialist Narayan Chandra Saha effected visits to 7 PBS throughout the country. These field visits to PBS were conducted by NRECA local staff during the period to ascertain actual education and awareness training requirements.

A number of scheduled field visits were postponed because of various "hartals" and the holiday period of Eid.

<u>PBS Visited</u>	<u>Date of Visit</u>	<u>Personnel Involved</u>
Mymensing 1	October 10 2006	Brig. Gen. M. A. Malek (Retd.) and Mr. Narayan Chandra Saha
Mymensing 2	October 11 2006	Brig. Gen. M. A. Malek (Retd.) and Mr. Narayan Chandra Saha
Bogra	November 08 2006	Brig. Gen. M. A. Malek (Retd.), Mr. Narayan Chandra Saha, and
Kurigram Lalmonirhat	November 09 2006	Mr. Bashir Ahmed and Mr. Narayan Chandra Saha
Rajshahi	December 10, 2006	Brig. Gen. M. A. Malek (Retd.) and Mr. Narayan Chandra Saha
Nawabganj	December 11, 2006	Brig. Gen. M. A. Malek (Retd.) and Mr. Narayan Chandra Saha
Natore 2	December 12, 2006	Brig. Gen. M. A. Malek (Retd.) and Mr. Narayan Chandra Saha

6.3 Education and Awareness Findings

Discussions conducted with a considerable number of people associated with the PBS cooperative system, with and without REB, has indicated a necessity to reinforce already established basic education and training curricula.

In conjunction with visits, existing training course materials and education manuals were also reviewed during the course of consultations at personnel at the PBS and REB HQ.

Numerous discussions with PBS members including those at board level revealed a surprising lack of fundamental knowledge about PBS operations. The continuing interest of the government to have rapid growth in the number of new connections resulted in the new members not being properly oriented to the PBS system. These various meetings the PBS confirmed this knowledge gap.

New manuals to be used for delivering training for Member Education and Board Development programs will reiterate the already well documented fundamentals of PBS operation, but also will provide more information about how to deal with new impediments faced by PBS and REB.

These new impediments include a critical shortage of power to meet demand, a perceived or otherwise increase in corruption at all levels of the PBS system and reducing levels of public understanding for the values of a PBS system.

Education and awareness training materials shall include information about:

- Load shedding management – Why load shedding is necessary and how to reduce peak hours demand.
- Stealing distribution equipment – Impact of stealing on PBS system and measures necessary to counter stealing. (Note: Changes resulting from meetings held by political leaders after the incident that occurred in Kansat has created an environment within the PBS where the potential for theft of equipment has increased and is subsequently costing the PBS significant amounts of money with no way of recovering these losses.)
- Supply of electricity – How it is generated and distributed – Why are there interruptions.
- Strengthening the concept of one service point at PBS.
- The roles of REB, PBS and also NRECA.

Shortage of power has led many people to conclude REB should further consider connection of small power generation (SPG) plants financed by private capital, akin to the SPG installations for Dhaka 1, Narsingdi and Comilla PBS.

As a response to the utter failure of Government to make any provision for an ever increasing power demand, the PBS members conclusion that self help is preferable to reliance on Government is a healthy attitude.

PBS members interviewed also indicated further improvement in customer awareness could be promulgated by "Imams" before Juma prayers at local Mosques. PBS Personnel should also be permitted to give talks on the workings and community benefits of PBS at schools and colleges.