



Bangladesh: Third Public-Private Infrastructure Development Facility-Tranche 2

Project Name	Third Public-Private Infrastructure Development Facility-Tranche 2								
Project Number	42180-019								
Country / Economy	Bangladesh								
Project Status	Active								
Project Type / Modality of Assistance	Loan								
Source of Funding / Amount	<table><tr><td colspan="2">Loan 4254-BAN: Third Public-Private Infrastructure Development Facility-Tranche 2</td></tr><tr><td>Ordinary capital resources</td><td>US\$ 262.29 million</td></tr><tr><td colspan="2">Loan 4255-BAN: Third Public-Private Infrastructure Development Facility-Tranche 2</td></tr><tr><td>Concessional ordinary capital resources lending</td><td>US\$ 16.00 million</td></tr></table>	Loan 4254-BAN: Third Public-Private Infrastructure Development Facility-Tranche 2		Ordinary capital resources	US\$ 262.29 million	Loan 4255-BAN: Third Public-Private Infrastructure Development Facility-Tranche 2		Concessional ordinary capital resources lending	US\$ 16.00 million
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Operational Priorities	OP1: Addressing remaining poverty and reducing inequalities OP2: Accelerating progress in gender equality OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability OP6: Strengthening governance and institutional capacity								
Sector / Subsector	Finance / Infrastructure finance and investment funds								
Gender	Effective gender mainstreaming								
Description	<p>The proposed loans constitute the second tranche of a multitranche financing facility (MFF) to the People's Republic of Bangladesh for the Third Public-Private Infrastructure Development Facility (PPIDF3) which was approved on 18 July 2017 by the Asian Development Bank (ADB) Board of Directors.</p> <p>The tranche has two components. The first component, a \$262.29 million ordinary capital resource (OCR) loan, is provided to Infrastructure Development Company Limited (IDCOL) to onlend to infrastructure projects developed under the public-private partnership (PPP) model. The project serves to provide long-term financing and catalyze private sector financing for infrastructure development, reducing pressures on public finance and enhancing value for money. The second component, a \$16 million concessional OCR loan, supports investment in smaller energy efficiency, renewable energy solutions and social infrastructure projects. The project has the following two outputs: (i) available long-term debt financing for infrastructure projects increased, and (ii) take-out financing for infrastructure projects catalyzed.</p> <p>The PPIDF3 is a continuation of the Public-Private Infrastructure Development Facility and the Second Public-Private Infrastructure Development Facility addressing the infrastructure deficiencies in Bangladesh. The PPIDF3 will help catalyze commercial financing through IDCOL-supported infrastructure subprojects with the value addition of supporting private sector development. The MFF is expected to catalyze \$789 million in private sector investments with at least eight subprojects through regular OCR financing, and at least two renewable energy subprojects through the concessional OCR financing. The project also seeks to strengthen the institutional capacity of IDCOL to fulfill its mission as a flagship financial institution supporting PPP finance in the infrastructure sector. The tranche 1 has made great progress in these fronts, supporting eight infrastructure subprojects and two renewable and energy efficiency subprojects, and catalyzing \$457 million private sector investments. Tranche 2 will continue to fund at least five infrastructure subprojects and two subprojects in the renewable energy and energy efficiency areas amounting to \$278.29 million.</p>								
Project Rationale and Linkage to Country/Regional Strategy	To sustain and accelerate economic growth, the Government of Bangladesh puts great emphasis on the development of infrastructure. The Seventh Five-Year Plan, FY2016-FY2020 outlined an ambitious road map for infrastructure investment programs in transport, energy, urban development, and information, and communication technology. Infrastructure development is hindered by the gap in infrastructure financing, which was estimated at 5%-6% of gross domestic product (GDP) in the Seventh Five-Year Plan. PPPs were considered a main tool to bridge that gap and to bring in private sector investment of up to 1.5% of GDP (\$4.5 billion) a year to infrastructure development. The Eighth Five-Year Plan, FY2021-2025, developed at the onset of the coronavirus disease (COVID-19 pandemic), called for further strengthening of PPP strategy in response to worsening public finance constraints, and increased social and health care infrastructure investment requirements. Furthermore, with capital market still at a nascent stage, the banking sector remains the main channel for financing, but they cannot provide needed the long term financing for the infrastructure development due to asset liability mismatch. ADB's financing will be crucial to support IDCOL to bridge the infrastructure financing gap, develop IDCOL's institutional capacity and crowd-in private sector equity and debt financing.								
Impact	Investments in infrastructure increased (Bangladesh's Eighth Five-Year Plan, FY2021-FY2025)								
Project Outcome									
Description of Outcome	Private Sector investments in infrastructure, including the financing of renewable energy and energy efficiency facilities leveraged.								
Progress Toward Outcome									
Implementation Progress									
Description of Project Outputs	Available long-term debt financing for infrastructure projects increased Take-out financing for infrastructure projects catalyzed								
Status of Implementation Progress (Outputs, Activities, and Issues)									
Geographical Location	Nation-wide								
Safeguard Categories									
Environment	FI								
Involuntary Resettlement	FI								
Indigenous Peoples	FI								
Summary of Environmental and Social Aspects									

Environmental Aspects	The project is classified FI for environment, involuntary resettlement, and indigenous peoples. No subproject classified category A in any of these safeguard areas will be considered for financing under the investment program. Screening and review of subprojects to be considered by IDCOL will follow the procedures indicated in the updated ESSF arrangement, which is in line with ADB's SPS. The revised ESSF will be disclosed on ADB website, as required by ADB's SPS and Access to Information Policy. IDCOL will ensure the submission of a semiannual safeguard monitoring report to ADB. Due diligence has been conducted to review the safeguard implementation performance of tranche 1 subprojects, and confirmed that tranche 1 subprojects have complied with ADB SPS requirements, including consultation, and disclosure policies.
Involuntary Resettlement	The project is classified FI for environment, involuntary resettlement, and indigenous peoples. No subproject classified category A in any of these safeguard areas will be considered for financing under the investment program. Screening and review of subprojects to be considered by IDCOL will follow the procedures indicated in the updated ESSF arrangement, which is in line with ADB's SPS. The revised ESSF will be disclosed on ADB website, as required by ADB's SPS and Access to Information Policy. IDCOL will ensure the submission of a semiannual safeguard monitoring report to ADB. Due diligence has been conducted to review the safeguard implementation performance of tranche 1 subprojects, and confirmed that tranche 1 subprojects have complied with ADB SPS requirements, including consultation, and disclosure policies.
Indigenous Peoples	The project is classified FI for environment, involuntary resettlement, and indigenous peoples. No subproject classified category A in any of these safeguard areas will be considered for financing under the investment program. Screening and review of subprojects to be considered by IDCOL will follow the procedures indicated in the updated ESSF arrangement, which is in line with ADB's SPS. The revised ESSF will be disclosed on ADB website, as required by ADB's SPS and Access to Information Policy. IDCOL will ensure the submission of a semiannual safeguard monitoring report to ADB. Due diligence has been conducted to review the safeguard implementation performance of tranche 1 subprojects, and confirmed that tranche 1 subprojects have complied with ADB SPS requirements, including consultation, and disclosure policies.

Stakeholder Communication, Participation, and Consultation

During Project Design	Relevant stakeholders, IDCOL and the government, have been extensively consulted during project design. Their inputs have been incorporated into the design of the subprojects and the loan.
During Project Implementation	ADB will continue to proactively communicate with the relevant stakeholders for the proper implementation of the loan and subprojects.

Business Opportunities

Consulting Services	There will be no consulting directly financed under the project.
Procurement	There will be no procurement directly financed under the project. All procurement to be financed under the MFF will be carried out following established private sector or commercial practices, following the core principles of ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time), and in a manner acceptable to ADB.

Responsible ADB Officer	Al Hasan, Mohammad Rashed
Responsible ADB Department	Sectors Group
Responsible ADB Division	Finance Sector Office (SG-FIN)
Executing Agencies	<u>Ministry of Finance</u>

Timetable

Concept Clearance	-
Fact Finding	-
MRM	17 May 2022
Approval	23 Nov 2022
Last Review Mission	-
Last PDS Update	24 Nov 2022

Loan 4254-BAN

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
23 Nov 2022	26 Dec 2022	11 May 2023	30 Jun 2027	-	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	540.58	Cumulative Contract Awards			
ADB	262.29	22 Jan 2024	45.02	0.00	17%
Counterpart	278.29	Cumulative Disbursements			
Cofinancing	0.00	22 Jan 2024	45.02	0.00	17%

Loan 4255-BAN

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
23 Nov 2022	26 Dec 2022	11 May 2023	30 Jun 2027	-	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage

Project Cost	155.15	Cumulative Contract Awards			
ADB	16.00	22 Jan 2024	0.00	0.00	0%
Counterpart	139.15	Cumulative Disbursements			
Cofinancing	0.00	22 Jan 2024	0.00	0.00	0%

Project Page	https://www.adb.org/projects/42180-019/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=42180-019
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