



Report and Recommendation of the President to the Board of Directors

Project Number: 45916
November 2011

Proposed Loan Facility and Technical Assistance Industrial and Infrastructure Development Finance Company and Other Financial Institutions Industrial Energy Efficiency Finance Program (Bangladesh)

In accordance with ADB's public communications policy (PCP, 2005), this abbreviated version of the RRP excludes confidential information and ADB's assessment of project or transaction risk as well as other information referred to in paragraph 126 of the PCP.

CURRENCY EQUIVALENTS

(as of 31 October 2011)

Currency Unit	–	taka (Tk)
Tk1.00	=	\$0.0133
\$1.00	=	Tk75.00

ABBREVIATIONS

ADB	–	Asian Development Bank
CDM	–	Clean Development Mechanism
ESMS	–	environmental and social management system
HHK	–	hybrid Hoffman kiln
IIDFC	–	Industrial and Infrastructure Development Finance Company
NBFI	–	nonbank financial institution
NPL	–	nonperforming loan
NSO	–	nonsovereign operation
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area

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PROJECT AT A GLANCE

1. Project Name: Industrial Energy Efficiency Finance Program		2. Project Number: 45916																			
3. Country: Bangladesh		4. Department/Division: Private Sector Operations Department/ Capital Markets & Financial Sectors Division Infrastructure Finance Division 1																			
5. Sector Classification:																					
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9. Nonsovereign Operation Risk Rating – IIDFC: NSO10																					
10. Safeguard Categorization:																					
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13. Counterpart Financing: Not Applicable																					
14. Aid Effectiveness: Not Applicable																					

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan facility of \$30,000,000 to Industrial and Infrastructure Development Finance Company (IIDFC) and other financial institutions for the Industrial Energy Efficiency Finance Program in Bangladesh. The report also describes proposed technical assistance (TA) for the Industrial Energy Efficiency Finance Program to IIDFC, and if the Board approves the proposed loan facility, I, acting under the authority delegated to me by the Board, will approve the TA.

II. THE FINANCIAL INTERMEDIARY

A. Investment Identification and Description

2. Bangladesh suffers from a chronic shortage of energy. Gas, the main source of energy, is insufficient to meet demand. Power supply is 29% short of demand.¹ Energy shortages are undermining the country's competitiveness, causing an estimated two percentage point loss in gross domestic product growth potential. The situation is not expected to improve soon as production from existing gas fields is forecast to decline from 2019.² Securing new sources of energy (e.g., coal, liquefied natural gas) locally or abroad will take time because of the need for policy decisions to bring energy tariffs up to full cost recovery at market levels.

3. Energy efficiency provides a cost-effective response to energy shortages. On the supply side, existing gas-fired power plants can be made more efficient, and transmission and distribution losses can be reduced. On the demand side, the Government of Bangladesh has initiated efficiency measures in the commercial and residential sectors.³ Industries should also be a key focus for energy efficiency initiatives: directly and indirectly, industries consume about 50% of Bangladesh's gas. They also consume oil and coal, so energy efficiency in industry can help reduce the country's carbon emissions.

4. The proposed finance program will promote energy efficiency investments in industry through a loan facility to selected financial institutions. These financial institutions will onlend the proceeds to eligible energy efficiency projects in seven industries: brick making, textiles, steel, cement, ceramics, chemicals, and agri-industries. These industries have large energy saving potential and energy efficiency improvement technologies are readily identifiable (either retrofits of existing systems or new systems). A GTZ–World Bank report⁴ showed that energy efficiency projects in textiles, steel, and chemicals have the greatest carbon emission reduction potential per dollar invested by comparing 16 pilot studies across industries.⁵

5. IIDFC will be the first participating financial institution in the finance program. In September 2010, the Asian Development Bank (ADB) organized a workshop on Improving the Regional Distribution of Clean Development Mechanism (CDM) Projects in Asia and the Pacific at ADB's headquarters. The workshop aimed at increasing the number of CDM projects in countries currently hosting fewer than 10 registered CDM projects. IIDFC was invited to participate as a representative from Bangladesh. In December 2010, IIDFC requested ADB's assistance for improving kiln efficiency in the brick-making industry in Bangladesh.

¹ Bangladesh Power Development Board. 2010. *Annual Report 2009–2010*. Dhaka.

² Asian Development Bank (ADB). 2011. *Bangladesh Comprehensive Private Sector Assessment*. Manila.

³ For example, daylight saving time, holiday staggering, and controlled shopping hours.

⁴ GTZ and World Bank. 2009. *Bangladesh Roadmap for Energy Efficiency Improvements and Demand Side Management*. Dhaka (September).

⁵ Sector Overview (accessible from the list of linked documents in Appendix 2).

6. IIDFC has experience and expertise in industrial energy efficiency, particularly in the brick-making industry. It has been involved in promoting hybrid Hoffman kiln (HHK) projects since 2006. HHKs are 50% more energy efficient than the brick kilns traditionally used in Bangladesh (footnote 5). In 2009, the company signed an emission reduction purchase agreement with the World Bank and the Government of Denmark for 16 HHK projects. IIDFC acts as the CDM bundling agent, while providing debt financing to some projects. It has also encouraged other financial institutions to finance HHK projects, and established a dedicated energy efficiency and carbon finance team in 2009.

7. Other participating financial institutions are likely to include 1–3 private sector banks or nonbank financial institutions (NBFIs) in Bangladesh. Participating financial institutions will be selected based on six criteria: (i) satisfactory integrity due diligence; (ii) compliance with all prudential ratios; (iii) credit strength above industry average; (iv) operating policies, guidelines, and systems in loan origination, credit assessment, loan administration, loan collection, and enforcement; (v) commitment to investing in energy efficiency and adequate staffing, management, and technical capacity to implement the finance program; and (vi) commitment to managing environmental and social impacts associated with the finance program.

B. Business Overview and Strategy

8. IIDFC is a leading NBFI in Bangladesh.⁶ It was established in 2000 to boost investment in the industry and infrastructure sectors by providing long-term finance. As of December 2010, it had an asset base of \$156.9 million and net worth of \$14.4 million. IIDFC's local credit rating is AA–, which corresponds to institutions having very strong capacity to meet their financial commitments and carrying very low credit risk in the local context.⁷

9. IIDFC offers selected financial services, including term lending, lease finance, syndication services, securities trading services, and margin loans. Its clients mainly comprise large industrial groups, but also include small and medium-sized enterprises and retail customers (term deposits, brokerage services). Revenues from traditional lending and leasing have displayed solid growth (35% per year on average during 2008–2010), and fee-based revenues have grown even faster (248%).

C. Ownership, Management, and Governance

1. Ownership

10. IIDFC was founded by 14 Bangladesh financial institutions—eight private sector banks, three private sector insurance companies and three state-owned financial institutions (each holding approximately 6.9% of equity)—and one individual, Matiul Islam (with approximately 3.0%). The 14 financial institution shareholders provide IIDFC with banking and financial expertise and a good network, as well as access to finance in case of unexpected needs. The average long-term local credit rating of the financial institution shareholders is between A (*strong*) and AA (*very strong*). Six out of the eight private sector shareholder banks have already been accepted as participants in ADB's Trade Finance Program.

⁶ IIDFC ranks among the top three Bangladesh NBFIs, measured by 2010 total revenues.

⁷ Two local rating agencies assigned an AA– rating to IIDFC: National Credit Ratings (NCR) in July 2011 and Credit Rating Agency of Bangladesh (CRAB) in October 2009.

11. IIDFC's board of directors consists of highly qualified individuals. Matiul Islam, the company chair, is a former finance secretary of the Government of Bangladesh, and also served at the World Bank and the United Nations. He founded several financial institutions before IIDFC, including the AB Bank, now one of the leading private banks in Bangladesh. All other board members are top executives of the institutions they represent.

2. Management

12. IIDFC's core management includes managing director A. Khan, additional managing director K. Rahman, head of credit R. Islam, and chief financial officer S. Ahamed, having on average 30 years banking experience. All bring vast experience in Bangladesh's commercial banking sector. A. Khan also worked at Bangladesh Bank (central bank and finance sector regulator) where he gained experience in policy formulation and bank supervision.

3. Governance Structure

13. IIDFC is governed by its board of directors. The management team is responsible for day-to-day operations but needs board approval for all important decisions. The board is supported by seven committees, including the audit committee, the credit risk management committee, the asset liability management committee, and the central compliance unit.

14. IIDFC's risk management policies incorporate banking best practices. The principal risks of proposed transactions are summarized through a scoring system. All credit proposals are reviewed by an independent credit risk department before submission to the credit risk management committee and, if required, to the board of directors.

III. THE PROPOSED ADB ASSISTANCE

A. The Assistance

15. ADB's proposed assistance to the finance program will consist of two components: (i) a \$30 million loan facility to be disbursed to participating financial institutions (IIDFC and other participating financial institutions to be selected) for them to onlend to eligible industrial energy efficiency projects, and (ii) a \$1.5 million TA to identify bankable energy efficiency projects in target industries other than brick making.⁸

16. While ADB's loan facility is proposed to be limited to \$30 million, the demand for energy efficiency funding arising from the projects identified through the finance program may be higher. Participating financial institutions and other local or international financial institutions may provide cofinancing to the identified projects. Hence, it is expected that the finance program could result in up to \$100 million of industrial energy efficiency investments (assuming \$30 million in cofinancing and \$40 million in equity contribution from the industrial sponsors).

B. Implementation Arrangements

17. To be eligible to receive a loan from a participating financial institution, a potential energy efficiency project in a target industry will need to demonstrate the following:

⁸ The brick-making industry has not been included in the TA scope as energy efficiency projects using the proven HHK technology have already been implemented (four of them financed by IIDFC) and can be replicated.

- (i) An energy audit and feasibility study have been prepared by an internationally recognized expert, validating either (a) at least 20% energy savings per unit produced with the new technology compared to the old technology, or (b) an investment payback from savings on energy costs within 7 years.
- (ii) The project's sponsor has a relevant industry track record, integrity, and financial strength (existing profitable business and/or ability to provide the required equity and support to the project).
- (iii) All applicable national environmental requirements (including permits and emission/discharge standards) have been met, or will be met within a reasonable time frame based on a corrective action plan.
- (iv) The debt–equity ratio after financing is 3:1 at most.
- (v) The loan is within the financial institution's single obligor and single sector exposure limits.

18. The finance program will comply with ADB's Procurement Guidelines (2010, as amended from time to time). Where ADB provides funds to an intermediary institution to be onlent to borrowers for the partial financing of subprojects, procurement is generally undertaken by the respective borrowers "in accordance with established private sector or commercial practices, which are acceptable to ADB" (ADB Procurement Guidelines, clause 3.12). In addition, the ADB loan documentation will require goods to be procured from ADB member countries.

19. Loan documentation will also include covenants requiring IIDFC and other participating financial institutions to provide financial reports and annual monitoring reports about their loans to eligible projects.

C. Value Added by ADB Assistance

20. ADB's financing is long-tenor, which is not readily available in Bangladesh given liquidity constraints in the banking sector. The finance program will help catalyze further private investment. Through the TA, ADB will assist industries in identifying commercially viable energy efficiency projects. ADB will also help participating financial institutions to establish or improve ESMS, promoting adoption of safeguards best practices in Bangladesh. Finally, ADB's assistance could catalyze cofinancing from international commercial banks, other international finance institutions, or donor countries.

D. Technical Assistance

21. Nonsovereign TA of \$1.5 million for the Industrial Energy Efficiency Finance Program is proposed to be provided as a reimbursable advance to IIDFC from ADB's Technical Assistance Special Fund (TASF-IV). The advance will be used to identify bankable energy efficiency projects in target industries other than brick making. A consulting firm that includes both international and local engineers will be hired according to ADB's guidelines. The firm will help identify potential projects within the client portfolios of participating financial institutions. It will then prepare energy audits and feasibility studies for these projects. The TA funds will be reimbursable to ADB if and to the extent that the projects identified receive financing from the participating financial institutions using ADB financing. The consultant will organize workshops

for the participating financial institutions to ensure their staff understand the results of the studies and know how to translate the studies into bankable projects.⁹

IV. DEVELOPMENT IMPACT AND STRATEGIC ALIGNMENT

A. Development Impact, Outcome, and Outputs

1. Impact

22. The finance program is expected to have the following development impacts: (i) energy savings contributing to reducing Bangladesh's energy supply–demand gap and mitigating climate change, (ii) demonstrating that industrial energy efficiency solutions are commercially viable, and (iii) developing local energy efficiency expertise within the finance sector and among technical consultants and energy efficiency solution providers.

2. Outcome

23. The finance program's expected outcome will be greater efficiency in the financed industrial projects, resulting in energy savings and carbon emission reduction. Industries are expected to reduce their gas, coal, and power consumption by at least 20% per unit of production, contributing to energy savings equivalent to at least 350 gigawatt-hours per year by 2015 and to a reduction in carbon emissions of at least 150,000 tons per year by 2015. More efficient industrial processes can also reduce air pollution and improve labor conditions, particularly in the brick-making industry.¹⁰

3. Outputs

24. The finance program's outputs will be (i) the completion of industrial energy efficiency projects expected to represent an aggregate investment of at least \$50 million (and up to \$100 million) by 2014, and (ii) the implementation of an ESMS by all participating financial institutions.

B. Alignment with ADB Strategy and Operations

1. Consistency with Strategy 2020 and Country Strategy

25. The promotion of energy efficiency is a key objective under ADB's Strategy 2020.¹¹ Energy efficiency is mentioned under both the infrastructure (energy) and the environment (climate change) core areas of operations. Strategy 2020 estimated the annual investment needs for energy efficiency in Asia and the Pacific at \$14 billion over the 2009–2018 period. Energy efficiency is also an objective of ADB's country partnership strategy for Bangladesh.¹²

⁹ Technical Assistance: Industrial Energy Efficiency Finance Program (accessible from the list of linked documents in Appendix 2) includes details on the TA's objectives, activities, budget, implementation arrangements, and the consulting firm's terms of reference.

¹⁰ IIDFC. 2010. *Improving Kiln Efficiency in the Brick-making Industry in Bangladesh*. Dhaka (December).

¹¹ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

¹² ADB. 2011. *Country Partnership Strategy: Bangladesh, 2011–2015*. Manila.

2. Consistency with Sector Strategy and Relevant ADB Operations

26. The finance program is aligned with energy and finance sector strategies. According to ADB's Energy Policy, "harnessing energy efficiency is one of the most effective ways to meet energy demand, while addressing global warming."¹³ In particular, the Energy Policy calls for ADB to expand its energy efficiency operations "in the industry sector by collaborating with industry associations, domestic banks, and specialized energy efficiency agencies and energy service companies." As such, climate change finance has been elevated as a new area of focus in ADB's private sector operations since 2010.¹⁴ Moreover, ADB's Financial Sector Operational Plan recommends that financial intermediation (credit line) operations should be combined with effective TA to the financial intermediaries.¹⁵

27. The finance program is consistent with other ADB operations in Bangladesh. The promotion of demand-side energy efficiency in the industry sector will complement ADB's supply-side assistance to improve efficiency in the power sector.¹⁶ Sovereign assistance to the brick-making industry is also being considered and will complement and create synergies with the finance program. The proposed sovereign assistance will address the issue of immediate emission reduction and the longer-term modernization of the sector. It will include a \$50 million loan facility and \$3 million of TA.¹⁷ The loan facility would offer funds at rates that are conducive to promote development of the brick-making industry. The TA will provide policy support to ensure enforcement of the ban on inefficient brick kilns and will contribute to creating awareness of efficient brick kiln technologies, including HHK, which will thus benefit the finance program.¹⁸

28. The finance program can also benefit from policy and tariff reforms that other development agencies are promoting. German development cooperation through GIZ¹⁹ has been providing policy support to prepare a draft Energy Conservation Act, which in particular would mandate the replacement of highly inefficient technologies.²⁰ To reduce the budget deficit, the International Monetary Fund is considering including an increase in energy prices through lower subsidies as one of the conditions to a \$1 billion sovereign loan currently under discussion.²¹ Although these reforms may take time to materialize, they would provide further impetus to the adoption of energy efficiency solutions across sectors.

¹³ ADB. 2009. *Energy Policy*. Manila.

¹⁴ ADB. 2010. *Private Sector Operations Department Capital Markets & Financial Sectors Division Business Plan and Priorities 2010–2012*. Manila.

¹⁵ ADB. 2011. *Financial Sector Operational Plan*. Manila.

¹⁶ ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Power System Efficiency Improvement Project*. Manila (approved on 11 August).

¹⁷ ADB. 2011. *Bangladesh: Kiln Efficiency Improvement Project*. Aide Memoire. Manila (September).

¹⁸ The proposed policy and advisory TA is tentatively designed to (i) improve the policy and regulatory framework pertaining to the brick industry, (ii) provide technical support to operating advanced brick kilns, and (iii) provide an alternative livelihood to assist the exit of some polluting brick kiln businesses. The policy and advisory TA funds could potentially be combined with those from the development partners (World Bank and United Nations Development Programme) for the possible establishment of a brick technical information center as a one-stop shop for all industry development needs.

¹⁹ Deutsche Gesellschaft für Internationale Zusammenarbeit.

²⁰ ADB. 2011. *Review of Energy Efficiency and Renewable Energy Policy and Implementation in Bangladesh*. Interim Report. Manila; (report financed by ADB. 2008. *Technical Assistance for Expanding the Implementation of the Energy Efficiency Initiative in Development Member Countries*. Manila [TA 6501-REG]).

²¹ *The Financial Express*. 2011. Muhith looks to \$1 billion loan from the International Monetary Fund under its Extended Credit Facility. 15 September.

3. Lessons from Previous Operations

29. The finance program's design incorporates key lessons learned from ADB's previous energy efficiency interventions. A recent draft evaluation knowledge brief concludes that energy efficiency in industry and buildings should be promoted through commercial financing, and in particular through lines of credit dedicated to financing projects that qualify as energy efficiency investments.²² Lines of credit should be combined with TA to support the origination of energy efficiency projects and to help financial intermediaries understand the bankability of these projects. ADB's recent nonsovereign assistance to Indonesia Eximbank included capacity building TA: this finance program's design greatly benefited from the precedent.²³ The draft evaluation knowledge brief also highlights the importance of identifying "local financial intermediaries that are interested in energy efficiency lending" and of letting the financial intermediary "identify, appraise, and approve a subloan itself, without further approvals from any government body or a development partner" (footnote 22). Finally, energy efficiency interventions need not be big and broad to start with; at times it is best to start with small, narrowly focused programs and to increase the scope and sophistication over time.

V. POLICY COMPLIANCE

A. Environment and Social Safeguards

30. The finance program is classified category FI for impacts on the environment, involuntary resettlement, and indigenous peoples. The finance program's potential environment and social impacts, the risks associated with IIDFC's existing and/or likely future portfolio, and IIDFC's commitment to and capacity for environmental management have been assessed. Similar due diligence will be conducted on other participating financial institutions. IIDFC and the other participating financial institutions will apply ADB's prohibited activities list, ensure that investments using ADB funds abide by applicable national laws and regulations, comply with ADB Safeguards and Policy Statement (2009), and establish and maintain appropriate ESMSs, each satisfactory to ADB, before disbursement for the financing of investments. An ESMS framework has been prepared to guide participating financial institutions in developing an ESMS to address impacts and risks.²⁴ The participating institutions' ESMS will include arrangements to comply with national labor laws and ADB Social Protection Strategy (2001) to ensure adherence to core labor standards. As industries become more efficient, they will also become more competitive and create jobs. The finance program will have some gender benefits as women represent the great majority of workers in light industries such as textiles and garments, agribusiness, and brick making.

B. Anticorruption Policy

31. IIDFC and the potential other participating financial institutions short-listed were advised of ADB's anticorruption policy and its policy of implementing best international practice relating to the combating of money laundering and the financing of terrorism.²⁵ ADB will ensure that the

²² ADB. 2011. *Review of Energy Efficiency Interventions*. Draft evaluation knowledge brief. Manila.

²³ ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Technical Assistance Grants, Indonesia Eximbank*. Manila (Project Number: 44906, for \$200 million, approved on 25 March).

²⁴ Financial Intermediary: Environmental and Social Management System Arrangement; and Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2.)

²⁵ IIDFC has anti-money-laundering and counter-terrorist financing guidelines, in line with national regulations; these have been reviewed during due diligence and have been found consistent with ADB's policies.

investment documentation between ADB and each of IIDFC and the other participating financial institutions includes appropriate anti-corruption provisions and remedies for ADB in the event of non-compliance.

C. Investment Limitations

32. The proposed loan facility will be within the medium-term country, industry, group, and single investment exposure limits for nonsovereign investments.

D. Assurances

33. Consistent with the Agreement Establishing the Asian Development Bank,²⁶ the Government of Bangladesh will be requested to confirm that it has no objection to the proposed assistance to IIDFC and the other participating financial institutions. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB, following approval of the proposed assistance by the Board of Directors.

VI. RECOMMENDATION

34. I am satisfied that the proposed loan facility would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan facility of \$30,000,000 to the Industrial and Infrastructure Development Finance Company and other participating financial institutions for the Industrial Energy Efficiency Finance Program in Bangladesh, from ADB's ordinary capital resources, with such terms and conditions as are substantially in accordance with those set forth in this report, and as may be reported to the Board.

Haruhiko Kuroda
President

22 November 2011

²⁶ ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impacts</p> <p>Energy savings contributing to reducing Bangladesh's supply–demand gap and to mitigating climate change</p> <p>Demonstration that industrial energy efficiency solutions are commercially viable</p> <p>Development of local energy efficiency expertise within the finance sector and among technical consultants and providers</p>	<p>Gas supply–demand gap reduced from 11% in 2010 to below 6% in 2020^a</p> <p>Power supply–demand gap reduced from 29% in 2010 to below 27% in 2020^b</p> <p>Number of industrial energy efficiency projects having received commercial financing increased from about 20 in 2010 to at least 100 in 2020</p> <p>Number of financial institutions offering energy efficiency finance increased from one in 2010 to at least 10 in 2020</p> <p>Number of energy efficiency CDM projects registered increased from 0 in 2010 to at least 50 in 2020</p> <p>Number of local energy efficiency technical consultants and providers increased from 0 in 2010 to at least 10 in 2020</p>	<p>Government statistics</p> <p>Government statistics</p> <p>Participating financial institutions, energy efficiency/ ESCO associations</p> <p>Financial institution/ banking associations</p> <p>UNFCCC (or its successor)</p> <p>Energy efficiency/ ESCO associations</p>	<p>Assumptions</p> <p>Macroeconomic and political stability, both global and local</p> <p>Foreign direct investment incentives maintained or enhanced</p> <p>Power capacity addition at least matching growth in underlying demand (demand without energy efficiency solutions)</p> <p>Risks</p> <p>Political and regulatory risks</p> <p>Delays and cancellations of tenders for power capacity addition</p> <p>Continued energy price distortions</p>
<p>Outcome</p> <p>Greater efficiency of the financed industrial projects, resulting in energy savings and carbon emissions reduction</p>	<p>Energy savings equivalent to at least 350 GWh per year by 2015^c</p> <p>Carbon emissions reduced by at least 150,000 tons per year by 2015^c</p> <p>Less than 5% NPL ratio (as defined by Bangladesh Bank) for the total portfolio of projects financed by the participating financial institutions in 2015</p>	<p>Participating financial institutions' annual monitoring report to ADB</p>	<p>Assumptions</p> <p>Accurate energy audits and preproject baselines</p> <p>Energy efficiency technologies delivered according to feasibility studies</p> <p>Risks</p> <p>Operational risks</p> <p>Inaccurate reporting/ speculative savings estimates</p>
<p>Outputs</p> <p>Completion of industrial energy efficiency projects</p> <p>Implementation of an ESMS by all participating financial institutions</p>	<p>Completion of at least \$50 million of industrial projects by end 2014</p> <p>All project financing compliant with ESMS</p>	<p>Participating financial institutions' annual monitoring report to ADB</p>	<p>Assumptions</p> <p>Contractors delivering according to procurement contracts</p> <p>Sponsors providing support as required</p> <p>Risk</p> <p>Construction risk</p>

Activities with Milestones	Inputs
1. Adequate ESMS for IIDFC in place by Q4 2011	\$6.0 million ADB loan to IIDFC
2. First tranche of the loan to IIDFC disbursed by Q1 2012	
3. Consultant(s) for energy audits and feasibility studies appointed by Q1 2012	\$24.0 million ADB loan(s) to other participating financial institutions
4. Other participating financial institution(s) selected by Q1 2012	
5. Adequate ESMS for other participating financial institution(s) in place by Q2 2012	Up to \$30.0 million cofinancing from financial institutions in Bangladesh
6. First tranche of the loan to all participating financial institution(s) disbursed by Q2 2012	
7. Energy audits and feasibility studies finalized by Q1 2013	Up to \$40.0 million equity from the sponsors of the industrial projects
8. Industrial energy efficiency projects fully financed by Q4 2014	\$1.5 million technical assistance from ADB's TASF-IV

ADB = Asian Development Bank, CDM = Clean Development Mechanism, ESCO = Energy Service Company, ESMS = environment and social management system, GWh = gigawatt-hour, IIDFC = Industrial and Infrastructure Development Finance Company, NPL = nonperforming loan, Q = quarter, TASF = Technical Assistance Special Fund, UNFCCC = United Nations Framework Convention on Climate Change.

^a Assuming 10% average energy savings and no change in the share of gas consumed by industries (49%).

^b Assuming 10% average energy savings and no change in the share of power consumed by industries (21%).

^c See assumptions in Contribution to the ADB Results Framework (accessible from the list of linked documents in Appendix 2).

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=45916-01-4>

1. Sector Overview
2. Contribution to the ADB Results Framework
3. Country Economic Indicators
4. Summary Poverty Reduction and Social Strategy
5. Safeguards and Social Dimensions Summary
6. Financial Intermediary: Environmental and Social Management System Arrangement

Supplementary Documents

7. Technical Assistance: Industrial Energy Efficiency Finance Program
8. Clean Development Mechanism Assessment Report