

MEMORANDUM OF UNDERSTANDING
on
COLLABORATION
between
ASIAN DEVELOPMENT BANK (ADB)
and
WORLD BANK (WB)
with respect to the
Second Public-Private Infrastructure Development Facility Project (PPIDF II) and
Second Rural Electrification and Renewable Energy Development (RERED II) Project
in the
People's Republic of Bangladesh

A. Introduction

2. This Memorandum of Understanding (MOU) reflects the understandings reached between ADB and the World Bank (collectively referred to as the Partners and individually as a Partner) with respect to their collaboration and coordination of activities related to the ADB-financed Second Public-Private Infrastructure Development Facility Project and the World Bank-financed Second Rural Electrification and Renewable Energy Development Project. Such findings and understandings are subject to confirmation by higher authorities of the Partners. This MOU is not a legal agreement and is not intended to create any legally binding rights and obligations.

B. Particulars of the Projects

B.1.a Project Description of PPIDF II

3. The proposed Second Public-Private Infrastructure Development Facility Project (PPIDF II or the "ADB Project") to be financed by ADB will build on the efforts of PPIDF I in helping to address the infrastructure deficiencies in Bangladesh by providing long-term debt financing and catalyzing private sector participation through the Infrastructure Development Company Limited (IDCOL), and thereby support poverty reduction through enhanced investment, economic growth, and increase in employment opportunities. One of the objectives of the Project is to support the Renewable Energy Program of the Government of Bangladesh to provide the rural population and small to medium enterprises in off-grid areas with access to environment-friendly electricity. More specifically, component 1 of PPIDF II (\$100 million) will enhance IDCOL's foreign currency resources to provide commercial financing to medium to large-sized private sector-led infrastructure projects with a total project cost of at least \$10 million. Component 2 of PPIDF II (\$10 million) will provide Asian Development Fund (ADF) financing to IDCOL for the further expansion of its successful Solar Home System (SHS) program which has so far provided financing of more than 2 million SHS through a microfinance-based, direct sales program.

4. The impact of the ADB Project will be enhanced development of infrastructure including renewable energy facilities. The outcome of the ADB Project will be increased private sector participation in infrastructure development including in renewable energy facilities. The outputs will be: (i) increased available long-term debt financing for innovative infrastructure projects and (ii) increased availability and accessibility of financing for SHS.

B.1.b Project Description of RERED II

5. On 20 September 2012, the Board of the World Bank approved an SDR 102.8 million (equivalent to \$155 million) sovereign loan for the Second Rural Electrification and Renewable Energy Development (RERED II) Project (hereinafter referred to as WB Project). This is a repeater project continuing the support to the SHS and other renewable energy programs of the Government of Bangladesh implemented through IDCOL. There are four components to the WB Project. The first component is access to electricity which will be achieved through an approximately \$116 million financing routed through GOB to IDCOL. About \$99.5 million out of this financing will be provided to IDCOL to continue supporting the SHS program. About \$16.55 million will support mini-grid schemes to meet the electricity needs of rural household, enterprises, and businesses that could not otherwise be met with SHS and to replace diesel irrigation pumps with solar pumps. The implementation activities, including selecting the sponsors for establishing, operating, and maintaining the mini-grids and solar irrigation pumps would be undertaken by IDCOL. The component will also include technical assistance (TA) support to IDCOL for capacity building, inspection and monitoring, impact evaluation, training, and other related activities for ensuring effective implementation.

6. The second component of the WB Project is household energy. To be implemented by IDCOL, this component supports the efforts of various nongovernmental organizations (NGOs) in providing rural households with clean cooking solutions. The component will build on the success of Bangladeshi NGOs in the areas of community outreach in total sanitation programs.

7. The third component of the WB project is energy efficient lighting to be implemented by the Rural Electrification Board (REB). This component will support the distribution of 7.25 million compact fluorescent lamps (CFLs) in predominantly rural areas where these energy efficient CFLs are not yet widely used. The fourth component of the WB Project is sector technical assistance. This will support power sector reform and capacity building including establishing the Sustainable and Renewable Energy Development Agency (SREDA) for promoting renewable energy in Bangladesh.

8. In addition to the loan financing from the World Bank, grant funding to the SHS and other renewable energy program is being channeled through the World Bank under the WB Project, namely: (i) \$7.6 million from the United States Agency for International Development (USAID), and (ii) \$24.5 million from the Bangladesh Climate Change Resilience Fund (BCCRF) under trust funds administered by the World Bank for solar irrigation pumps and other technical assistance activities. The grant funds from USAID will primarily be used by IDCOL to provide buy-down grants of \$20 per SHS for the smaller systems with a capacity of 30 watts or less to increase their affordability as these are purchased by the poorest households in addition to providing capital buy-down grants to mini-grids.

B.2. Cost Estimates and Financing Plan

9. The Government of Bangladesh intends to expand its successful SHS program by connecting 4 million SHSs in total until 2015. To achieve this objective, IDCOL as implementing agency of the program requires additional \$203 million in loans and \$32 million in grants.

Table 1: Additional Fund Requirement

	Requirement	Available (existing + proposed)	Shortfall
Grant	96	64	32
Loan	434	231	203
Total	530	295	235

10. The financing plan is in Table 2.

Table 2: Financing Plan for IDCOL's SHS Program

Source	Amount (\$ million)	Share Total (%)
ADB	10.0	5%
Other Partners	195.5	95%
World Bank)	99.5	48%
JICA ^a	96.0	47%
Total	205.5	100%

ADB = Asian Development Bank,

^a JICA approved in March 2013 a loan of \$116 million, of which \$96 is allocated for IDCOL's SHS program under the Renewable Energy Development Project" (REDP).

Source: Asian Development Bank and Government of Bangladesh estimates.

B.3. Implementation Arrangements

11. It is proposed that the Ministry of Finance (MOF) will be the Recipient of the ADB loan and IDCOL will be the implementing agency of the ADB Project. Policy direction and strategic oversight will be provided by IDCOL's board of directors. IDCOL's project management unit, established under PPIDF I, will monitor the day-to-day implementation of the ADB Project. The same will build capacity within IDCOL in areas of monitoring of exposure limits, process improvements, risk assessment, and analysis. Further, the project management unit will ensure compliance with state and national policies and IDCOL's environmental and social management framework (ESMF) which ensures compliance with ADB and WB safeguard policies and national norms. Similar arrangements are in place with respect to the WB Project.

B.4. Processing Schedule

12. Provided that the internal review procedures of the Government and ADB support the proposal, further processing of ADB Project is expected to be according to the following schedule:

Loan Negotiations	August 2013
Board Consideration	September 2013
Loan Signing	November 2013
Loan Effectiveness	February 2014

C. Understandings Reached between the Partners

13. The Partners will promptly inform each other of any event which interferes or threatens to interfere with the successful processing and implementation of the respective Projects.

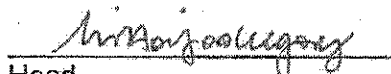
14. Each Partner will retain its independent right of action and decision under its respective Loan Agreement already signed or to be signed with the Borrower.

15. The Partners will inform each other sufficiently in advance of any proposed project mission by its representatives so as to afford a reasonable opportunity to participate in such mission. In case joint missions are not possible, the Partners will keep each other informed of the progress of the Projects, including provision of copies of the findings of any project missions by its representatives.

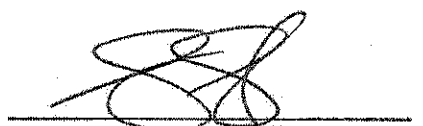
16. Procurement of goods and services, and the use of consulting services to be financed under the Partners' loans will be in accordance with each Partner's respective policies and procedures.

17. The existing Environmental and Social Management Framework (ESMF) for the WB Project will be updated to reflect the requirements of ADB's Safeguard Policy Statement (SPS) so that a single ESMF will be applicable for both the projects. Each Partner will be responsible for supervision of environment and social activities related to the respective Projects in accordance with its respective safeguards policies and procedures.

Signed on: 22 August 2013



Head
Office of Cofinancing Operations, ADB


Country Director for Bangladesh
World Bank

MEMORANDUM OF UNDERSTANDING
on
COLLABORATION
between
ASIAN DEVELOPMENT BANK (ADB)
and
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
with respect to the
Second Public-Private Infrastructure Development Facility (PPIDF II) and
Renewable Energy Development Project (REDP)
in the
People's Republic of Bangladesh

A. Introduction

1. An ADB mission met with JICA on 2 July 2013 in the People's Republic of Bangladesh to firm up of the project design, scope, components, and financing of the Solar Home System Program described below (SHS Program).¹
2. This Memorandum of Understanding (MOU) summarizes the findings of the meeting and records the understandings reached between ADB and JICA (collectively referred to as the Partners and individually as a Partner). Such findings and understandings are subject to confirmation by higher authorities of the Partners.

B. Particulars of the Project

B.1.a Project Description of PPIDF II

3. The proposed Second Public-Private Infrastructure Development Facility (PPIDF II or the "Project") will build on the efforts of PPIDF I in helping address the infrastructure deficiencies in Bangladesh by providing long-term debt financing and catalyzing private sector participation through Infrastructure Development Company Limited (IDCOL), and thereby supporting poverty reduction through enhanced investment, economic growth, and increase in employment opportunities. One of the objectives of the Project is to support the Renewable Energy Program of the Government of Bangladesh to provide the rural population and small to medium enterprises in off-grid areas with access to environment-friendly electricity. More specifically, component 1 of PPIDF II (\$100 million) will enhance IDCOL's foreign currency resources to provide commercial financing to medium to large-sized private sector-led infrastructure projects with a total project cost of at least \$20 million. Component 2 of PPIDF II (\$10 million) will provide Asian Development Fund (ADF) financing to IDCOL for the further expansion of its successful Solar Home System (SHS) program which has so far provided financing of more than 2 million SHS through a microfinance-based, direct sales program.
4. The impact of the Project will be enhanced development of infrastructure including renewable energy facilities. The outcome of the Project will be increased private sector participation in infrastructure development including in renewable energy facilities. The outputs

¹ Present during this meeting were Mr. Yoshihiko Kato, Senior Project Manager, JICA-REDP, Mitsubishi Research Institute, Mr. Yushi Nagano, Representative, JICA and Mr. Zaki Md. Ziaul Islam, Senior Program Officer, JICA

will be: (i) increased available long-term debt financing for innovative infrastructure projects and (ii) increased availability and accessibility of financing for SHS.

B.1.b Project Description of REDP

5. JICA approved the Renewable Energy Development Project on 10 March 2013. The project loan of \$122.48 million supports IDCOL's renewable energy program. The project supports five components in two technological areas: (i) Support to the ongoing SHS program of IDCOL (\$96 million); (ii) mass deployment of solar irrigation pumps for shallow water; (iii) support for mini-grids; (iv) support rice husk gasification and power generation plants applicable to rising milling cooperatives; and (v) support for industrial-scale bio-digesters and power generation plants applicable to poultry, husbandry and dairy farms.

6. In addition to the loan financing from ADB, JICA and World Bank, a number of other development partners will also provide grant funding to the SHS program, namely: (i) \$7.6 million from USAid, (ii) \$24.5 million from the Bangladesh Climate Change Resilience Fund. The grant funds will primarily be used by IDCOL to provide buy-down grants of \$20 per SHS for the smaller systems with a capacity of 30 watts or less to increase their affordability as these are purchased by the poorest households.

B.2. Cost Estimates and Financing Plan

7. The Government of Bangladesh intends to expand its successful SHS program by connecting 4 million SHSs in total until 2015. To achieve this objective, IDCOL as implementing agency of the program requires additional funds.

8. The financing plan is in Table 1.

Table 1: Financing Plan for IDCOL's SHS Program

Source	Amount (\$ million)	Share Total (%)
ADB	10.0	5%
Partners	195.5	95%
World Bank) ^a	99.5	48%
JICA ^b	96.0	47%
Total	205.5	100%

ADB = Asian Development Bank,

^a The Second Rural Electrification and Renewable Energy Development (RERED II) Project of the World Bank contains a loan of \$99.45 million to support IDCOL's SHS program and a loan of \$16.55 million for the financing of solar mini-grid installations.

^b JICA approved in March 2013 a loan of \$122.48 million, of which \$96 is allocated for IDCOL's SHS program under the Renewable Energy Development Project" (REDP).

Source: Asian Development Bank and Government of Bangladesh estimates.

9. The Government has requested a loan in various currencies equivalent to SDR6,599,000 million (approximately US\$10 million) from ADB's Special Funds resources to help finance the project. The loan will have a 25-year term, including a grace period of 5 years, an interest rate of 2.0% per annum throughout the loan tenor, and such other terms and conditions set forth in the draft loan and project agreement.

B.3. Implementation Arrangements

10. It is proposed that the Ministry of Finance (MOF) will be the executing agency, and IDCOL will be the implementing agency of the Project. Policy direction and strategic oversight will be provided by IDCOL's board of directors. IDCOL's project management unit, established under PPIDF I, will monitor the day-to-day implementation of the loans. The same will build capacity within IDCOL in areas of monitoring of exposure limits, process improvements, risk assessment, and analysis. Further, the project management unit will ensure compliance with state and national policies and IDCOL's environmental and social management framework (ESMF) which ensures compliance with ADB safeguard policies and national norms.

B.4. Processing Schedule

11. Provided that the internal review procedures of the Government and the Partners support the proposal, further project processing is expected to be according to the following schedule:

	<u>ADB</u>	<u>[JICA]</u>
Loan Negotiations	July 2013	February 2013
Board Consideration	October 2013	
Loan Signing	November 2013	March 2013
Loan Effectiveness	February 2014	March 2013

C. Understandings Reached between the Partners

12. The Partners will promptly inform each other of any event which interferes or threatens to interfere with the successful processing and implementation of the loan financing of each Partner related to the SHS program of IDCOL.

13. Each Partner will retain its independent right of action and decision under its respective Loan Agreement to be signed with the Borrower.

14. The Partner will inform each other sufficiently in advance of any proposed Project mission by its representatives so as to afford a reasonable opportunity to participate in such mission. In case joint missions are not possible, the Partners will keep each other informed of the progress of the Project, including provision of copies of the findings of any Project missions by its representatives.

15. Procurement of goods and services, and the use of consulting services to be financed under the Partners' loans will be in accordance with each Partner's respective policies and procedures.

16. The existing Environmental and Social Management Framework (ESMF) for the JICA Project will be updated to reflect both the requirements of ADB's Safeguard Policy Statement (SPS) and JICA's Guidelines for Environmental and Social Considerations (April 2010) so that a single ESMF will be applicable for both the projects. Each Partner will be responsible for supervision of environment and social activities related to the respective Projects in accordance with its respective safeguards policies and procedures.

Signed on: _____

Head
Office of Cofinancing Operations
Asian Development Bank

Kei Toyama
Senior Representative
JICA Bangladesh Office

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