

**PERIODIC FINANCING REQUEST
FOR PROJECT 1**

Date: 8 November 2016

To: Asian Development Bank
6 ADB Avenue
Mandaluyong City, Metro Manila

ATTENTION: Director General, South Asia Department
Fax No. +63 2 636 2337

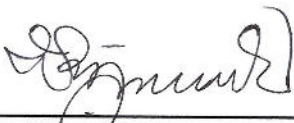
Sir/Madam:

RE: **Third Public-Private Infrastructure Development Facility (PPIDF3): Periodic
Financing Request (PFR) 1**

Please refer to the Framework Financing Agreement (FFA) for the **Third Public-Private Infrastructure Development Facility (PPIDF3)** dated 8 November 2016 between Asian Development Bank (ADB) and the People's Republic of Bangladesh. Expressions defined in the FFA shall have the same meanings herein.

Pursuant to the provisions of the FFA, the People's Republic of Bangladesh requests ADB to process this PFR for a tranche, in the form of a loan from ADB's ordinary capital resources (OCR) and in the form of a loan from its Asian Development Bank Special Funds Resources (ADF). The proposed financing amounts, terms, conditions, and financing plan are specified in Attachment A hereto. Descriptions of the subprojects for which financing is hereby requested are set out in Annex 2 hereto.

By: People's Republic of Bangladesh



Mr. Jiban Ranjan Majumder
Chief
Economic Relations Division

ATTACHMENT

Project Description

An indicative list of subprojects proposed for financing under the requested periodic financing request (PFR) is provided in Annex 2.

The Design and Monitoring Framework for this tranche is in Annex 1.

Cost Estimates and Financing Plan

The total required financing from Infrastructure Development Company Limited (IDCOL)'s side for all these pipeline deals is approximately \$1 billion—well in excess of the total proposed investment corpus of \$260 million for the first tranche of the Third Public–Private Infrastructure Development Facility (PPIDF3). It is expected that subprojects in similar subsectors will be financed under the second tranche.

The deal pipeline of prospective transactions to be funded under the requested PFR comprises 18 indicative subprojects in the infrastructure sector requiring investments from IDCOL of approximately \$975 million, of which about \$390 million is expected to require Taka funding. The interventions are in a variety of sectors ranging from energy (conventional power plants, solar parks, liquid natural gas terminals, and wind power), transport (2 jetties at Mongla port and Dhaka Bi-Pass road), and information technology (surveillance system at Hazrat Shajalal International Airport) to economic zones (hi-tec parks). IDCOL also has an indicative pipeline of 11 subprojects in the renewable energy RE and energy efficiency (EE) sectors—primarily in the solar energy sector—with a total investment of up to \$102 million of which IDCOL's expected investment amounts to \$51.5 million.

Table 1 shows the proposed financing plan.

Table 1: Indicative Financing Plan

Source	Amount (\$ million)	Share of Total (%)
ADB's Ordinary Capital Resources	250.0	38.0
ADB's Asian Development Fund	10.0	2.0
Subborrowers' own funds (equity)	130.0	20.0
Private Sector Banks/financiers (debt) ^a	260.0	40.0
Total	650.0	100.0

^a This assumes that the sponsor will provide equity financing of 20% of total project cost—private sector banks and financiers will provide debt funding of 40% of total project cost while Infrastructure Development Company Limited will finance 40% of each project (using funds under the Third Public–Private Infrastructure Development Facility).

Sources: Asian Development Bank.

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Loan Amount and Terms	<p>The request is for a loan of \$250 million from the ordinary capital resources (OCR) of the Asian Development Bank (ADB) provided under ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year, with a 20-year term,¹ including a grace period of 5 years with straight line amortization for repayment, an annual interest rate determined in accordance with ADB's LIBOR-based lending facility and such other terms and conditions set forth in the framework financing agreement (FFA), and further supplemented under the Loan Agreement.</p> <p>The request is also for a loan of \$10 million from the Special Funds resources of ADB with a 25-year term, including a 5-year grace period, with an interest charge of 2.0% per annum throughout the loan tenor, and such other terms and conditions set forth in the FFA, and further supplemented under the Loan Agreement.</p>
Subprojects to be financed	<p>OCR loan. All types of infrastructure subprojects (including RE and EE subprojects) with a total subproject cost in excess of \$10 million.</p> <p>ADF loan. Subprojects with a total project cost of not more than \$10 million in the following RE and EE sectors will be financed: (i) grid-connected solar projects, solar mini grids, solar irrigation pumps, wind and other RE installations; (ii) energy efficient projects including brick kilns, waste and effluent treatment plants; (iii) recycling plants; (iv) waste to energy solutions; and (v) biogas and biomass-based power plants.</p>
Period of Loan/Guarantee Utilization	The disbursement for the subprojects is expected to be completed by 31 December 2020.
Retroactive Financing	Retroactive financing would be allowed for eligible expenditures described in the facility administration manual (FAM), not exceeding 20% under tranche 1, incurred before loan effectiveness, but not earlier than 12 months before the signing of the Loan Agreement. Any retroactive financing would comply with the same ADB requirements as for any other subprojects funded under PPDIF3.
Take-out Financing	Up to 20% of the ADB funds may be used to refinance qualified infrastructure loans from other financial institutions/banks under tranche 1 in order to better consolidate sector assets. Take-out finance may include subprojects that are financially closed or under construction. Any take-out financing would follow prevailing national norms, and comply with the same ADB requirements as for any other subprojects funded under the PPDIF3.
Maximum ADB	ADB funds can be used to finance up to 40% of the total subproject

¹ Based on the above loan terms and the Government's choice of repayment options and dates, there will be no maturity premium.

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Financing	cost, ² except that with prior approval from ADB the subloan may exceed the limit and be up to 60% of the project cost for subprojects. There is no maximum subproject size which is in line with IDCOL's internal exposure limits.
ADB Prior Approval	Under tranche 1, ADB will review the first 3 subprojects funded by the OCR and subloans above \$5 million equivalent funded by the ADF to ascertain IDCOL's ability to manage the subproject review and disbursement process. ADB reserves the right to request any supporting subproject documents and not to reimburse or liquidate any subprojects that do not comply with the PPIDF3 implementation requirements detailed in the FAM.
Implementation Arrangements	The Ministry of Finance, acting through its Economic Relations Division, will be the executing agency while the Finance Division will be the financial management 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. The FAM would provide the detailed implementation arrangements and compliance requirements.
Procurement and Consulting Services	IDCOL has the capacity to follow ADB's procurement and disbursement requirements. All procurement to be financed under the multitranche financing facility (MFF) would be carried out in accordance with ADB's Procurement Guidelines (2015, as amended from time to time), following stated eligibility criteria and member country restriction. ADB encourages IDCOL to require its subborrowers to adopt internationally competitive bidding procedures to the extent possible when the amount of the investment is unusually large and economy and efficiency can be gained through such procedures. For procurement of goods and services to be financed by subloans from the ADB loan, IDCOL would ensure that prices are reasonable and that relevant factors—e.g., time of delivery, efficiency, reliability, suitability for the subproject, and (for consulting services) quality and competence—are taken into account.
Confirmation of Continuing Validity of and Adherence to Provisions of FFA, Previous Agreements, and the Design and Monitoring Framework	The Government confirms that the understandings set out in the FFA have been adhered, and remain true to date.

² Subprojects in the EE and the RE subsectors have a high developmental impact and long-term funds are not easily available. Therefore, for EE and RE subprojects to be funded out of the ADF loan, IDCOL's maximum exposure will be set at 70% or 80%, respectively.

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Readiness of the Project for Implementation

IDCOL has provided a deal pipeline amounting to \$1 billion in required investment from IDCOL.

A designated project unit has been established by IDCOL and staff members have been assigned to the unit.

Safeguards

According to ADB's Safeguard Policy Statement (2009), the project is classified as financial intermediary for the environment, involuntary resettlement, and indigenous peoples. No subprojects categorized as "A" for environmental or social impact will be funded under PPIDF3. As the proceeds from the proposed loans will be used by one or more private sector sponsors to finance subprojects, there is a potential risk that some of those developers may not fully adhere to ADB's safeguard requirements during implementation. The project team will assess project-specific environmental impact assessment and/or resettlement plans as well as each sponsors' environmental management, involuntary resettlement, impacts on indigenous peoples arising from land acquisition, changes in land use, adherence to core labor standards, or restrictions of access to resources and social protection framework and policies, and assess where enhancements may need to be made by the company. IDCOL has adopted the environmental and social safeguard framework and improved its in-house capacity with ADB support.³ IDCOL will continue to ensure all subproject proposals to be financed under the PPIDF3 comply with the requirements of the safeguard framework in accordance with ADB's Safeguard Policy Statement (2009) for screening proposed subprojects. IDCOL has a dedicated in-house unit with qualified environmental and social safeguards specialists.

For PPIDF3, IDCOL will require their sponsors to submit an annual safeguards monitoring report while IDCOL will submit an annual report to ADB on the implementation of the ESSF (2011 or its revisions). Should IDCOL annual reports or ADB reviews indicate that the ESSF (2011 or its revisions) does not function properly, ADB and IDCOL agree on a corrective action plan immediately and IDCOL will implement the CAP. The TA will also explore the possibility of developing an information system to track safeguards compliance of subprojects by IDCOL sponsors.

³ Infrastructure Development Company Limited. 2011. *Environmental and Social Safeguards Framework (ESSF) Policy and Procedures*. <http://idcol.org/download/1d8514287c3e7cda76423b33a781f79c.pdf>

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DESIGN AND MONITORING FRAMEWORK FOR TRANCHE 1

Impact of the Project is Aligned with Investments in infrastructure increased (Bangladesh Seventh Five-Year Plan 2016–2020 ^a)			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Private sector investments in infrastructure, including RE leveraged	By 2020 a. \$325 million of private sector investments on eligible infrastructure subprojects catalyzed under PPIDF3 (OCR component) (2015 baseline: \$332 million and \$293 million of private sector investments catalyzed under PPIDF1 and PPIDF2 ^b) b. \$7 million of private sector investments for RE and EE subprojects catalyzed under PPIDF3 (ADF component) (2015 baseline: Nil on medium-size to large-scale RE subprojects; \$7 million of SHSs funded under PPIDF2)	Annual audited statement of utilization of funds	Economic slowdown in Bangladesh resulting to reduction on GDP spending on infrastructure development Lack of bankable infrastructure projects to encourage private sector participation Lack of available RE projects ready for financing
Outputs 1. Available long-term debt financing for infrastructure projects increased	By 2020 1a. At least 4 subprojects, including 1 medium-size to large-scale RE subprojects are financed under PPIDF3 utilizing the \$260 million resource envelope (2015 baseline: combined total of 5 approved subprojects and 377,117 SHSs funded under PPIDF1 and of PPIDF2)	Audited annual statement of utilization of funds	Inadequate project and financial structuring prevents financial closure of subprojects despite available finance
2. Take-out financing for infrastructure projects catalyzed	2a. At least 1 eligible subproject refinanced by IDCOL (2016 baseline: not applicable. Take-out financing were only introduced under PPIDF3)	Audited annual statement of utilization of funds	IDCOL's asset and/or loan portfolio quality deteriorates
3. IDCOL's institutional capacity strengthened	3a. Integrated risk management framework approved by IDCOL Board and implemented as certified by an independent consultant (2016 baseline: not applicable)	3a-3f: Consultants' reports	Key staff in IDCOL leaves Lack of commitment from IDCOL's Board and management to execute and sustain the activities under the

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	<p>3b. Treasury management framework approved by IDCOL Board and implemented as certified by an independent consultant (2016 baseline: not applicable)</p> <p>3c. Integrated resource management system approved by IDCOL Board and implemented as certified by an independent consultant (2016 baseline: not applicable)</p> <p>3d. Safeguards capacity building plan for improving social and environmental risk mitigation and gender equality results approved by IDCOL's Board and implemented as certified by an independent consultant (2016 baseline: not applicable)</p> <p>3e. IDCOL's mid-term business and strategy plan submitted and approved by IDCOL's Board and key recommendations implemented as certified by an independent consultant (2016 baseline: not applicable)</p>	3e. IDCOL management and audited annual report	institutional building plan

Key Activities with Milestones

1. Available long-term debt financing for infrastructure projects increased (by 2020)

- 1.1. Identify and finalize indicative list of subprojects to be financed by ADB under the first tranche of PPIDF3
- 1.2. Commence fact-finding by IDCOL and project site visit of at least 1 sample project for funding under PPIDF3
- 1.3. IDCOL staff performs due diligence and safeguards review of potential subprojects eligible for ADB funding
- 1.4. Fund approved subprojects and fully utilize facility amount

2. Take-out financing for infrastructure projects catalyzed (by 2020)

- 2.1. Identify list of potential take-out subprojects
- 2.2. Due diligence and project site visit of at least 1 sample subproject for take-out financing
- 2.3. At least 1 eligible and approved subproject refinanced

ADB = Asian Development Bank, ADF = Asian Development Fund, EE = energy efficiency, GDP = gross domestic product, IDCOL = Infrastructure Development Company Limited, OCR = ordinary capital resources, PPIDF = Public-Private Infrastructure Development Facility, RE = renewable energy, SHS = solar home system.

^a Government of Bangladesh. 2015. *The Seventh Five-Year Plan FY2016–FY2020: Accelerating Growth and Empowering Every Citizen*. Planning Commission, Ministry of Planning: Dhaka.

^b The Second Public-Private Infrastructure Development Facility is under implementation.

Source: Asian Development Bank.

SUBPROJECT PIPELINE (OCR LOAN) UNDER TRANCHE 1

Third Public-Private Infrastructure Development Facility

(in US\$ million)

No.	Project Name	Capacity	Industry/ Sector	Project Location	Total Project Cost (US\$ million)	D:E Ratio	Indicative Loan Amount from IDCOL (US\$ million)	Status of IDCOL's Processing ¹	Expected Disbursement	Main Issues to be resolved	Status	Likelihood for closing (%) ²
1	Banco Energy and Power Limited HFO-fired power plant	55 MW	Power	Munshigonj	45-50	70:30	20	Concept cleared	Q2: 2017	Approval from IDCOL Board	LOI from BPDB issued, PPA/IA initialed	100
2	HFO-fired power plant (SPV to be formed)	55 MW	Power	Chittagong	50	70:30	20	Under negotiation	Q3: 2017	PPA to be signed	LOI from BPDB issued	100
3	FSRU project of Excelerate energy	500 mmcf	Gas	Moheshkhali	170	75:25	50-60	Under discussion with the Arranger	Q4: 2017	Terms negotiation with the arranger - IFC	Concession agreement signed with Petro Bangla	80
4	Reliance Bangladesh LNG & Power Limited	500 mmcf (FSRU) and 750 MW (Power Plant)	Power/ Gas	Chittagong	1,360	75:25	50-60	Under discussion with the borrower	Q4: 2017	Concession agreement/PPA is under approval stage	LOI to be issued soon	80
5	Ispahani Summit Alliance Terminal Limited—ICT and CFS	N/A	Port	Chittagong	30	70:30	5-10	Concept cleared	Q1: 2017	Approval from IDCOL Board	Project under construction	100
6	SPV to be formed—wind power plant	60 MW	Power	Chittagong	100	70:30	50	Early stage	Q4: 2017	Approval from IDCOL Board	PPA signed, wind mapping going on	30
7	SPV to be formed—solar Park	35 MWp	Power	Manikganj	50-60	70:30	30	Early stage	Q4: 2017	PPA to be signed	LOI from BPDB issued	50
8	SPV to be formed—jetties under PPP initiative	N/A	Port	Mongla	70-80	70:30	30-35	Early stage	Q4: 2017	Concession agreement to be signed	Under negotiation	80
9	SPV to be formed—bypass road under PPP initiative	N/A	Road	Dhaka	100-150	80:20	50	Early stage	Q4: 2017	Concession agreement to be signed	Under negotiation	50
10	SPV to be formed	N/A	ICT	Kaliakair	200-300	70:30	50	Early stage	Q2: 2018	Concession	Under	80

¹ Early stage and/or commitment letter and/or term sheet signed and/or concept cleared and/or credit committee approved and/or IDCOL Board approved.

² 100% means that the likelihood to achieve financial closing within 6 months is certain.

No.	Project Name	Capacity	Industry/ Sector	Project Location	Total Project Cost (US\$ million)	D:E Ratio	Indicative Loan Amount from IDCOL (US\$ million)	Status of IDCOL's Processing ¹	Expected Disbursement	Main Issues to be resolved	Status	Likelihood for closing (%) ²
	—high-tech park under PPP initiative									agreement to be signed	negotiation	
11	AK Khan Economic Zone and Container Terminal	N/A	Port/Eco	Narayangonj	85	70:30	25–30	Under discussion with the Borrower	Q2: 2018	Concession agreement to be signed	Under negotiation	50
12	SPV to be formed —economic zones under PPP initiative	N/A	Economic Zone	Multiple Areas including Sylhet, Mirersarai, Chittagong	500–1,000	70:30	200	Early stage	Q2: 2018	Concession agreement to be signed	Under negotiation	50
13	SPV to be formed —tourism and entertainment village under PPP initiative	N/A	Tourism	Cox's Bazar	100–150	70:30	50	Early stage	Q1: 2019	Concession agreement to be signed	Under negotiation	50
14	SPV to be formed —radar installation at airport under PPP initiative	N/A	Port	Dhaka	80–100	70:30	30–45	Early stage	Q2: 2018	Concession agreement to be signed	Under negotiation	70
15	SPV to be formed —ICT under PPP initiative	N/A	Port	Narayangonj	30–50	70:30	10–15	Early stage	Q2: 2018	Concession agreement to be signed	Under negotiation	50
16	5 out of 10 power projects under IPP basis	5 X115 MW	Power	Various areas	400	70:30	150	Under discussion with various borrowers	Q1: 2018	LOI to be issued	Bidding process ongoing	100
17	2 out of 3 power projects under IPP basis	400 MW	Power	Chittagong	300	70:30	80	Under discussion with various Borrower	Q1: 2018	PPA to be signed	LOI issued	100
18	INTRACO Solar Power Limited	30 MWp	Power	Rangpur	45–50	70:30	15–20	Concept cleared from IDCOL Board	Q4: 2017	PPA to be signed	LOI issued by BPDB, PPA to be signed within 2 months	100
	TOTAL				3,715–4485		915–975					

IA = implementing agency, ICT = information and communication technology, IDCOL = Infrastructure Development Company Limited, LOI = letter of intent, MW = megawatt, MWp = Mega Watt Peak, N/A = not applicable, PPA = power purchase agreement, PPP = public-private partnership, SPV = special purpose vehicle.
Source: Infrastructure Development Company Limited.

SUBPROJECT PIPELINE (ADF LOAN) UNDER TRANCHE 1

Third Public-Private Infrastructure Development Facility

(in US\$ million)

No.	Project Name	Capacity	Industry/ Sector	Project Location	Total Project Cost (US\$ million)	D:E Ratio	Indicative Loan Amount from IDCOL (US\$ million)	Status of IDCOL's Processing ³	Expected Disbursement	Main Issues to be resolved	Status	Likelihood for closing (%) ⁴
1	SPV to be formed —solar Park	10 MWp	Power	Sylhet	15–20	70:30	5–10	Commitment letter issued by IDCOL	Q1: 2018	LOI yet to be issued by BPDB		50
2	SPV to be formed —Solar Park	10 MWp	Power	Pangsha	15–20	70:30	5–10	Do	Q1: 2018	LOI yet to be issued by BPDB		50
3	SPV to be formed —solar Park	12 MWp	Power	Panchagarh	15–20	70:30	5–10	Early stage, commitment letter yet to be issued by IDCOL, discussion ongoing	Q1: 2018	LOI yet to be issued by BPDB		50
4	SPV to be formed —solar Park	5 MWp	Power	Sylhet	6.5	70:30	2.5–4.5	Early stage, discussion ongoing	Q3: 2017	LOI yet to be issued by BPDB		100
5	Municipal Waste Project—SPV to be formed	N/A	Power	Faridpur	0.5–1	80:20	0.25	Early stage, discussion ongoing	Q4: 2017	LOI yet to be issued		50
6	Municipal Waste Project—SPV to be formed	N/A	Power	Jaipurhat	0.5–1	80:20	0.25	Early stage, discussion ongoing	Q4: 2017	LOI yet to be issued		50
7	Municipal Waste Project—SPV to be formed	N/A	Power	Rajbari	7.5	80:20	3–6	Early stage, discussion ongoing	Q4: 2017	LOI yet to be issued		50
8	Bahadur Auto Bricks	N/A	Brick Kiln	-	7	70:30	2.5–3	Early stage, discussion ongoing	Q1: 2018			50
9	Usha Bricks	N/A	Brick Kiln	-	7–8	70:30	2.5–3	Early stage, discussion ongoing	Q1: 2018			50
10	Amin Auto Bricks	N/A	Brick Kiln	-	5–6	70:30	2–2.5	Early stage, discussion ongoing	Q1: 2018			50
11	Tilottoma	N/A	Brick Kiln	-	5	70:30	2	Early stage, discussion ongoing	Q1: 2018			50
TOTAL					84–102		30–51.5					

IDCOL = Infrastructure Development Company Limited, LOI = letter of intent, MWp = Mega Watt Peak, N/A = not applicable, SPV = special purpose vehicle.

Source: Infrastructure Development Company Limited.

³ Early stage and/or commitment letter and/or term sheet signed and/or concept cleared and/or credit committee approved and/or IDCOL Board approved.

⁴ 100% means that the likelihood to achieve financial closing within 6 months is certain.