Early Warning System

ADB-42180-019

Third Public-Private Infrastructure Development Facility-Tranche 2

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Quick Facts

Countries	Bangladesh
Financial Institutions	Asian Development Bank (ADB)
Status	Approved
Bank Risk Rating	U
Borrower	Government of Bangladesh
Sectors	Finance, Infrastructure
Investment Type(s)	Loan
Loan Amount (USD)	$ 266.00 million

Project Description

As stated by the ADB, the Third Public-Private Infrastructure Development Facility (PPIDF 3) is a continuation of the work carried out under the Public-Private Infrastructure Development Facility (PPIDF 1) and Second Public-Private Infrastructure Development Facility (PPIDF 2) in addressing the infrastructure deficiencies in Bangladesh. Through the two earlier interventions, ADB has provided long-term debt financing and catalyzing private sector participation through the implementing agency, i.e. Infrastructure Development Company Limited (IDCOL) which substantially contributed to economic growth in the country. The design of the project serves to catalyze commercial financing for public-private partnership (PPP) projects, thereby reducing the pressure of direct financing on the public budget. An additional objective of the facility is to help provide the rural population and small to medium enterprises with clean and affordable electricity either through grid-connected or off-grid energy efficiency and renewable energy solutions. Solar home systems (SHSs) will not be financed under PPIDF 3 given the market saturation and availability of funding from partner donors.

A key design element of the proposed Third Public-Private Infrastructure Development Facility (PPIDF 3) is the introduction of the multitranche financing facility (MFF) financial intermediary (FI) lending modality. The MFF-FI modality is particularly well suited for FI interventions which provide long-term funding to public-private partnership (PPP) infrastructure projects. These PPP interventions are typically developed in a phased manner based on project implementation requirements. The MFF modality allows the borrower, IDCOL, to onlend financing for subprojects based on readiness criteria including finalization of risk-sharing arrangements, readiness of engineering procurement and construction, and phased release of equity. The disbursement to a subproject can take place through multiple tranches with time-slicing given the typical characteristic of staggering of payments, and thereby providing IDCOL the flexibility to plan cost-effective disbursements of subprojects.

Early Warning System Project Analysis

As stated by the ADB, 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.

Investment Description

- Asian Development Bank (ADB)

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- Infrastructure Development Company Limited (IDCOL) (Financial Intermediary)

Private Actors Description

As stated on the company's website, Infrastructure Development Company Limited (IDCOL) was established on 14 May 1997 by the Government of Bangladesh. The Company was licensed by the Bangladesh Bank as a non-bank financial institution (NBFI) on 5 January 1998. Since its inception, IDCOL is playing a major role in bridging the financing gap for developing medium to large-scale infrastructure and renewable energy projects in Bangladesh. The company now stands as the market leader in private sector energy and infrastructure financing in Bangladesh.

IDCOL is managed by an eight-member independent Board of Directors comprising four senior government officials, three representatives from the private sector and a full time Executive Director and Chief Executive Officer. It has a small and multi-skilled work force comprising financial and market analysts, engineers, lawyers, IT experts, accountants and environmental and social safeguard specialists. IDCOL's stakeholders include the government, private sector, NGOs, multilateral and bilateral institutions, academics and the people of Bangladesh at large.

Contact Information

PROJECT CONTACTS

Responsible ADB Officer: Huang, Anqian
Responsible ADB Department: South Asia Department
Responsible ADB Divisions: Public Management, Financial Sector and Trade Division, SARD

Executing Agencies
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ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: http://www.adb.org/site/accountability-mechanism/main

Bank Documents

- Project Disclosure PDF [Original Source]

Other Related Projects

- ADB-42180-013 Second Public-Private Infrastructure Development Facility
- ADB-42180-016 Third Public-Private Infrastructure Development Facility
- ADB-42180-018 Third Public-Private Infrasctructure Development Facility-Tranche 1