

Bangladesh : IDCOL Multi-Sector On-Lending Facility

1. Project Information

Project ID:	P000344	Instrument ID:	L0344A
Member:	Bangladesh	Region:	Southern Asia
Sector:	Multi-sector	Sub-sector:	Multi-subsector
Instrument type:	<input checked="" type="checkbox"/> Loan:200.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier (s):	
ES category:	FI	Borrowing Entity:	Ministry of Finance, Bangladesh
Implementing Entity:	Infrastructure Development Company Limited		
Project Team Leader:	Neeraj Jain		
Responsible DG:	Dongik Lee		
Responsible Department:	BNK1		
Project Team Members:	Liu Yang, Project Counsel; Duran Moy, Alternate Counsel; Guoping Yu, OSD - Procurement Specialist; Shonell Robinson, OSD - Financial Management Specialist; Jyosyula Siva Rama Krishna Sastry, OSD - Environment Specialist; Victoriano Macasaquit, OSD - Social Development Specialist; Qiang Fu, Back-up PTL; Julie Zhu, Project admin		
Completed Site Visits by AIIB:			
Planned Site Visits by AIIB:			
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:			
Previous Red Flags Assigned Date:			

2. Project Summary and Objectives

Project Objective: The project objective is to promote infrastructure investment by providing long-term financing to the private sector in Bangladesh. It is aligned with Bangladesh's goal to bridge its infrastructure deficit and achieve sustainable growth, as highlighted in Bangladesh's Perspective Plan 2021-2041.

Project Description: The project will be financed by a loan to the People's Republic of Bangladesh (Bangladesh), which will be onlent to Infrastructure Development Co. Ltd (IDCOL). IDCOL will further onlend to private-owned companies (subborrowers) in Bangladesh, to support eligible infrastructure projects (subprojects). The project will provide IDCOL with additional resources for long-term financing, given the huge market requirement and the need to scale up the availability of long-term financing for infrastructure projects in Bangladesh. IDCOL will be responsible for the identification, selection, appraisal, approval (Category A eligible subprojects will require prior review and approval from AIIB), and monitoring of the subloans and subborrowers, and will take the associated subborrower's credit risk. IDCOL will be responsible for the implementing the project in accordance with the policies and

procedures of the Government of Bangladesh (GoB) and AIIB. The eligibility criteria for subloans and subborrowers, environmental and social (ES) requirements, other AIIB's policy requirements, reporting and monitoring requirements, among others, will be guided by the Project Operational Manual (POM). IDCOL is a government-owned non-banking finance institution (NBFI). Since its inception, IDCOL has been playing a major role in bridging the financing gap for developing large infrastructure projects in Bangladesh and now stands as a market leader. The primary objective of the company is to promote private sector participation in infrastructure investment and operations.

3. Key Dates

Approval:	Mar. 24, 2022	Signing:	Apr. 26, 2022
Effective:	Oct. 26, 2022	Restructured (if any):	
Orig. Closing:	Sep. 30, 2027	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	0.50	Most recent disbursement (amount/date):	0.00/Oct. 26, 2022
Undisbursed:	199.50	Disbursement Ratio (%) ¹ :	0.25

5. Project Implementation Update

- After two extensions of effectiveness deadline in August and October, the facility has become effective on October 25, 2022 with all conditions for effectiveness being met.
- There has been no key issues or red flag to date.
- The Project Implementing Entity (IDCOL) has been actively sourcing projects. Of which two pipeline deals were sent to AIIB for sub-loan appraisal requests.
- Appraisal of projects are conducted by IDCOL and Environment and Social Impact Assessment (ESIA) is conducted by a third-party consultant.
- The ESIA's for the two (2) subprojects were disclosed accordingly at the IDCOL website.
- The first project: Energon Renewables (BD) Limited (EBRL) has been reviewed and approved by procurement and E&S of OSD for allocation under the facility. In particular, the revised version of ESIA and ESDD of ERBL dated May 18, 2023, were cleared by the E&S of OSD on May 28, 2023. For the second project (Intraco Solar Power Ltd), the first draft of ESIA was received on May 10, 2023, and reviewed by ES. The expected date of submission of the revised ESIA will be on or before June 2, 2023.
- With expected disbursement in July, the first sub-loan comprises a USD50 millions sub-loan for a 100MW solar plant located in Mongla, Bagerhat, Bangladesh with expected tenor of 15 years. The second pipeline sub-loan under appraisal is a USD30 million sub-loan to a 30MW solar project located in Lalmonirhat, Bangladesh, with expected duration of 15 years including 2 years grace period.

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

Note:

- The understanding with the implementing agency (IDCOL) was that they could get the funds from the Government in USD or BDT, where the Government would bear the FX risk. But the Government still needs to agree with IDCOL to accept the FX risk associated with the funding. The project team has discussed with the Government to resolve this.
- Two facilities from other DFIs faced similar issues recently during execution. The PT understands that the Government agreed to bear the FX risk on those facilities, and accordingly, IDCOL has requested the Government to make necessary amendments to the Subsidiary Loan Agreements.
- With the increase in the USD interest rate, the sub-borrowers are keen to borrow in BDT, and the proposed amendment is expected to expedite the drawdown under the facility.

Components	Physical Progress	Environmental & Social Compliance	Procurement
\$200.00 Loan to Bangladesh MOF to be implemented by IDCOL to finance the infrastructure sector	---	Currently, IDCOL have two (2) staff working in the Environment and Social Safeguard unit under the Renewable Energy Department and another two (2) staff working at the Environment and Social Safeguard unit under the Investment Department.	---

Financial Management:

Notes:

- Loan effective date is Oct 25, 2022
- Disbursement of USD500,000 corresponds to capitalized upfront fee. No loan proceeds has been disbursed to date.

6. Status of the Grievance Redress Mechanism (GRM)

Not applicable as no sub-project has been funded.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

Not applicable as no sub-project has been funded.

Remarks:

Project Objective Indicators	Indicator level	Unit Measure of	Cumulative Target Values														Frequency	Responsibility	Comments		
			Baseline		2023		2024		2025		2026		2027		End Target						
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual	
Greenhouse gas emissions reduced	Portfolio	Ton of CO2 equivalent	2023													2027			Annual	IDCOL	
Number of infrastructure projects financed	Project	Number	2023	1	1		3		5		5		5		2027	5		Annual	IDCOL		
Number of renewable energy projects financed	Project	Number	2023	1	1		2		2		2		2		2027	2		Annual	IDCOL		
Private Capital Mobilized	Project	USD Million	2023	23	23		69		114		114		114		2027	114		Annual	IDCOL		
Number of jobs created (disaggregated by gender)	Project	Number	2023												2027			Annual	IDCOL		

Project Intermediate Indicators	Indicator level	Unit Measure of	Cumulative Target Values														Frequency	Responsibility	Comments	
			Baseline		2019		2020		2021		2022		2023		End Target					
			Year	Value	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Year	Target				Actual