Report Number : ICRR0020856

1. Project Data

Project ID	Project Name	Additional Financing
P089382	BD: Invst Promotion Financing Facility	
Country	**Practice Area(Lead)**	**Additional Financing**
Bangladesh	Finance & Markets	P117542

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-41690,IDA-46930	31-Dec-2011	557,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
02-May-2006	31-Dec-2016	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	50,000,000.00	0.00
Revised Commitment	286,033,625.79	0.00
Actual	274,370,214.13	0.00

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2. Project Objectives and Components

a. Objectives

According to the Financing Agreement (FA) (page 4), the project development objective (PDO) of the Investment Promotion and Financing Facility (IPFF) Project of the People’s Republic of Bangladesh was: “(a) to supplement the resources of the Recipient’s financial markets to provide term finance for infrastructure investment projects; and, (b) to promote the role of private sector entrepreneurs in the development of infrastructure”.

The statement of the PDO differed from that used in the Project Appraisal Document (PAD) (page 9): “to accelerate private sector led growth through providing term finance for infrastructure development and promoting domestic infrastructure finance capacity, the project aims to: (a) supplement the resources of the Bangladesh financial markets to provide term finance, in Taka and foreign currency, for infrastructure and other investment projects beyond the capacity of local financial institutions; and (b) promote the role of private sector entrepreneurs in the development of capital projects, especially infrastructure".

The FA statement of the PDO was used in the ICR and is used in this ICR Review.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project comprised two components (FA, page 5, and PAD, pages 10-14):

Infrastructure Development Lending (SDR33.16 million estimate at appraisal; SDR196.29 million estimate at the first restructuring, which extended additional financing to the project; SDR194.31 million at the second restructuring, which reallocated the additional financing between the first and second components; SDR196.11 million at the fifth restructuring, which further reallocated the additional financing; SDR181.18 at the sixth restructuring, which cancelled funds for two infrastructure projects; SDR180.87 million actual) aimed to provide investment loans, through the IPFF, to participating financial institutions for on-lending to infrastructure investment projects developed by the private sector.

Technical Assistance (SDR1.75 million estimate at appraisal; SDR6.32 million estimate at the first restructuring, which extended additional financing to the project; SDR8.30 million at the second restructuring which reallocated the additional financing between the first and second components; SDR6.49 million at the fifth restructuring, which further reallocated the additional financing; SDR6.49 million actual) aimed to: (a) strengthen the management and operation of the IPFF; (b) strengthen the capacity of participating financial institutions in business planning, resource mobilization, and management information systems; (c) provide technical advisory services to the Bangladesh Bank (the country's central bank) to carry out the project; (d) provide technical advisory services to the Infrastructure Investment Facilitation Center (IIFC) (the company created under the Companies Act of 1994) to facilitate the development of a framework for building capacity to manage private-public partnerships (PPPs) in infrastructure and for fostering policy, regulatory and institutional reforms; (e) provide technical assistance to the IIFC to assess infrastructure investment projects, carry out training and dissemination activities to promote infrastructure finance, and carry out environmental assessments; (f) provide technical advisory services to the Private Infrastructure Committee (PICOM) (the body created under the Prime Minister's Office to oversee all private sector projects) in the area of policy and regulatory reform, awareness creation, capacity building, project pipeline monitoring and evaluation and preparation of standard contract documentation and in assisting the Recipient's ministries to implement the Private Sector Infrastructure Guidelines.

The fourth, fifth and sixth activities of the **Technical Assistance** component of the project were revised by the second and fourth restructuring of the project, to read as follows: (d) provide technical advisory services to *Bangladesh Bank and other relevant government agencies* to facilitate the development of a framework for building capacity to manage private-public partnerships in infrastructure and for fostering policy, regulatory, and institutional reforms; (e) provide technical assistance to *Bangladesh Bank and other relevant government agencies* to assess infrastructure investment projects, carry out training and dissemination activities to promote infrastructure finance, and carry out environmental *and social* assessments and *mitigate environmental and social risks*; (f) provide technical advisory services to the *PPP Office and PPP Unit* in the area of policy and regulatory reform, awareness creation, capacity building, project pipeline monitoring and evaluation and preparation of standard contract documentation and in assisting the Recipient's ministries to implement the Private Sector Infrastructure Guidelines.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The project cost was estimated at appraisal at SDR34.9 million (US$50.0 million). The revised project cost, following the provision of additional financing of SDR167.7 million (US$257.0 million) at the first restructuring, was SDR202.6 million (US$307.0 million). The final revised project cost, following the cancellation of SDR14.9 million (US$20.0 million) for two infrastructure projects at the sixth restructuring, was SDR187.7 million (US$286.0 million). The actual disbursement at closing was SDR187.4 million (US$274.4 million).

Financing: The project was financed by the International Development Association (IDA) with an initial SDR34.9 (US$50.0 million) million financial intermediary loan (FIL) (Credit Number 4169-BD) in June 2006 and an additional SDR167.7 million (US$257.0 million) FIL (Credit Number 4693-BD) in June 2010.

Borrower Contribution: The PAD (page 56) estimated that the Government would contribute US$10.0 million, principally as co-financing for the first component of the project, Infrastructure Development Lending, and the participating financial institutions, US$45.2 million, The ICR (page 30) reports that the Government actually contributed US$60.0 million, and the participating financial institutions, US$190.0 million.

Dates: The project was approved in May 2, 2006 and became effective in August 24, 2006. The project was restructured six times: in April 20, 2010 (with a new Financing Agreement signed in June 7, 2010); August 23, 2012 (with the Amendment to the Financing Agreement signed in October 8, 2012); May 21, 2013 (with the Amendment to the Financing Agreement signed in May 30, 2013); February 10, 2014 (with the Amendment to the Financing Agreement signed in February 24, 2014); December 4, 2015 (with the Amendment to the Financing Agreement signed December 15, 2015); and, December 29, 2016. The project closed in December 31, 2016, five years after the original project closing date of December 31, 2011.

Restructuring: The first Level II restructuring of the project in April 2010: (a) provided additional financing of SDR167.7 million for the project; (b) revised the description of the fourth, fifth and sixth activities of the

Technical Assistance component of the project; and (c) extended the project closing date by three years from December 31, 2011 to December 31, 2014.

The second restructuring of August 2012: (a) imposed a cap on single sector lending by participating financial institutions at 50 percent of the total aggregate amount of IPFF loans; (b) revised the results indicators for the project; (c) reallocated funding between the first and second components of the project; and, (d) extended the closing date for the project by a year from December 31, 2014 to December 31, 2015.

The third restructuring of May 2013 introduced an alternative market interest rate index to be used to calculate the refinancing rate of IPFF loans under the project.

The fourth restructuring of February 2014: (a) further revised the description of the fourth activity of the Technical Assistance component of the project; (b) removed the 50 percent cap previously introduced on single sector lending by the IPFF to participating financial institutions for on-lending to investment projects; and, (c) revised the results indicators for the project.

The fifth restructuring of December 2015: (a) further reallocated funding between the first and second components of the project, and (b) extended the project closing date by a year from December 31, 2015 to December 31, 2016.

The sixth restructuring of December 2016 cancelled the SDR14.9 million for two infrastructure projects that would not incur the expenses in full before the project closing date of December 31, 2016. The two projects might be eligible for funding under the successor operation IPFF2.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The project was relevant to economic conditions and development priorities in Bangladesh at project appraisal in 2005. The country needed infrastructure services badly --- power shortages reduced GDP growth by 0.5 percent per year and industrial output by US$1.0 billion per year; port congestion impeded ready access to imports and imposed costs to the economy in terms of foregone exports; and, erratic public services hindered economic growth. The economy had relied on subsidized financing from international donors to construct the nation's infrastructure, but donor initiatives did not always produce sustainable results. The private sector had made important contributions to some sectors, including telecommunications, but remained generally untapped in the national infrastructure development effort. The financial sector could provide valuable financial resources, but the sector remained weak, with banks constrained by short-term assets and unable to engage in long-term finance.

The project continues to be relevant to economic conditions and development priorities in Bangladesh at project closing in 2016. The still low level of investment in infrastructure (about two percent of GDP) is a major impediment to higher growth in a country that, while it has crossed to lower middle-income status, remains one of the poorest in South Asia. To raise economic growth to 7.5-8.0 percent on a sustained basis (growth averaged 6.2 percent since 2010), the country would need to increase infrastructure investment to around 10 percent of GDP.

The project was aligned at appraisal with the Bank Group's Country Assistance Strategy (CAS) for Bangladesh for.FY2000-2003. The CAS supported four objectives: (a) to accelerate private sector-led growth; (b) to support an integrated approach to rural development; (c) to strengthen the Government; and (d) to build institutions. The project was aligned with all four CAS objectives.

The project continues to be aligned at closing with the Bank Group's proposed Country Partnership Framework (CPF) for FY2016-2020. The CPF is supportive of the country's national goals as articulated in the country's Seventh Five Year Plan, with CPF activities directed at three focus areas: (a) growth and competitiveness --- remove barriers to growth by supporting increasing access to electricity supply, improving transport connectivity, strengthening service delivery in local government, strengthening financial sector efficiency, and enhancing the business environment; (b) social inclusion --- consolidate the equity and access gains in health and education, address the challenges in higher education and skills development, social protection coverage, access to clean water and sanitation, and rural livelihood opportunities; and, (c) climate and environment management --- boost resilience to natural disasters, manage water and natural resources, modernize agriculture and promote productivity with climate smart technology. The project is aligned with the first CPF focus area.

Rating
High

b. Relevance of Design

The overall design of the project was broadly aligned to the project's objectives.

The project development objective --- to supplement the resources of the financial markets to provide term finance for infrastructure investment projects and to promote the role of private sector entrepreneurs in the development of infrastructure --- was clearly stated.

The Results Framework for the project followed a logical chain from component activities to outputs and outcomes, and to the PDO. Financial intermediary lending by the Government of the IDA resources to the IPFF would encourage domestic financial institutions to use the IPFF and thereby increase the amount of long-term debt finance for infrastructure projects. Incremental debt finance would, in turn, increase the stock of infrastructure in the country, including notably energy and power. Moreover, the provision of technical assistance to the Government and to the private sector would enhance the technical and institutional capacity of the Bangladesh Bank to review infrastructure projects, the financial institutions and their trained staff to analyze infrastructure projects, and the project sponsors and the Department of Energy to undertake environmental assessments of infrastructure projects.

These outputs should result in the achievement of the PDO as evidenced by the following outcomes: greater investment in infrastructure; more long-term debt finance for infrastructure from the IPFF, the Government, and the financial institutions; and, more equity finance for infrastructure from the private sector.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
To supplement the resources of the financial markets to provide term finance for infrastructure investment projects.

Rationale
Outputs

The IPFF funded: 12 power generation and distribution projects; three port development and inland container terminal projects; three industrial water treatment plant projects; two nationwide optical fiber telecommunications network projects; and one tertiary-level general hospital project.

The project fully met its output targets for lending for infrastructure investment.

- Long-term debt financing for infrastructure projects increased by US$320.14 million by the project closing date in December 2016, exceeding the target of US$294.0 million (the baseline value was zero in 2006).
- The number of financial institutions using the IPFF was 16, exceeding the target of 15 (the baseline value was 10).
- The percentage of financial institutions maintaining their eligibility with the Bangladesh Bank as IPFF lending institutions was 100 percent, meeting the target (the baseline value was zero percent).
- The project added 589 megawatts (MW) of electricity to the national capacity, exceeding the target of 240 MW (no addition was made to the national capacity in the baseline).

Apart from raising the amount of term lending for infrastructure, the project enabled the financial institutions participating in the IPFF program to lower their loan rates (from 13 percent to nine percent) and to extend their loan tenors (from five to eight years).

Outcomes

The project substantially achieved the objective to supplement the resources of the financial markets to provide term finance for infrastructure investment projects.

- Total investment in infrastructure from all sources increased by US$828.57 million by the project closing date in December 2016, about 70 percent more than the target of US$490.0 million (the baseline value was zero in 2006).
- The total amount of debt and equity financing from the IPFF, the Government, and domestic financial institutions was US$554.05 million, about 57 percent more than the target of US$352.0 million (the baseline value was zero).
- The total amount of equity contributed by the private sector to the transactions supported by the IPFF was US$234.58 million, about 70 percent more than the target of US$138.0 million (the baseline value was zero).

Following the launch and operation of the IPFF, Bangladesh was able to draw and direct more financial resources at infrastructure investment, over and above those formally planned for and explicitly targeted by the project.

- The Government created the Bangladesh Infrastructure Finance Fund Limited (BIFFL) in 2011 as a non-bank financial institution to invest in large infrastructure projects including power and energy, ports, connectivity, tourism, and economic zones. The BIFFL is owned by the Ministry of Finance and capitalized at BDT19.4 billion (US$239 million).
- The Asian Development Bank (ADB) provided a US$110.0 million loan to Bangladesh in 2014 to fund the Second Public-Private Infrastructure Development Facility of the state-owned Infrastructure Development Company Ltd. (IDCOL), in part due to the success of the IPFF (ICR, page 19).

Rating
Substantial

Objective 2
Objective
To promote the role of private sector entrepreneurs in the development of infrastructure.

Rationale
Outputs

The project delivered: 15 domestic training programs to 489 participants; 47 foreign training programs to 230 participants; and, 18 workshop programs with 855 participants.

The project met its output targets with regard to technical assistance.

- The percentage of infrastructure projects reviewed for project eligibility on behalf of Bangladesh Bank was 100 percent, meeting the target (the baseline value was zero percent).
- The number of staff at participating financial institutions trained to undertake the financial analysis of infrastructure projects was 274, exceeding the target of 180 (the baseline value was zero).
- The percentage of financed infrastructure projects that were subject to environmental assessments by the Department of Energy was 100 percent, meeting the target (the baseline value was zero percent).

Outcomes
The project substantially achieved the objective to promote the role of private sector entrepreneurs in the development of infrastructure. Although neither the PAD nor the Restructuring Papers defined any explicit indicators to measure the achievement of this objective, this ICR Review concludes that the objective was substantially attained based on the following evidence (ICR, pages 18-19).

- With the delivery by the project of domestic and foreign training activities and workshops, including by the Bangladesh Bank on the IPFF, the Infrastructure Investment Facilitation Center (IIFC) on the Private Sector Infrastructure Guidelines, and the Bangladesh PPP Authority on PPPs, the project was able to build a robust community of infrastructure PPP practitioners in Bangladesh.
- The infrastructure PPP practitioner community consisted not only of private entrepreneurs and prospective investors, but also of bankers and financial analysts at domestic financial institutions, environmental specialists at consulting firms, and public officials and personnel at Government ministries and agencies. The practitioners gained experience in private sector infrastructure with the development, analysis, and financing of the 21 infrastructure projects supported by the IPFF.
- The "ecosystem for private sector-led infrastructure development" was supported by the public institutions created under the project to support the IPFF, including the IIFC, the PPP Authority, and, at each pertinent line ministry and agency, a PPP Unit (including notably the PPP Unit at the Ministry of Finance) that served as a focal point for engaging the private sector in infrastructure development and investment.
- At the policy and national development program level, the activities of the infrastructure PPP practitioner community were guided by the inclusion of PPP program targets in all key sectors of the economy in the 7th Bangladesh Economic Plan for FY2015-16 to FY2019-20.
- Private investment in infrastructure and the PPP practitioner community was expected to be nurtured further with successor operation to the IPFF Project, IPFF II (approved by the Bank Board in April 2017), as well as with the offshoot programs supported by the new Government-backed Bangladesh Infrastructure Finance Fund Limited (BIFFL) and the ADB-financed Infrastructure Development Company Ltd. (IDCOL).

Rating
Substantial

5. Efficiency

Economic Efficiency

The PAD (pages 28-29) did not compute an economic rate of return (ERR) or financial rate of return (FRR) for the project, beyond enumerating the expected macro-economic benefits from providing term finance for infrastructure projects and from extending technical assistance to the Government, financial institutions and private entrepreneurs for infrastructure development (pages 3-4).

The PAD did not compute and ERR or FRR for the sub-projects to be financed by the on-lending operation either, as the sub-projects were to be selected during project implementation.

The ICR (page 20) offered as a measure of the project's economic efficiency a cost effectiveness metric: for every US$1.0 of long-term debt financing disbursed by the IPFF for infrastructure projects, approximately US$2.5 of investment in infrastructure was generated from all sources (the IPFF, the Government, financial institutions, and the private sector).

The ICR also cited the following economic and financial returns --- all positive --- from the sub-projects supported by the on-lending operation:

- The internal rates of return (IRR) ranged from seven to 29 percent.
- The return on equity (ROE) ranged from six to 115 percent.
- The return on assets (ROA) ranged from six to 156 percent.
- The net profit margins ranged from 14 to 59 percent.

Operational Efficiency

The project disbursed 99.8 percent of the project funds allocated for the first component of the project, Infrastructure Development Lending, and 99.25 percent of the funds allocated for the second component, Technical Assistance, by the project closing date in December 2016.

Practically all of the sub-projects supported by the on-lending of the project funds by participating financial institutions, except one, were implemented on schedule.

These final results, however, mask the fact that implementation progress was rated Moderately Unsatisfactory between late 2011 and early 2014 (ICR, page v). It also does not reflect the fact that delays in the implementation of two infrastructure projects necessitated the cancellation of US$20.0 million of undisbursed project funds in December 2016 (ICR, page 11). For these reasons, the efficiency of the project is rated Substantial, rather than High.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The outcome for the project is rated as Satisfactory. There were only minor shortcomings in the operation's achievement of its objectives, in its efficiency, and in its relevance.

The relevance of objectives is rated High. The relevance of design is rated Substantial.

The efficacy of the project is assessed as Substantial.

The efficiency of the project is assessed as Substantial.

a. Outcome Rating

Satisfactory

7. Rationale for Risk to Development Outcome Rating

The risks to the sustainability of the project's development outcome are assessed as Moderate.

Political risk: Future changes in administration (Bangladesh will hold its next elections in 2019) pose the risk that political commitment to the objectives and outcomes of the IPFF Project could falter or weaken. The risk could be mitigated by the Bank continuing its country dialogue with, and lending to, Bangladesh on infrastructure development, private sector development, and financial sector development, including through the planned follow-on project IPFF II (P159429) (ICR, pages 13-14).

Private institutional risk: The development of private infrastructure projects will depend on the continued active participation of the private sector in infrastructure investment. The record under the IPFF Project indicates that private sector interest will likely continue, and into IPFF II. In addition, Power Purchase Agreements, which were used in the project, will need to be deployed and further developed in IPFF II and beyond.

Financial risk: All future infrastructure investment in Bangladesh will depend on the availability of long-term financing for infrastructure projects, including external and domestic financing. On external financing, the follow-on project IPFF II will help address the risk, at least in the short to medium term and over the life of IPFF II. On domestic financing, the development of the country's capital markets is still in its early stages. However, the decision by private financial institutions to form syndications to finance infrastructure projects should help to begin to mitigate the risk.

a. Risk to Development Outcome Rating

Modest

8. Assessment of Bank Performance

a. Quality-at-Entry

The project was subject to a Quality at Entry Assessment in FY2006-2007 (QEA8), having been included in the eighth in the series of assessments of quality at entry of new loan and credit approvals aimed at increasing accountability and enhancing learning for improved outcomes of Bank operations. The QEA8 rated the strategic relevance and approach, technical, financial, and economic aspects of the IPFF Project as Satisfactory; the policy and institutional aspects, poverty, gender, and social development and environmental aspects as Moderately Unsatisfactory; the Bank inputs and processes as Moderately Unsatisfactory; and, the overall project as Moderately Unsatisfactory.

Many of the findings of the QEA8 are included in the following assessment of Bank performance in quality at entry. The strengths of the project at entry were:

- The Bank designed a project that addressed the problems associated with the infrastructure deficiency in Bangladesh, principally the lack of long-term finance for infrastructure development and the low contribution of the private sector to infrastructure investment.
- The Bank organized an experienced and committed team to develop the project, at a challenging time and in a difficult environment for doing business in Bangladesh.
- The Bank conducted extensive consultations and workshops with all key stakeholders to raise awareness of the project among the stakeholders and to elicit inputs from the stakeholders, according to accounts relayed by the first Bank Task Team Leader of the project.
- The Bank considered the lessons learned in previous Bank operations in the country, the Financial

Institutions Development Project (FIDP) and the Private Sector Infrastructure Development Project (PSIDP), and from other Bank sponsored infrastructure funds in South Asia.
- The Bank considered mitigation measures for seven key risks identified at appraisal, including for two risks which were considered substantial (vested interests, and the erosion of standards in the financial sector)

The weakness of the project at entry was:

- The Bank relied too heavily on Bangladesh Bank, the implementing agency of the project, as the principal institution to advance infrastructure development and infrastructure finance in the country. While the decision may have been justified with a view of implementing the project most effectively and efficiently (considering the strong credibility of institution), it would ultimately raise the issue of whether the country's central bank was best suited for this purpose (see Section 7).

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision
The Bank worked to maximize the development impact of the IPFF during project supervision, initiating the second restructuring to scale up the project from a US$50.0 million to a US$307.0 million operation, and to broaden the sectors covered by the IPFF to include the social sectors (health and education) and the information technology sector.

The Bank was proactive in identifying issues confronting the project and in working with the Bangladesh Bank to find solutions to operational problems. Finding that the IPFF facility reference rate had discouraged wider participation in the project by financial institutions and investors, the Bank arranged a mission to review the interest rate options available to the project, ultimately leading to a decision to use the weighted average deposit rate in the banking sector as the new IPFF reference rate.

Technical, safeguard, and fiduciary teams from the Bank provided regular support to the operation. The operational support became more critical as the size of the project was scaled up. There were some issues with procurement processing response times and initial uncertainty with the Bank's "no objection" procedure, but these were ultimately cleared up.

The supervision teams produced 19 Implementation Status and Results Reports (ISRs) over the ten-year life of the project, the average two per year for Bank operations. The ISRs were deemed informative, detailed, and candid (ICR, page 24). The supervision teams also prepared clear and detailed Aide Memoires that evidenced regular consultations and collaborative supervision activities with the Government.

The Bank TTL for the project was field based, worked closely not only with Bangladesh Bank but more importantly with infrastructure project sponsors, and visited project sites on a regular schedule.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Satisfactory

9. Assessment of Borrower Performance

a. Government Performance
The Government was strongly committed to the project at appraisal, committing US$10.0 million of its budgetary resources as counterpart funding to the IPFF for infrastructure project co-financing purposes. The Government maintained its commitment to the project at implementation, scaling up its commitment in counterpart funding to the IPFF by six times to US$60.0 million, as the project was was scaled up by six times its original size.

Implementation arrangements were dutifully established. There were appropriate levels of review and approval of project activities. Financial accountability was observed, with expenditures duly authorized before they were incurred. Documents were well maintained, and made available for periodic review.

However, the Project Steering Committee was not able to meet regularly as planned. Headed by the Secretary of Finance, and including representative from the Economic Relations Division, the Finance Division, and the Board of Investment, the committee was tasked with policy coordination.

Government Performance Rating
Satisfactory

b. Implementing Agency Performance
The central bank, the Bangladesh Bank, acted as the implementing agency of the project. The Bangladesh Bank ably coordinated the activities of other Government agencies participating in the project. The staff at Bangladesh Bank were competent and there was little turnover of the project personnel. The project staff progressively built up the implementation capacity of Bangladesh Bank as the project was scaled up include greater resources and to cover more sectors other than the power sector.

The Bangladesh Bank was also responsible for oversight of the financial institutions participating in the project, for which its monitoring and evaluation systems were strong. The agency distilled its infrastructure project and infrastructure finance experience in an Operations Manual that was expanded and improved over the life of the project.

The other Government agencies contributing to the project, including the Ministry of Finance, the Board of

Investment, and the Planning Commission, also performed well under the project, delivering on capacity building for infrastructure development. In particular, the Infrastructure Investment Facilitation Center (IIFC) enabled and supported the competent technical review of proposed infrastructure projects.

Implementing Agency Performance Rating

Satisfactory

Overall Borrower Performance Rating

Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The PAD (pages 24 and 44-46) defined an M&E design anchored on a single indicator to measure the PDO-level outcome of the project --- the increase in the number of public-private partnerships (PPPs) in infrastructure.

The M&E plan assigned the primary responsibility for M&E implementation to Bangladesh Bank, which was to track progress with the project biannually. The Bangladesh Bank would also monitor and identify bottlenecks in the implementation of the Private Sector Infrastructure Guidelines during the first year of IPFF project implementation and discuss any implementation bottlenecks with the Ministry of Finance. Moreover, if the target to approve two infrastructure projects by the Mid-Term Review were not achieved, the Government would need to review the IPFF approach altogether, and cover all private sector investments in the economy and not only private sector investment in infrastructure.

b. M&E Implementation

The Bank and the Government used the series of project restructurings to redefine the indicators by which to measure the PDO-level outcome of the project.

- “The total investment in infrastructure”, with the target set at a cumulative US$490 million by the project closing date, replaced the original sole outcome indicator “The number of public-private partnerships (PPPs) in infrastructure”, with an original target of two PPPs.
- “The total amount of equity and debt financing from the IPFF, the Government and local financial institutions”, with the target set at a cumulative amount of US$352 million, was added as a second outcome indicator.
- “The total amount of equity from private sector entrepreneurs on transactions supported by the IPFF”, with the target set at US$138 million, was added as a third outcome indicator.

The restructuring also redefined the indicators to measure the outputs of the two project components.

- "The long-term debt financing from the IPFF", with the target set at a cumulative US$294.5 million by the project closing date, replaced the original output indicator "Private sector infrastructure investments realized using the IPFF, including contributions from the participating financial institutions, the Government and project sponsors" for the first component.
- "The number of domestic financial institutions using the IPFF" was retained as an output indicator for the first component, but the target was raised from an original three financial institutions to a revised ten financial institutions". Similarly, "The percentage of participating financial institutions that maintain eligibility (with the IPFF)" was retained as an output indicator for the first component.
- "The megawatts of additional electricity added to the national capacity", with a target of 240 megawatts, was added as an output indicator for the first component of the project. The project would eventually fund 12 power generation, transmission, generation and services projects with US$209.3 million of the project funds (three fourths of the total), so the added output indicator was appropriate.
- "The number of PPPs that follow Private Infrastructure Committee (PICOM) guidelines was dropped as an output indicator for the second component of the project.
- "The percentage of infrastructure projects financed under the IPFF for which environmental assessments are undertaken in coordination with the Department of Energy", "The percentage of projects reviewed for which effective guidance is provided by the Bangladesh Bank", and "The number of staff trained" (to measure the increased capacity of financial institutions participating in the IPFF to undertake financial analysis of infrastructure projects) were retained as output indicators for the second component.

Overall, the M&E was implemented as planned. The outcome and output indicators for the project were tracked biannually. The Bangladesh Bank prepared progress reports and submitted them to the Bank regularly, providing information on the utilization of the IPFF and including assessments of the technical assistance activities of the project. The Bangladesh Bank also worked to ensure that participating financial institutions prepared regular loan portfolio management reports and verified the status of funded infrastructure projects by conducting semi-annual on-site visits of the projects.

In addition, three beneficiary results surveys were completed, the first to collect information from the financial institutions participating in the project, the second, from sponsors of projects that were funded, and the third, from sponsors of projects that were not funded.

c. M&E Utilization

Data collected during M&E implementation were utilized to motivate the series of restructurings of the project. Apparent deficiencies with the original results indicators designed for the project were revised twice, at the second and fourth restructuring. When utilization of the IPFF funds slowed and problems with the use of the IPFF reference rate were identified (the Treasury bill rate rose steeply in 2010), the Bank arranged for a review of the alternatives and the Bank and the Government subsequently settled on a new market-based reference rate (the average weighted bank deposit rate). As the pipeline of power project proposals hit the single sector exposure limit, the Bank and the Government agreed to remove the exposure cap.

The beneficiary results surveys provided useful feedback on the design and conduct of the project. In the Participating Financial Institutions (PFI) Beneficiary Survey, lenders thought, among others, that: (a) the demand for PPP projects was high, and highest in the electricity sector; (b) the lack of qualified personnel posed the main obstacle to developing more PPP projects; (c) the lack of a one-shop service for obtaining regulatory approvals and technical assistance related to feasibility studies was also a serious constraint; (d) the asset-liability maturity mismatches in banks allowed room for the intervention offered by the IPFF; and, (e) banks were redesigning their organizational structures and considering further staff training to handle PPP projects. In the Project Sponsors Survey, the project proponents thought that: (a) projects in the electricity sector were most attractive; (b) the challenging regulatory environment posed the main obstacle to developing more PPP projects; (c) projects sponsors had the personnel to undertake feasibility studies, but needed more training; (d) the Bangladesh Bank and the project sponsors performed well under the project; and, (e) the project sponsors would have pursued their IPFF-supported projects anyway but would have taken longer to complete them, implying that the principal value of the IPFF was that it enabled Bangladesh to more quickly undertake and complete infrastructure PPP projects than if the facility did not exist.

M&E Quality Rating
Substantial

11. Other Issues

a. Safeguards
Environmental and Social Safeguards: The project was classified as an Environmental Category FI at appraisal and triggered Bank safeguard policies OP 4.01 (Environmental Assessment) and OP 4.10 (Indigenous Peoples).

As required for Financial Intermediary (FI) operations, an Environmental Management Framework (EMF) was agreed upon to support the process of environmental review, clearance and monitoring of projects to be financed by the IPFF. Based on the Country Environmental Analysis completed earlier for Bangladesh, it was agreed that the national Environmental Assessment (EA) capacity was insufficient for the purposes of the IPFF. Consequently, the EAs of investment projects under the IPFF would be subject to review and approval by the Bank. In addition, the IPFF would not support investment projects that: had activities in the IFC/MIGA exclusion list; entailed involuntary resettlement, as defined under OP 4.12; or, included activities under protected areas. To assist in the preparation of investment proposals for the IPFF, the Infrastructure Investment Facilitation Center (IIFC) would contract for EA services on behalf of project promoters. Technical assistance would also be provided to establish a safeguards function within the IIFC.

The project eventually funded 21 infrastructure investment sub-projects, three of which were Environmental Category A sub-projects. At the completion of the project, it was determined that the project had complied with Bank environmental safeguards requirements, notwithstanding capacity constraints with the conduct of environmental assessments in Bangladesh and delays in the issuance of safeguards clearances to some IPFF projects. Some Environmental and Social Impact Assessment (ESIA) documents were of poor quality and required several rounds of reviews by the Bank safeguards team. For IPFF projects submitted either for refinancing or at the late stage of construction, legacy issues associated with work already completed required reviews in the form of environmental audits. Some industrial projects also required technical information from entrepreneurs and had to be subject to a more stringent and integrated review process. These difficulties were anticipated early on, with the recognition that Bangladesh needed capacity development in environmental risk assessment and management (PAD, pages 86-89). The issues were gradually addressed in the course of project implementation, eventually earning a determination that compliance with safeguards arrangements was satisfactory (ICR, page 15).

b. Fiduciary Compliance

Procurement: The procurement of works, goods and technical services followed Bank procurement guidelines. The Deputy General Manager of the Bangladesh Bank was responsible for procurement, assisted by two Deputy Directors. All three officials completed formal procurement training. Because some of the procurement activities for the IPFF projects were complex, the Bank and the Bangladesh Bank had to undertake procurement reviews based on core principles. The Infrastructure Investment Facility Center (IIFC), acting as technical adviser to the Bangladesh Bank, also produced procurement assessments.

Financial Management: The project complied with Bank fiduciary requirements. As the withdrawal of the credit proceeds were rules-based (i.e., the credit proceeds were to be released if the IPFF met pre-determined criteria, set at various stages of the investment cycle), fiduciary risks were considered to be generally low. Notwithstanding, the project maintained adequate financial management systems, including for disbursements. Internal control arrangements were also in place. In addition, the Bangladesh Bank created an Internal Audit Department that reported directly to the Governor. There were no overdue interim financial reports and no overdue internal audit reports.

Independent audits were carried out by an internationally affiliated firm in compliance with international standards. The auditors issued an “unqualified audit opinion” on the financial statements, indicating that the statements gave a true and fair view of the financial state of the project.

c. Unintended impacts (Positive or Negative)

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d. Other

No other issues were raised by the ICR.

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Satisfactory	Satisfactory	---
Borrower Performance	Satisfactory	Satisfactory	---
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

Four lessons are drawn from the ICR (pages 26-29), with some adaptation.

Building the framework for private activity is most important when aiming to draw the private sector into infrastructure development. The IPFF correctly focused on creating the enabling environment for private investment in infrastructure by strengthening the Government's capacity to procure public private partnerships, enhancing the financial institutions' ability to analyze project proposals, and improving all of the parties' contract management and project implementation skills. The choice and design of individual projects would be less a central focus of the Government and left instead to private sponsors and private financial institutions, acting in response to market demand and within the parameters of the infrastructure PPP and infrastructure finance program established by the IPFF.

Projects promoting private sector investment in infrastructure benefit from private sector participation in project preparation. Engaging the private sector early during project preparation enabled the project planners of the IPFF to better gauge the demand for infrastructure term finance in Bangladesh. They were also able to identify a pipeline of projects in the power, transport, and communications sectors that could qualify for IPFF financing (a list of 13 projects was included in an annex to the PAD). In turn, potential private sector entrepreneurs gained an early understanding of the structure and terms of the financing facility, the guidelines for works and goods procurement, and the regulations for environmental and social risk management.

Institutional credibility and good governance matter for effective project implementation. Simply creating and infrastructure fund would not be sufficient to spur private sector investment in infrastructure without a credible institution that would assure that selected projects were economically justified and technically sound, that financing was above board, and that works and goods were transparently and competitively bid. Neither would technical assistance be fruitful absent good governance principles and practices. For this reason, the project planners bucked the criticism that Bangladesh Bank was not suitable as the executing agency of the project, considering it was the most, if not the only, credible economic institution in the country, with most state-owned financial institutions plagued by governance issues.

Technical assistance for environmental risk assessment and management is necessary in many project settings in Bangladesh. As in many other developing areas, private entrepreneurs and financial institutions in the country do not have the capacity to undertake environmental and social risk assessments; the private environmental consultancy industry is poorly developed; and, there is scant awareness of environmental and social issues at the project level. There are no technical experts to review technology projects; compliance monitoring and enforcement by government agencies is weak; and, there is little environmental sustainability evaluation done at the end of a project. The IPFF correctly placed a strong emphasis on building the capacity for environmental and social risk assessment and management in infrastructure through the TA component of the project.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The assessment of the project results is evidence-based. The ICR provides a useful summary of the achievement of the project objectives (pages 17-19) and a complete list of the results of the output and outcome indicators (pages iv-v). The ICR lists the 21 power, port, water, information technology and social sector projects funded by the IPFF, detailing the project titles and locations, the financial institutions providing the term lending, as well as the amount of the financing contributed by the project funds (IDA credit) and by the Government (pages 31-32). The ICR also list the 80 technical assistance activities supported by the project, including local and foreign training and workshop programs, their organizers, location, duration, and the number of participants involved (pages 33-37).

The analysis of project design and implementation issues is candid. The ICR credits the project planners for drawing useful lessons from two previous Bank operations in Bangladesh, the Financial Institutions Development Project (FIDP) and the Private Sector Infrastructure Development Project (PSIDP), with their emphasis on governance and institutional credibility (pages 11-12). Similarly, the ICR lays out the findings of the formal quality review done of the project design (the QEA8 of October 2007) which rated the quality at entry as Moderately Unsatisfactory overall, with a particular criticism on the use of the central bank as the executing agency of the project because of the underlying conflict between the role of Bangladesh Bank as a central bank and the directed credit strategy of the project (pages 23-24).

The ICR offers a comprehensive record of the project. With the project restructured six times over ten years, the ICR provides an informative tally of the revisions made to the scale and scope of the project, including changes to the results indicators, the funding and funding allocations, and the implementation arrangements (pages 6-11). It appears, however, that the ICR missed listing the fifth restructuring of December 4, 2015 (with the Amendment to the Financing Agreement signed December 15, 2015), which reallocated funding between the first and second components of the project and extended the project closing date by a year to December 31, 2016 (page vi and page 11).

The ICR (page 21) claims that the creation of the Bangladesh PPP Authority was a positive unintended consequence of the project. This is a minor shortcoming of the report. According to the ICR itself (page 19), the project provided technical assistance for the establishment of the PPP Authority and financed operating expenses to accelerate its operationalization.

a. Quality of ICR Rating

Substantial