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## PROGRAM CONCEPT NOTE

### A. GENERAL INFORMATION

#### 1. Proposed activity

a. Program title: **Scaling up Bangladesh PPP Program – Pipeline Assessment, Enabling Framework and Capacity Building**

b. Geographic scope: Country-specific      South Asia      Bangladesh

c. Sector: Multisector

e. Regional Portfolio Coordinator and/or sector specialist:

Juliana Bedoya Carmona (Regional Portfolio Coordinator )  
Satheesh Kumar Sundararajan (Senior Infrastructure Financing Specialist)

f. TTL (name, title and unit): **Neeraj Gupta**  
**Principal Investment Officer**  
**IFC Public Private Partnerships Advisory Services - South Asia**

The Bangladesh PPP program will be currently supported by the following IFC Public Private Partnerships Advisory Services team members.

#### Core Team Members

- |  |                    |
|--|--------------------|
| o Investment officer & Country coordinator | Prakash Bajoria    |
| o Investment analyst                       | Aditi Bhattacharya |
| o Portfolio officer                        | Rachel Jacob       |

#### Sector Specialist (Indicative team):

- |  |                                     |
|--|-------------------------------------|
| o Economic zones and real estate         | Isabel Marques De Sa                |
| o Airport operations and cargo terminals | Ramatou Magagi                      |
| o Port and harbor operations             | Laurent Fremy                       |
| o Water and wastewater utilities         | Nicola Saporiti                     |
| o Waste treatment and management         | Bernard Atlan                       |
| o Renewables                             | Shobana Venkataraman                |
| o Power transmission and distribution    | Martin Sobek                        |
| o Environmental and social               | Isabelle Paris                      |
| o PPP upstream work                      | Adriana de Aguinaga de Vellutini    |
| o Indicative Financing                   | Satheesh Kumar Sundararajan (PPIAF) |

g. Client government partner(s) (name, title, contact information):

It is envisaged at this stage that the following client Government partners will be benefitted by the PPIAF supported Bangladesh

PPP Program.

Government Partner - Ministry/Department	Key Contact Person	Email -id
1. Prime Minister's Office	Md. Abul Kalam Azad, Senior Secretary	--
2. Public Private Partnership Office; Prime Minister's Office	Syed Afsor H Uddin, CEO	ceo@pppo.gov.bd
3. Bangladesh Economic Zones Authority; Prime Minister's Office	Paban Chowdhury, Executive Chairman	exe.chairman@beza.gov.bd
4. Civil Aviation Authority of Bangladesh; Ministry of Civil Aviation and Tourism	Mahmud Hussain, ndc, psc; Chairman	caab@bracnet.net
5. Ministry of Shipping	Syed Monjural Islam, Secretary	secretary@mos.gov.bd
6. RAJUK; Ministry of Housing & Public Works	M. Emdadul Islam, Chief Engineer	emdadul_islambd@yahoo.com
7. Power Division; Ministry of Power, Energy & Mineral Resources	Tapas Kumar Roy, Additional Secretary	taposk_roy@yahoo.com
8. SREDA; Ministry of Power, Energy & Mineral Resources	Siddique Zobair, Joint Secretary	siddique.zobair@gmail.com
9. Power Cell; Ministry of Power, Energy & Mineral Resources	Mohammad Hossain, Director General	dg@powercell.gov.bd

## 2. Funding information

a. Amount requested: **USD 400,000**

b. Co-financing amount: USD 50,000

c. Co-financing sources: Various donor partners have been identified such as DeVCo and Australia's SDIP

## B. PROGRAM DESIGN

### 3. Background information (please provide information regarding needs assessment and key development challenges)

Bangladesh, an IDA country, with an estimated population of around 160 million, suffers from chronic underdevelopment of key infrastructure, thereby impeding the country's GDP growth. It has been ranked 134 out of 148 economies for inadequate supply of infrastructure as per the World Economic Forum Global Competitiveness Index 2013-14, and ranked 130 out of 189 on the ease of doing business as per World Bank Group study on Doing Business 2014.

Bangladesh has witnessed more than 6.0% average economic growth in the past ten years; however it has not been enough to provide better living conditions for a majority of the population which still faces poor living conditions. Currently, most of the infrastructure development and services are being provided by public sector entities who are grappling with shortage of funds, low efficiency, minimal governance and lack of transparency.

As per the Sixth Five Year Plan (2011-2015) of Government of Bangladesh (GoB), the aim is to develop a holistic framework for Bangladesh to enable acceleration of growth and reduction of poverty, thereby leading to enhanced social and economic development of the country. The goal was to build on Bangladesh's enviable growth record averaging around 6.0% over the last decade and enhance this rate of growth even further to realize the vision of transforming Bangladesh into a middle income country by the year 2021. In order to achieve this vision, the country has to reach 8.0 - 10.0% year on year economic growth which will only result when the country increases the investment-GDP ratio to around 32.0% from the current 19.5% (2012-13), amongst other factors. As, GoB funding alone cannot address the need for major and sustainable development in infrastructure,

GoB has to explore alternative options of investments such as Government to Government (G2G) funding and Public Private Partnerships (PPPs) to supplement public financing to meet the infrastructure gap. The Sixth Five Year Plan targets around 2.0% of GDP in PPP related investments during the initial years, reaching a peak of around 6.0% of GDP by the end of the plan period though not much has been achieved so far. By attracting private sector investments in public service areas which are commercial viable, the GoB will be able to better leverage public funds and channel these into other important socio-economic development areas that previously would not have been possible. Thus, the PPP initiative has to be prioritized to develop the essential socio-economic infrastructure which will enhance the quality of services and reduce the strain on the government budget including other much needed core infrastructures to grow the economy.

Though the GoB has been a relatively late starter, it recognizes the importance of PPPs to develop the much needed infrastructure and has taken a number of initiatives such as the creation of the Public Private Partnership Office (PPP Office) under the Prime Ministers Office; setting up of financing mechanisms such as the Bangladesh Infrastructure Finance Fund to provide co-financing to large PPP infrastructure investments; a technical assistance fund under the management of the PPPO; a Viability Gap Facility under management of the PPP unit, Ministry of Finance; and creating a pipeline of PPP projects.

However, the overall capacity of the GoB to initiate, execute and manage PPP projects is severely limited. Ad-hoc project identification, lack of necessary project design and preparation, inconsistent bidding process, poor project implementation, and unclear policy and regulatory framework has led to under performance. Moreover, inadequate capacity or plans to enhance capacity in line ministries to identify PPP projects is making the situation worse. Finally, major political economy issues hinder the overall development of the PPP program. Slow decision-making, vested interests, corruption and lack of transparency in bidding process are few examples.

To mitigate the above risks, the GoB needs a high level of hand holding to build GoB staff capacity, develop appropriate regulatory systems and build confidence in PPPs amongst the political system in order to successfully facilitate broader delivery of PPP projects in Bangladesh. The key decision makers, through PPP advocacy sessions and by creating awareness needs to be sensitized to take into considerations issues to be addressed during PPP project design and implementation. The projects to be identified for PPP should involve all the concerned departments at every stage so that the departments are fully supportive of the project and are prompt on making key project decisions. The process to screen projects, to undertake various studies for initial assessment for PPP viability etc. should be done in a streamlined manner following a due process.

#### 4. Program goal and objectives

*The goal of the program is to create an enabling policy and regulatory environment which will help to develop a shelf of PPP infrastructure projects across sectors that support sustainable economic growth and equitable access to basic services, which the GoB would be able to implement with its own capacity and knowledge over a period of time.*

**To attain the goal, the key objectives of the program in the short term are:**

1. Scoping activities to identify potential bankable PPP opportunities in areas such as economic zones, energy (generation - renewables and non-renewables, and transmission), transportation including airports, water, sanitation, housing, solid waste handling and other physical infrastructure;
2. Support the GoB in the preliminary assessment of potential infrastructure projects, and develop a pipeline of projects which can be implemented on a PPP model. The preliminary assessment will include undertaking pre-feasibility studies of the proposed infrastructure projects which will include but not limited to assessment of site, demand, supply, market, competition, players, technical, infrastructure, financial, economic costs and benefits, and environmental and social;
3. Identify constraints or limitations, if any, in PPP policy and regulatory framework related to both cross-sectoral PPP authorizing environment as well as sector-specific issues;
4. Address key areas which will make PPP projects attractive both for the GoB and the private investors; few suggested areas are limitations in financing, bankability of projects, guarantees by Govt., Viability Gap Funding, political risk cover etc.;
5. Interact with private sector to understand their interest and appetite for such PPP projects;
6. Prepare a Project Evaluation Report for each identified project that will summarize the due diligence undertaken and

will make recommendations on:

- whether or not to implement the project under a PPP scheme
  - required actions to be taken to take the project forward i.e. preparatory steps to start the project development activities
  - identify road map for project implementation
7. Interaction with Government officials in relevant line departments for PPP advocacy and capacity building on principles of formulating, structuring and executing PPP projects in target sectors; and
  8. Explore ways to partner with other multilaterals/bi-laterals/donor agencies that already have existing technical assistance programs in the country for convergence of resources and optimally achieve development objectives of the country.

***The ultimate long term goal is to attract substantial investments through PPP mode in social and economic infrastructure. This goal will contribute to the acceleration of growth and reduction of poverty, thereby leading to enhanced social and economic development of the country to realize the vision of transforming Bangladesh into a middle income country by the year 2021.***

5. Please describe the program's main components and expected contributing activities in the order in which these are expected to be implemented (timeframe). We encourage you to use graphs and other visual aids when possible.

The program is expected to be implemented in one phase, with some identified as short term activities and some as medium term activities. The program is also categorized into activities that support the GoB in identifying and pre-screening specific PPP initiatives, and activities that assist in the development of their capacity through support for policy development as well as through direct training and workshops.

The key components and activities are described below:

BANGLADESH PPP PROGRAM IMPLEMENTATION FRAMEWORK		
PROGRAM DESIGN ( 3 months)		
<ul style="list-style-type: none"> <li>○ Identification of projects for which pre-feasibility assessment can be started</li> <li>○ Identification of policy and regulations that require interventions</li> <li>○ Identification of areas where capacity building and knowledge sharing is essential</li> </ul>		
ACTIVITY (15 months)		TIMELINES
<b>Component 1:</b> <b>Assessment of specific PPP initiatives</b>	<ul style="list-style-type: none"> <li>○ Scoping activities to identify PPP projects</li> <li>○ Preliminary technical and commercial viability assessment of infrastructure projects</li> <li>○ Preliminary identification of project risks including environmental and social issues</li> <li>○ Assess readiness of client and their capacity to implement the projects</li> <li>○ Interact with private sector to gauge their interest</li> <li>○ Prepare project evaluation report</li> </ul>	<ul style="list-style-type: none"> <li>○ For identified projects, within the first one year of project implementation</li> <li>○ At a later phase, similar activities would be carried out for other identified projects</li> </ul>
<b>Component 2:</b> <b>Policy and regulatory framework</b>	<ul style="list-style-type: none"> <li>○ Review and provide inputs to GoB on policy and regulatory framework based on project specific sectors</li> <li>○ Devise framework in areas of indicative financing, feed in tariff, treatment of unsolicited proposals etc.</li> </ul>	<ul style="list-style-type: none"> <li>○ Within the first one year of project implementation</li> </ul>
<b>Component 3:</b> <b>Capacity building</b>	<ul style="list-style-type: none"> <li>○ Sector specific PPP workshops</li> <li>○ PPP roundtable conferences</li> <li>○ Trainings and exposure visits</li> </ul>	<ul style="list-style-type: none"> <li>○ By March 2015</li> <li>○ By December 2015</li> <li>○ Various points of time during the program</li> </ul>

### **Component 1 – Assessment of specific PPP initiatives:**

IFC has been engaging with GoB to identify the key sectors which are high priority for private sector development. GoB has conceptualized projects in key sectors where they envisage private sector participation. Most of these are at the concept stage, and need preliminary evaluation to assess whether private sector would be forthcoming to invest in their development and whether these are prima-facie viable projects.

It is proposed that this component would involve business case preparation and screening key project concepts to assess their viability of development through private sector participation. At this stage, the following projects are being discussed some of which require an initial evaluation:

1. Development of economic zones
2. Modernization and expansion of the existing international airport at Dhaka, and development of a green-field airport at Dhaka in the medium term
3. Development of a green-field port terminal for bulk cargo in Chittagong
4. Development of water supply, sewerage, drainage system and solid waste management services for the new township in Purbanchal which is at the northern part of the Dhaka city
5. Development of an onshore LNG terminal in Chittagong which includes procurement of LNG

In due course of time, additional projects may be taken up for preliminary evaluation based on continuing discussion with GoB.

The specific tasks that this pre-screening and evaluation would involve, *inter-alia*, includes the following:

1. Preliminary evaluation of the business case for the development of the projects through PPP model
2. “Back of the envelope” analysis of the financial viability of the project and assessment of Government support required such as VGF, availability payment etc.
3. Impact of the project on tariffs and related affordability issues
4. Rapid assessment of the land/site for the project and flagging of any environmental and social issues therein
5. Rapid assessment of the enabling policy and regulatory framework and identification of gaps
6. Consultations with the private investors and other key stakeholders to solicit their views on the proposed project

***Timeframe*** – *It is expected that these activities will be carried out in the early phase of the program, within the first one year. However, similar activities could be carried out for other identified projects during the course of this program in the latter phase.*

### **Component 2 – Improving Policy and Regulatory framework(s):**

GoB has been relatively late in initiating a strategic PPP program. The PPP Office was established under the Prime Minister’s Office only three years back to lead the development of the PPP program. Since then, national level PPP enabling frameworks have been conceptualized with the assistance of the Asian Development Bank and the World Bank. However, significant challenges remain, particularly in addressing sector specific enabling frameworks as well as dealing with specific cross-cutting issues such as financing constraints, VGF etc.

#### **Component 2.1 – Identifying sector specific PPP issues leading to creating an enabling framework(s):**

This PPIAF supported program will identify gaps in policy and regulatory frameworks in specific sectors and assist the Government in the development of these frameworks. These could include sectors such as solar, where GoB has significant development plans and specific identified projects. The private sector is also forthcoming and submitting proposals for development of solar PV projects on land owned by them. However, GoB does not have a solar policy, a mechanism to assess and evaluate these proposals, and no regulatory framework for a “feed-in-tariff” or a price benchmark. One of the first activities under this component would be to provide support to the Government on these aspects.

#### **Component 2.2 – Enabling indicative financing:**

Financial closure of several projects in Bangladesh has been a challenge as the local financial markets are not well developed. Lenders’ due diligence during project preparation is minimal as the investors/winning bidders are given time to achieve financial closure after they sign the contract with the Government. The PPP Office is keen to explore mechanisms whereby the due diligence by lenders is advanced as part of the project preparation. The objective is to intensively consult with both investors and

lenders during project preparation, structure the project so that it is bankable, lenders are comfortable in at least providing letters of interest during the bidding process, and the investors are required to provide evidence of financial commitment at the time of bidding. PPIAF support for this initiative will involve two activities:

1. Development of mechanisms/policy paper on enabling this “indicative financing”. This will include consultations with GoB officials, private investors as well as lenders to identify ways and means whereby indicative financing could be committed at the time of bidding. It will also include conceptualization of the facility i.e. setting up levels of financing provided, nature and terms of the instrument, setting out criteria for type of projects to be supported, disbursement conditions, amongst other factors. The objective is that based on the inputs provided under this activity, GoB would develop a policy and/or issue guidelines as part of the PPP development process in this regard.
2. In parallel, support would be provided to test out this concept of indicative financing in 1-2 ongoing projects. These could include the solar PV PPP project that IFC is discussing with Power Division, Sustainable and Renewable Energy Development Authority and Ministry of Power, Energy & Mineral Resources.
3. If the concepts are tested successfully, then an enabling framework/policy might be developed to be included in the overall sector enabling frameworks for successful implementation.

**Timeframe** – It is expected that these activities will be carried out in the early phase of the program, within the first one year.

### **Component 3 – Targeted Capacity building:**

This would include the following activities:

1. Focused round-tables/workshops on specific PPP cross-cutting thematic areas. Three themes identified at this stage include, a) advocacy workshop for senior officials of key departments that “busts the myths” surrounding PPPs; b) creating awareness about the utility of a robust project preparation process; and c) Impact of PPP projects on GoB due to increasing contingent liability/implicit guarantee and the need for effective fiscal management. Similar such themes would be identified during the course of the program and just-in-time expert support provided to GoB.
2. PPP workshops/conferences – One such event is planned as part of this program; this would be a large, inclusive event which will bring in global experts, private investors both global and domestic and lenders to discuss various aspects and sector specific issues for the benefit of GoB officials.
3. Training, exposure visits and twinning arrangements for GoB officials and entities.

**Timeframe** – It is expected that these activities will be carried out at various points of time during the program. The focused roundtables on the two identified themes shall be delivered in the first three months of the program.

**6. Please indicate budget implications and potential implementing partners for each component. Please indicate which component(s) is PPIAF intended to participate in and the amount of financing required from PF for each of these.**

Nos.	Component	Budget (USD)	PPIAF Support (USD)	Implementing Partners
1.	Assessment of specific PPP initiatives	200,000	150,000	<ul style="list-style-type: none"> <li>○ Sector experts for each of the projects</li> <li>○ GoB officials and heads of department</li> <li>○ PPP Office for the projects over which it has the jurisdiction</li> <li>○ Development partners including World Bank and ADB</li> </ul>
2.	Policy and regulatory framework(s)	150,000	150,000	
3.	Capacity building	100,000	100,000	
<b>Total</b>		<b>450,000</b>	<b>400,000</b>	

## 7. Please describe what PF's expected role would be vis-à-vis other potential implementing partners.

The key activity of the PPIAF Bangladesh PPP Program is to support GoB in creating a pipeline of infrastructure projects which can be implemented through the PPP model. The PPIAF supported program will undertake the pre-feasibility study; and if the project are found to be financially viable, then GoB, the PPP Office and other Government partners as mentioned above will undertake a detail technical and financial due diligence before taking it to the market for selection of the private investor.

In parallel to the above activity, the program will also support to design a framework for an indicative financing instrument that could potentially pre-approve lending for selected eligible PPP projects ready for implementation. The implementing agency of the GoB will include this provision of financing facility during implementation.

The program will support activities which will build capacity within the GoB officials. IFC along with other donor partners will take the lead in organizing capacity building workshops, advocacy sessions to dispel common myths / concerns about PPPs, organizing study tours for relevant government decision makers to review and learn from successful models implemented globally, setting up twinning arrangement between governments to collaborate on project development, amongst others. IFC will coordinate closely with the World Bank as well as PPP CCSA through PPIAF to tap into in house expertise and resources for delivery of these sessions and knowledge dissemination.

## 8. Implementation and governance. Please describe the potential implementing and governance model for this program.

The Bangladesh PPP Program is consistent and will complement with the work carried out so far by the GoB, PPP Office including the community of donors in the country such as the WBG and ADB. IFC will act as the focal point for the program. IFC will liaise with all relevant key stakeholders, donor community and development institutions in the country to ensure that the program builds on the foundation developed so far, complement each other's work to avoid duplication, proper sharing of knowledge, and ensure effective and seamless coordination. IFC has already initiated discussions with the World Bank, ADB, Australia's SDIP, and Dutch funding agency to ensure that all the activities are coordinated with and complementary in nature to those already being implemented or under implementation.

IFC proposes the program to be implemented in one phase across eighteen (18) months. During implementation, IFC will take the lead with respect to all the three components as envisaged in the program design. The program team will be led by the TTL who will be duly supported by the core team members of the program and sector specialists. IFC will hire technical and legal consultants depending on the sector and proposed nature of work to support the program team. The procurement of consultants will be conducted as per the WBG procurement rules. The program team shall review all outputs and seek comments/peer review from GoB, PPP Office, other stakeholders and PPIAF, as the case may be. The program team will conduct stakeholder's consultation wherever needed as it will be an integral part of the program activities.

IFC requests to disburse the entire grant upfront so that the various activities under the three components can be planned and managed more effectively. It is thus proposed that the envisaged Bangladesh PPP Program to be funded by PPIAF be presented in its entirety for non-objection to the PPIAF donor group for their comments and pre-approval.

## C. EXPECTED RESULTS

EXPECTED OUTPUTS		CAUSAL ASSUMPTIONS (PLEASE DESCRIBE WHY THIS EXPECTED INTERMEDIATE OUTCOME OR EXPECTED OUTCOME WILL CONTRIBUTE TO THE IMMEDIATE NEXT UPPER LEVEL)	CONTEXTUAL ASSUMPTIONS (WHAT NEEDS TO BE TRUE IN THE SPECIFIC CONTEXT FOR THE SPECIFIC EXPECTED INTERMEDIATE OUTCOME OR EXPECTED OUTCOME TO BE ACHIEVED?)
<b>Program goal:</b>			
<b>The regulatory environment</b>	Shelf of PPP projects across sectors which		o GoB wants private sector investment in infrastructure and



<b>exists for the GoB to implement a successful PPP program</b>	the GoB will implement under PPP model		<p>PPP model is the preferred approach</p> <ul style="list-style-type: none"> <li>Private sector is interested to develop infrastructure projects</li> <li>Financial institutions are interested to finance infrastructure projects</li> </ul>
<p><b>Expected outcome 1:</b></p> <p><b>The implementing Agency implements projects.</b></p>	List of projects across sectors which can be implemented under PPP model.	<ul style="list-style-type: none"> <li>Projects identified will be included in the PPP program of GoB and due approvals required will be initiated</li> <li>The Administrative Ministry/Implementing Agency will start planning for the project preparation activities which includes appointment of consultants, and undertaking detail technical &amp; financial feasibility study and structuring the project on a PPP model</li> </ul>	<ul style="list-style-type: none"> <li>GoB is looking for private sector investment in infrastructure projects and PPP model is one of the preferred approach</li> <li>GoB's support in terms of VGF, availability payment, fiscal incentives, land etc. will be made available to make the project bankable</li> <li>Private sector has shown interest</li> </ul>
<p><b>Expected outcome 2:</b></p> <p><b>i) GoB adopts PPP as a development model</b></p> <p><b>ii) PPP projects are attractive to avail both domestic and international financing</b></p>	<p>A framework note on specific policy features recommendations to enable PPP as a model for development for specific sectors</p> <p>A framework note on modalities of implementation for indicative financing for PPP projects such as eligibility criteria, disbursement mechanisms, funding source, sector exposure, types of instruments etc.</p> <p>A concept note on gap analysis highlighting issues, constraints, best practices etc.</p>	<p>GoB plans to enact law/policy etc. which will facilitate implementation of the projects under PPP mode</p> <p>Financial institutions are participating during bidding of PPP projects and also financing the project to achieve financial closure</p>	<p>GoB plans to adopt PPP as a model for infrastructure development and is ready to bring about changes in the existing laws/act/policy etc.</p> <p>Financial institutions are considering financing infrastructure projects, and introducing new financial instruments to finance PPP projects</p>
<p><b>Expected outcome 3:</b></p> <p><b>Government officials have a better understanding of PPP model and become an effective counterpart to</b></p>	Workshops, stakeholder consultations, learning week, seminar, PPP advocacy sessions etc. organized to promote	Financial institutions are considering financing PPP projects and planning to participate in the creating the list of PPP projects	Domestic and International lending institutions are considering Bangladesh as an important investment destinations



<b>implement PPP projects</b>	PPP as a model of development		
<b>Expected interim outcome 3.1</b> <b>Relevant Government officials and other stakeholders support PPP as a model for infrastructure development</b>	Workshops, stakeholder consultations, learning week etc. conducted to understand PPP as a model for development	The Administrative Ministry/Implementing Agency appoints a nodal PPP person to create awareness of PPP and takes a role of a PPP champion in their departments	<ul style="list-style-type: none"> <li>○ GoB plans to adopt PPP as a model for infrastructure development</li> <li>○ Active interest of Government officials to participate</li> </ul>