

## Investment Promotion and Financing Facility Project II



### BASIC INFORMATION

APPROVAL DATE:  
April 05  
**2017**



END DATE:  
April 30  
**2027**



TOTAL COMMITMENT:  
**\$256.7**  
million



IMPLEMENTING AGENCIES:  
Bangladesh Bank

# HARNESSING PRIVATE PUBLIC PARTNERSHIPS FOR INFRASTRUCTURE GROWTH

## OVERVIEW

Bangladesh needs faster and higher growth to attain its vision of becoming an upper middle income country by 2031. Inadequate infrastructure is among the key binding constraints to higher growth. The World Bank is supporting the Government of Bangladesh through the Bangladesh Investment Promotion and Financing Facility II (IPFF II) project for promoting long-term financing for private sector-

led infrastructure in diverse sectors including economic zones, renewable energy, information and communication technology, port development, and solid waste management. IPFF II project was built on the success of the first phase (original IPFF) where 21 sub-projects were financed in power, ICT, health, water treatment, and port sector.

## CHALLENGE

In Bangladesh, the required investment in infrastructure is hugely constrained by challenging public fiscal space and lack of adequate private participation in infrastructure sectors. Government is promoting private sector-led infrastructure projects, but because investment activities are overwhelmingly dependent on short term commercial bank lending, the private entrepreneurs are finding it difficult to source long-term equity and debt for funding the long-term assets created under the infrastructure investments.

## APPROACH

The project helps build local financial institutions' capacity to provide long-term financing to private companies to undertake diverse infrastructure projects. It follows a financial intermediary lending model of financing whereby partial debt financing (up to 50 percent of the total project cost) is provided for 8 – 20 years through participating financial institutions (PFIs), selected based on rigorous performance indicators. The private investment sponsor that receives the funding utilizes the proceeds for construction and implementation of the infrastructure sub-project.

## RESULTS

- **\$417.35 million** equivalent of private capital mobilized, from the markets by on-lending of US\$213.37 million resulting in a leverage ratio of 1.96.
- **22,434** jobs created, of which 4,431 are women, through the 9 supported sub-projects.
- **21** banks and non-bank financial institutions have partnered with the project and have met minimum eligibility criteria and enhanced their capacity to lend for longer-term infrastructure subprojects.

## TOWARDS THE FUTURE

The Project will collaborate with IFC Investments and Bangladesh Securities and Exchange Commission (BSEC), and capital markets development initiatives of the World Bank Group for fostering an ecosystem where diverse financing instruments like project bonds, guarantees, credit enhancements, mezzanine financing, securitizations etc can be issued and invested by institutional investors like mutual funds, pension funds, life insurance funds along with the banks.

