

## **Investment Promotion & Financing Facility Project**

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### **Functions**

Bangladesh Bank has been implementing the Investment Promotion & Financing Facility Project (IPFF) on behalf of Finance Division, Ministry of Finance with the financial assistance of the International Development Association (IDA). The main objectives of IPFF are:

(a) to supplement the resources of Bangladesh financial markets to provide term finance, for infrastructure and other investment projects beyond the capacity of local financial institutions; and

(b) to promote the role of private sector entrepreneurs in the development of capital projects, especially infrastructure.

Under IPFF, government-approved private infrastructure development projects which are developed through PPP basis are being financed through selected participating banks / financial institutions (PFIs). Eligible sectors to be financed under IPFF are:

- power generation, transmission and distribution and services
- port development (sea, river and land)
- environmental, industrial and solid waste management
- highways and expressways including flyovers,
- water supply and distribution sewerage and drainage
- industrial estates and park development etc

One of the main features of the facility is that at least 30% cost of any approved project should be borne by the entrepreneurs' own source and maximum 70% is to be provided as debt financing; out of which 20% is to be provided by the participating financial institutions (PFIs) and the rest 80% from IPFF. However, the PFIs are supposed to bear all commercial risks associated with debt financing.

## **IPFF :**

### **Updated Activities**

IPFF is a 5-year term (January, 2007 – December, 2011) On-Lending based Technical Assistance (TA) project. IPFF consists of two components: (1) Infrastructure Development Lending Component and (2) Technical Assistance Component. Bangladesh Bank (BB) is implementing the project on behalf of Finance Division, Ministry of Finance as per Administration Agreement signed on 21st August, 2006 between BB and GoB. Total estimated cost of the project is BDT 418.14 crore. The International Development Association (IDA) is providing BDT 348.45 Crore (US\$.50.00 million) as soft loan in this regard under a Financing Agreement signed between the IDA and GoB on June 01, 2006. Besides, as co-finance Government is providing BDT 69.69 crore (US\$.10.00 million).

A total of BDT 391.34 crore (97%) has been utilized (Up to June 2010) out of US\$ 57.50 million from On-lending component for financing 7 small power plants having a capacity of 178 MW so far. Besides, a total of BDT 6.85 crore (39.32%) out of BDT 17.42 crore has been utilized (Up to June 2010) from TA component of the Project.

The power plants which have been financed under IPFF are Doreen Power House and Technologies Limited (three power plants 22MW each), Doreen Power House and Technologies Limited (11 MW) and Regent Power Limited (22 MW) and United Power Generation and Distribution Limited's (earlier Malancha Holdings Limited) 2 captive power plants one at Chittagong EPZ (44MW) and another at Dhaka EPZ (35 MW). All the power plants are contributing electricity to the national grid.

The banks and financial institutions which have participated in financing the above are NCC Bank Limited, Eastern Bank Limited, Dhaka Bank Limited, Dutch Bangla Bank Limited, IIDFC, Uttara Finance Limited and IDLC Finance Limited.

The World Bank has come forward with another USD 257.00 million for financing PPP projects through local Participating Financial Institutions (PFIs). A financing agreement has been signed between the Government of Bangladesh and the World Bank. Now IPFF Project period has been extended up to 2014.