

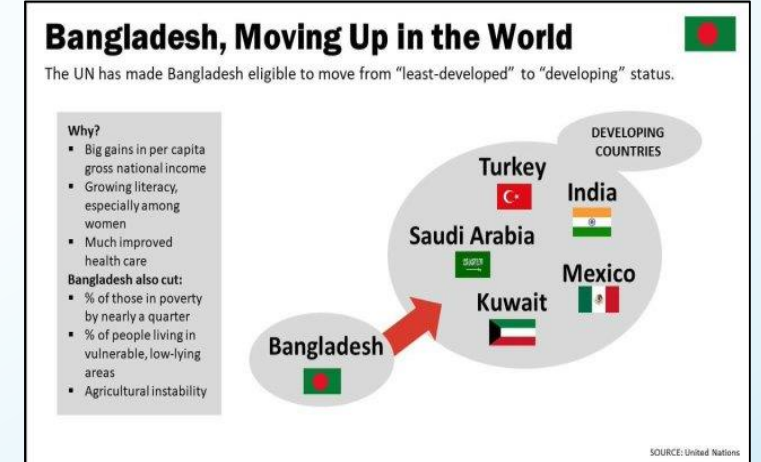


PRESENTATION ON
Islamic Structured Finance for
Infrastructure Projects:
Experience of Bangladesh

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Bangladesh – At A Glance



Per capital Income
USD 1,909 in 2018-19

Rank 34 out of 103 countries in
Inclusive Development Index
2018 by WEF

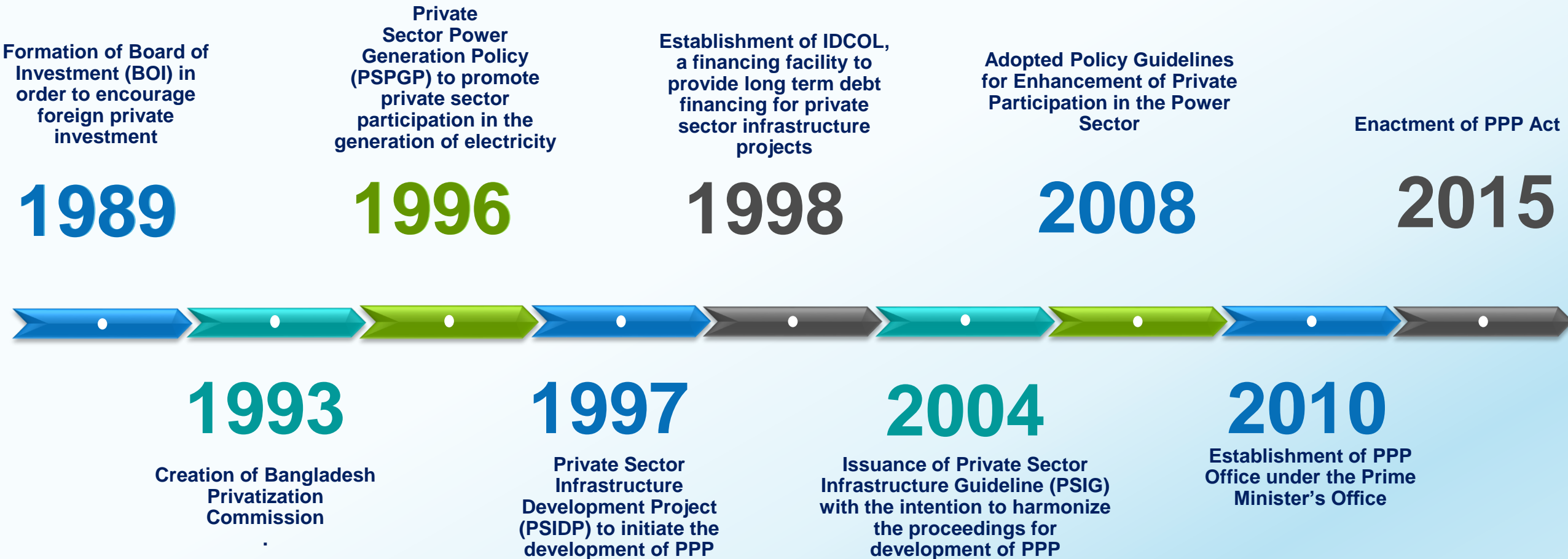
Stable country credit profile
from Moody's (Ba3), S&P (BB-)
and Fitch (BB-)

On of the N-11 countries as described by Goldman Sachs

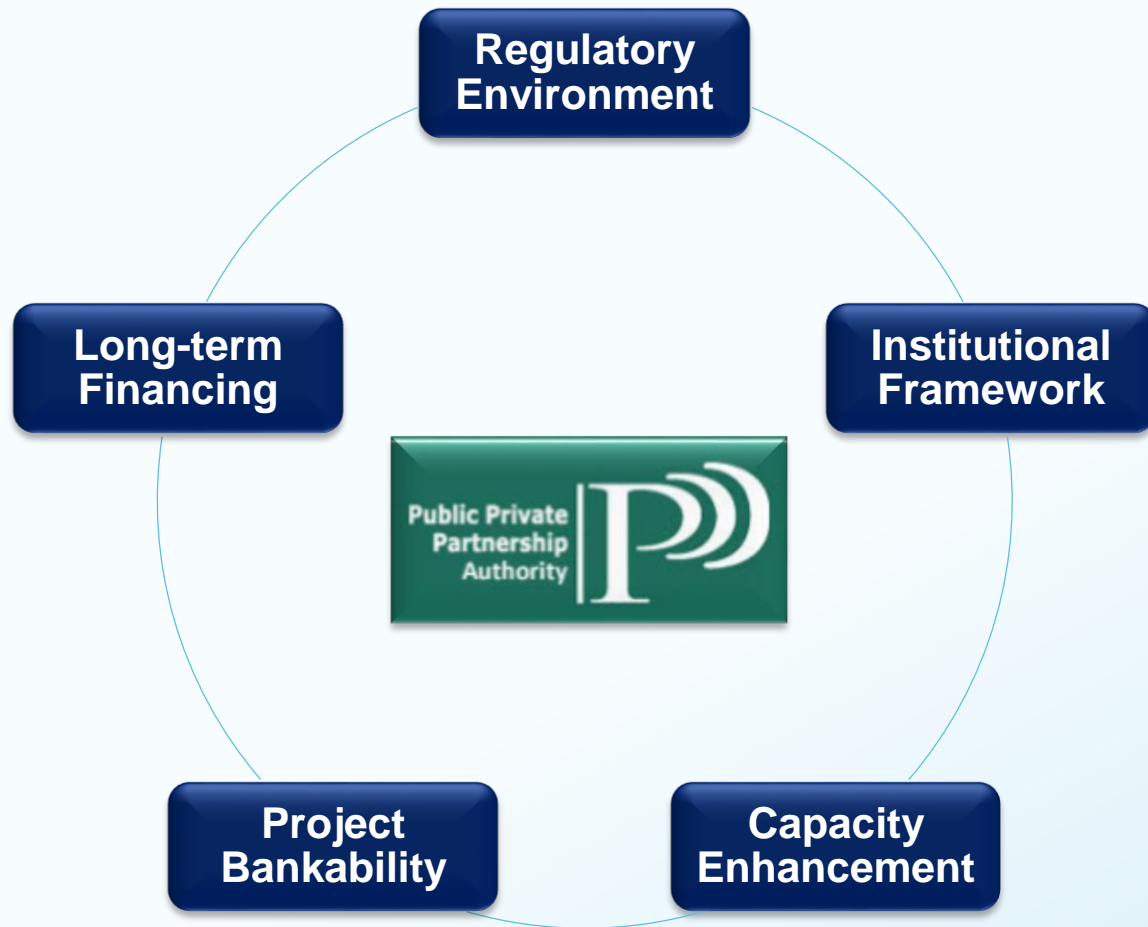
"Bangladesh is likely to be the biggest mover in the global gross domestic product rankings in 2030, becoming the 26th largest economy in the world from 42nd now" - HSBC Global Research

"By 2030, Bangladesh will be one of the top 30 countries in terms of size of real GDP." - PwC

Evolution of Private Sector Infrastructure Development



Roles of PPP Office



Formulate, revise existing PPP rules and regulations

Initiate, Develop, Formulate PPP Projects

Conduct feasibility studies and prepare bidding documents

Attract Private Sector Infrastructure Investment

Seek appraisal for VGF for PPP projects

Support Line Ministries/ Implementing Agencies

Priority Infrastructure Sectors

**Power
&
Energy**

Transport

**Urban
Infra-
structure**

**Economic
Zone**

Power & Energy

Project Name	Capacity	Fuel Type	Location	Status
Unique Power	600 MW	LNG	Narayanganj, Dhaka	PPA Signed
United Power	600 MW	LNG	Anwara, Chattagram	Lol Issued
Energion Renewables (BD) Ltd.	130 MWp	Solar	Mongla, Bagerhat	PPA Signed
Dynamic Sun Energy Limited	100 MWp	Solar	Pabna	Lol Issued
Grid Tied Solar Power Project by IBV-Fu-Wang Consortium	58.75 MWp	Solar	Debiganj, Panchagarh	Lol Issued
Grid Tied Solar Power Project by IBV-SS Agro Consortium	65.26 MWp	Solar	Dhamrai, Dhaka	Lol Issued
Padma Solar Limited	62.5 MWp	Solar	Panchagarh	Lol Issued

Transport

Project Name	Project Type	Location	Project Cost	Status
48 Km Dhaka Bypass	Toll Road	Dhaka	USD 374 million	Contract Signed
13.5 Km Rampura-Amulia-Demra Expressway	Toll Road	Dhaka	USD 250~300 million	Bid Evaluation Stage
11 Km Shantinagar-Dhaka-Mawa Road	Toll Road	Dhaka	USD 200~300 million	Bid Evaluation Stage

Urban Infrastructure

Project Name	Project Type	Location	Project Cost	Status
Purbachal Water Supply	Water Supply & Distribution	Purbachal, Dhaka	USD 71.5 million	Lol Issued
Jhilmil Residential Project, Keraniganj, Dhaka	Satellite Township	Keraniganj, Dhaka	USD 800 million	Implementation ongoing

Private Sector Economic Zone

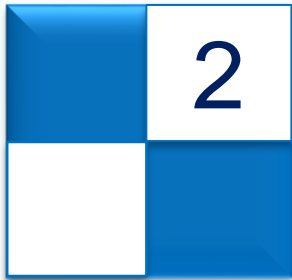
Project Name	Area	Location	Project Cost	Status
DBL Economic Zone Limited	170 acres	Moulavibazar	USD 35.29 million	Obtained BEZA license
Sirajganj Economic Zone Limited-Phase I	415 acres	Sirajganj	USD 88.23 million	Obtained BEZA license
City Economic Zone Limited	77.96 acres	Rupganj, Narayganj	USD 201.00 million	Obtained BEZA license
Meghna Industrial Economic Zone	110 acre	Sonargaon, Narayanganj	USD 66.00 million	Obtained BEZA license

Incentives for Investors



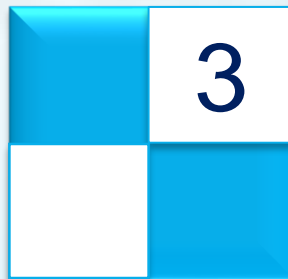
Tax Incentive & Capital Repatriation

- Reduced import tax on capital items
- Tax holiday & duty waiver
- Flexible repatriation of capital



Guaranteed Revenue

- Off-taker payment backed by sovereign guarantee
- Revenue indexed to USD currency (full/partial)



Government Support

- Support in case of change in law & force majeure
- Government support in availing permits / authorizations

IDCOL – the Premier Infrastructure Financier of Bangladesh

- A fully government owned financial institution which started operation in 1997
- Largest financier in private sector infrastructure projects in Bangladesh
- Market leader in renewable energy sector
- Funded by the government and multiple development partners i.e. the World Bank, ADB, JICA, IDB, KfW, GIZ, USAID, UKAID etc.
- First accredited institution in Bangladesh as National Implementing Entity (NIE) of Green Climate Fund (GCF)



Power



Solar Programs



Telecommunications



Biogas Programs



Port



ICS Programs

Eligible Sectors

- Power & Energy
- Telecommunications & ICT
- Ports
- Social Infrastructure
- Gas and Gas related Infrastructure
- Water Supply and Sewage
- Toll Roads and Bridges
- Shipyards and Shipbuilding
- Hotel and Tourism
- Mass Transportation Systems
- Infrastructure Backward Linkage Industry

INFRA- STRUCTURE

- Solar Roof-top Projects
- Solar Home System (SHS) Program
- Biogas and Manure Program
- Grid Tied Solar Plant
- Solar Minigrid Program
- Solar Irrigation Program
- Improved Cook Stove Program
- Solar Charging Station and Solar Cold Storage
- Other Renewable Energy Programs/Projects

RENEWABLE ENERGY

- Brick Kiln
- Energy Efficient Boiler and Industrial Machines
- Green Building
- Other Energy Efficiency Components

ENERGY EFFICIENCY

IDCOL Products & Services

Infrastructure

- Long-term local and foreign currency loans
- Mezzanine Finance
- Debt and equity arrangement (including conventional-Islamic financing approach)

Renewable Energy

- Concessionary financing and grant supports
- Technical assistance and quality assurance
- Training and capacity building

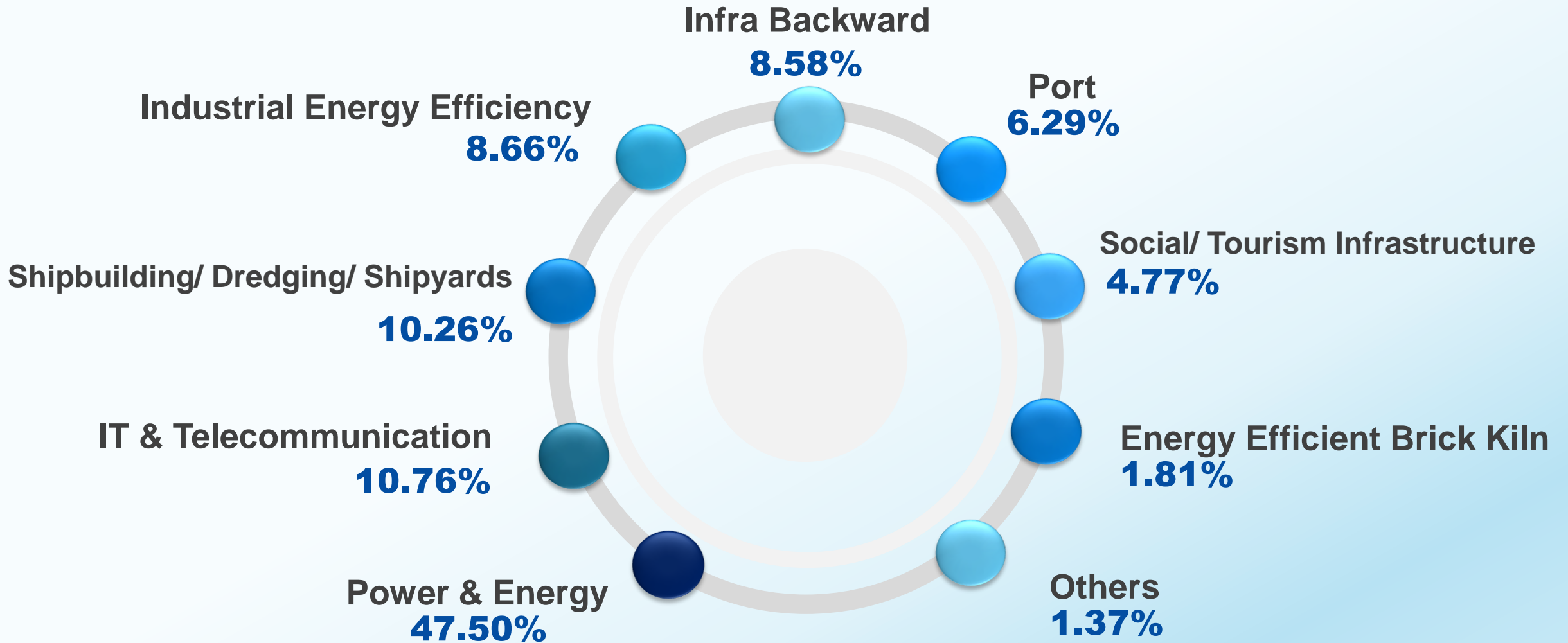
Energy Efficiency

- Concessionary / market based financing
- Capacity development

Advisory Services

- Consultancy & advisory services
- Feasibility study
- Training on Project Finance, Financial Modeling, Capacity Building on Renewable Energy etc.

IDCOL Portfolio Composition



Presence of Islamic Infrastructure Financing in Bangladesh

- **Few local Islamic Banks are active in extending Islamic lending products for infrastructure projects. However, they have limited presence in the infrastructure project financing due to asset-liability mismatch**
- **Islamic Development Bank Group (IsDB Group) has been active in Bangladesh promoting Islamic Project Financing mechanism with a blended approach with other conventional lenders**
- **Both IsDB and ICD (private sector investment arm of IsDB Group) has invested USD 164.3 million in several infrastructure projects in Bangladesh under co-financing arrangement with IDCOL and other DFIs**

Major Private Sector Infrastructure Projects in Bangladesh by IsDB Group



220 MW Bhola II IPP

341 MW Bibiyana II IPP



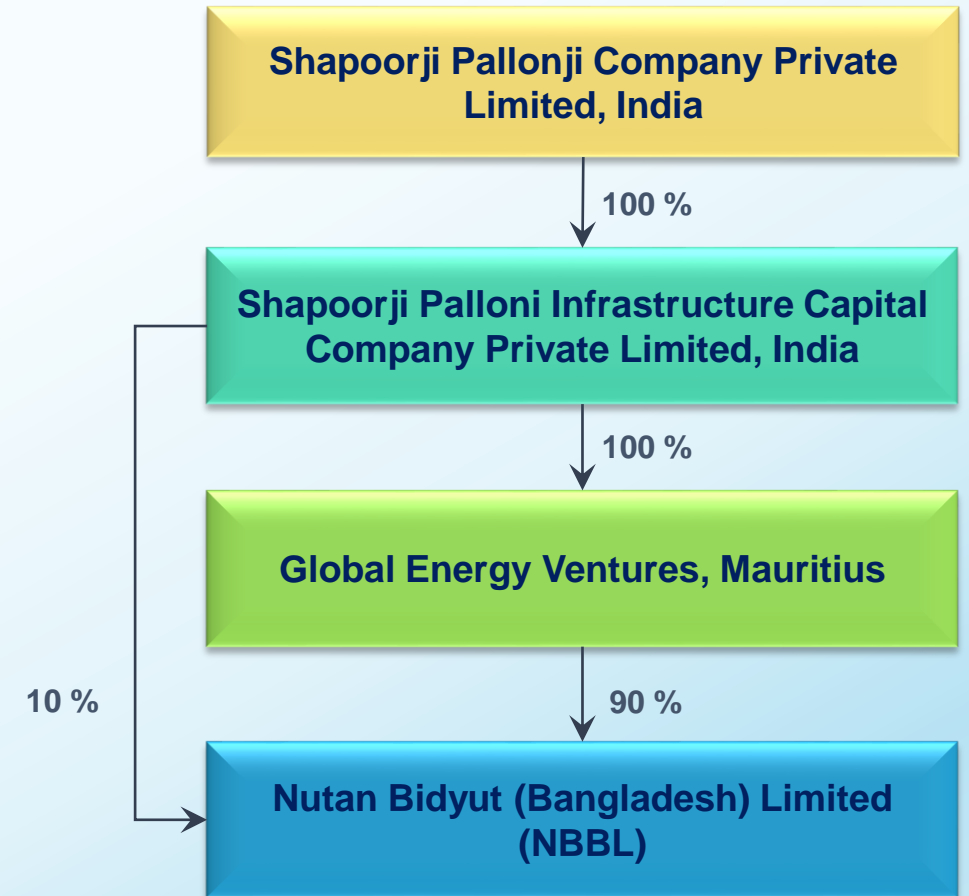
149 MW Gazipur I IPP

110 MW Barisal I IPP

- In all the four transactions co-financiers included Asian Development Bank, International Finance Corporation, Asian Infrastructure Investment Bank, OFID and IDCOL
- All of them extended conventional long term loans while IsDB extended Islamic long term financing

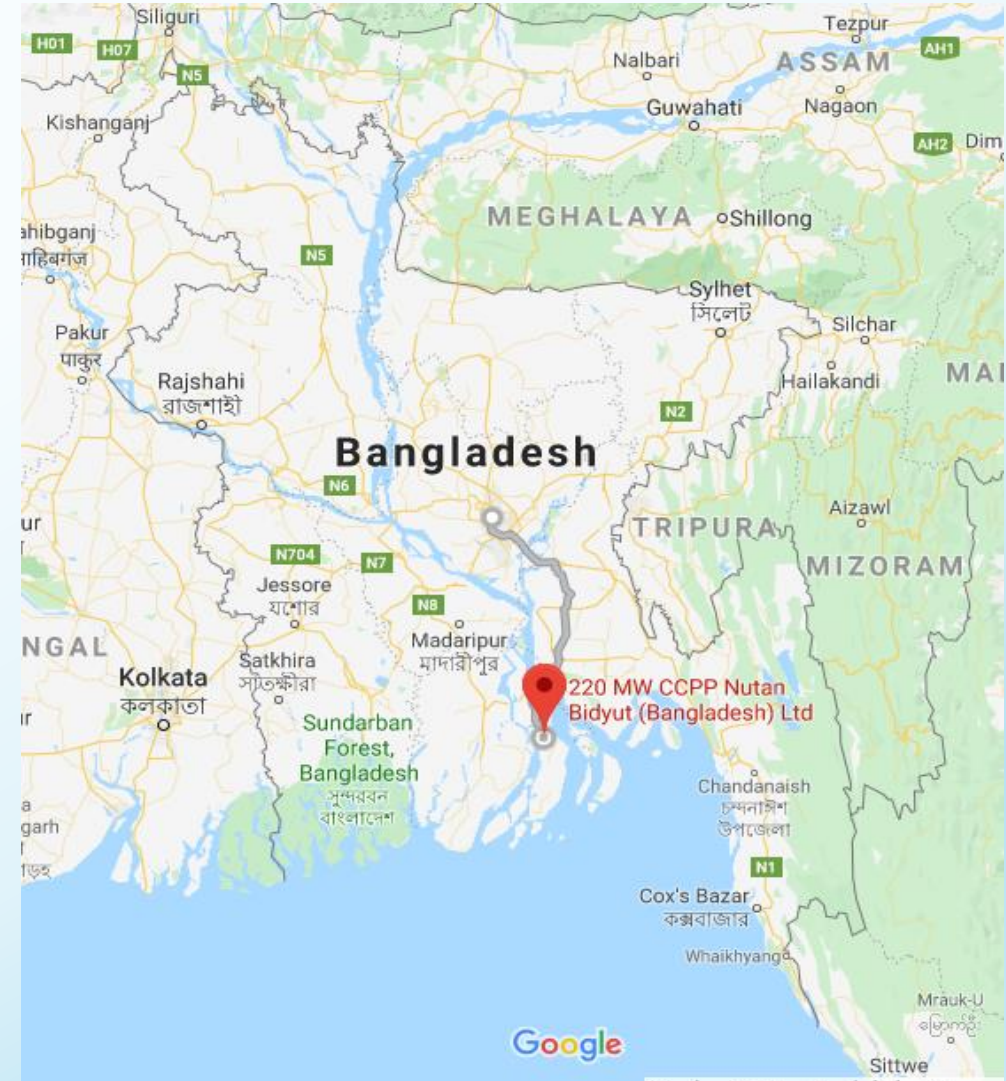
Case Study : Bhola II IPP

SPV	Nutan Bidyut (Bangladesh) Limited
Type of Project	Combined Cycle Power Plant
Capacity	212 MW (HSD) / 220 MW (Gas)
Location	Kutuba Union, Burhanuddin Upazilla, Bhola
Project Area	18.78 acre
PPA Tenure	22 Years
Project Cost	USD 266.68 million
Mode of Finance	Equity: 30%, Debt: 70%
Debt Particulars	<p><u>Amount:</u> Total Debt: USD 179 million; Breakdown as follows</p> <ul style="list-style-type: none"> • IDCOL: USD 70 million • IsDB: USD 60 million • AIIB: USD 49 million <p><u>Pricing:</u> 6M LIBOR + 425 bps <u>Tenure:</u> 18 years including 3 years grace period <u>Debt Sizing:</u> Minimum DSCR 1.15x</p>

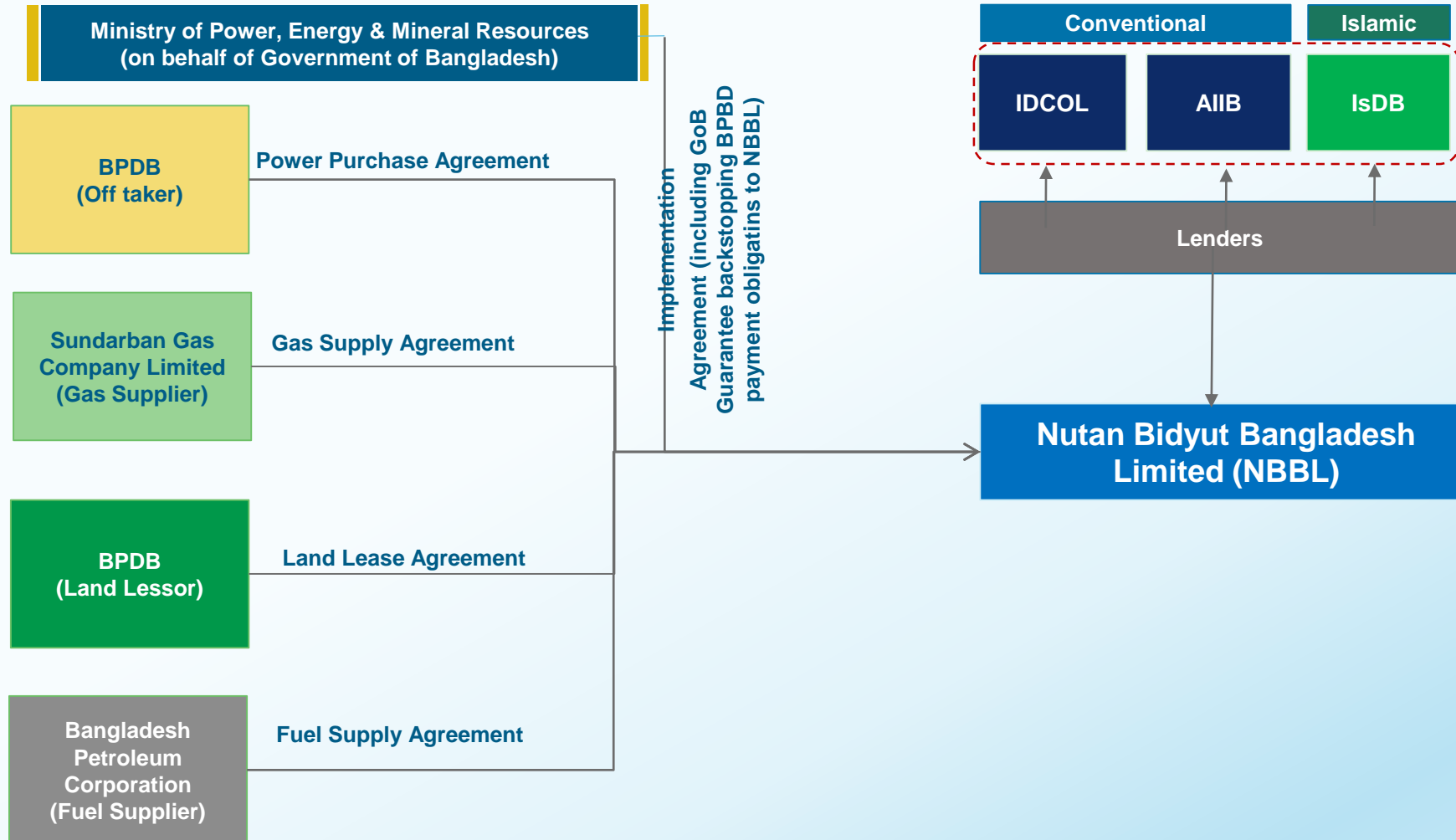


Project Location

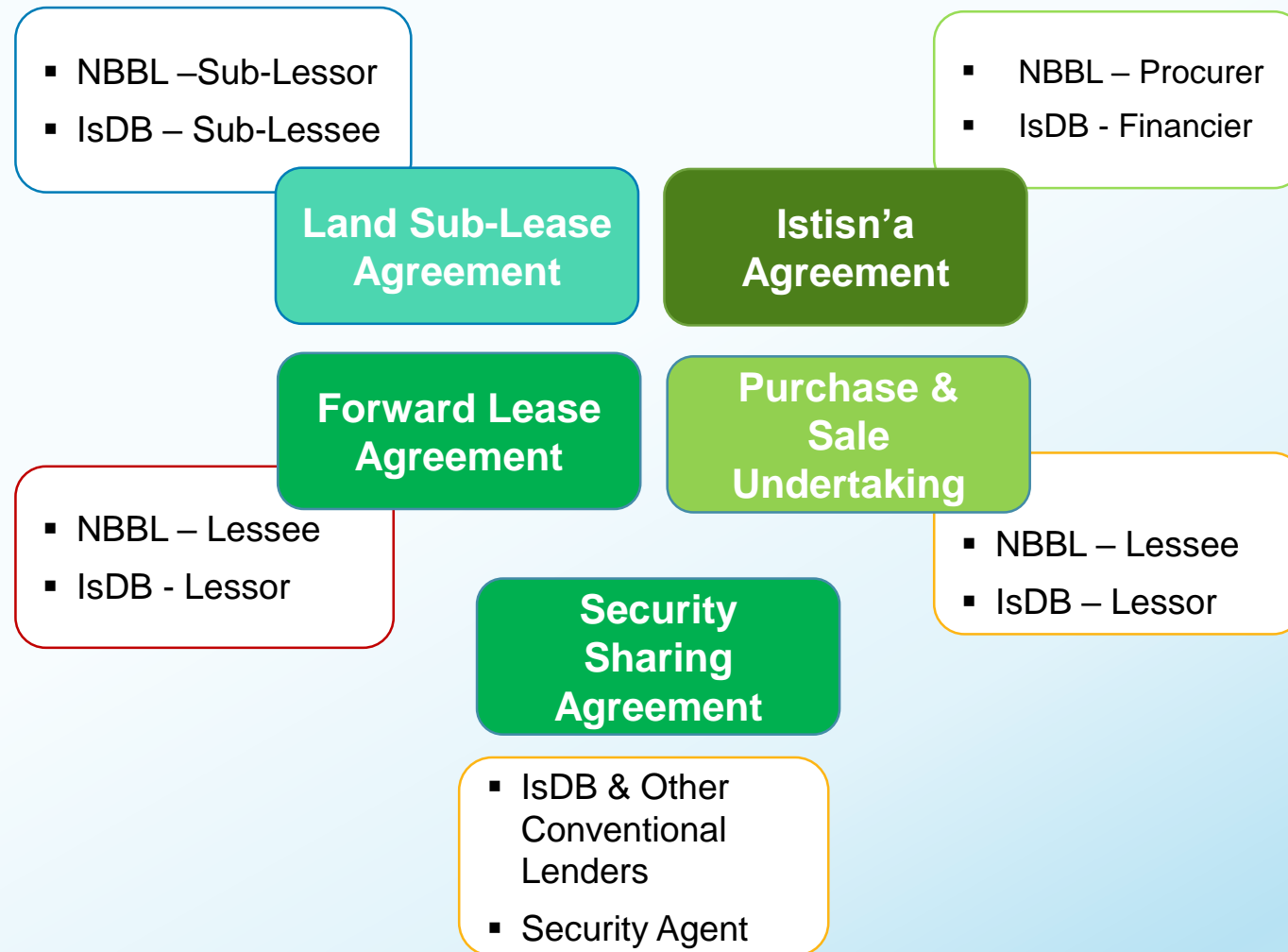
Nearest Landmark	Bhola Sadar Upazilla (30.6 km)
Nearest Gas Field	Shahbazpur Gas field (7.9 km)
East Side	Bhola 1 Power Plant (225 MW)
West Side	Dehular Canal
Distance	Around 237 Km from Dhaka City



Major Project Parties



Role of SPV & Islamic Financier



Way Forward

- To fulfill the aspiration of becoming an upper-middle-income country by 2031, Bangladesh would need more than USD \$300 Billion investment for infrastructural development.
- Specialized local financial institutions like IDCOL and BIFFL are playing important role to promote infrastructure financing.
- Due to asset liability mismatch, local Islamic and commercial banks can only play a limited role in providing long term financing to this sector.
- Multilateral and bilateral DFIs, export credit agencies and few foreign commercial banks currently mobilize a major portion of long term infrastructure financing in Bangladesh.
- Islamic Development Bank Group is gradually playing an important role in extending long term financing through conventional-Islamic blended approach.
- Introduction of Sukuk, a long term infrastructure financing tool, could be highly beneficial for the country to meet its ongoing demand for development funding.
- Also, other global Islamic banks and FIs could be attracted to co-finance projects with IsDB & other conventional lenders.



THANK YOU

