



<b>1. Project Data:</b>		<b>Date Posted:</b> 05/09/2008	
		<b>Appraisal</b>	<b>Actual</b>
<b>PROJ ID :</b>	P044789		
<b>Project Name :</b>	Private Sector Infrastructure Development (PSIDP)	<b>Project Costs (US\$M):</b>	246.0
<b>Country:</b>	Bangladesh	<b>Loan/Credit (US\$M):</b>	235.0
<b>Sector Board :</b>	EMT	<b>Cofinancing (US\$M):</b>	11.0
<b>Sector(s):</b>	Power (31%) Oil and gas (30%) Telecommunications (30%) Central government administration (9%)		
<b>Theme(s):</b>	Infrastructure services for private sector development (25% - P) Other urban development (25% - P) Regulation and competition policy (25% - P) Other financial and private sector development (25% - P)		
<b>L/C Number:</b>	C2995		
		<b>Board Approval Date :</b>	10/28/1997
<b>Partners involved :</b>	CIDA, DFID	<b>Closing Date :</b>	12/31/2002
			03/31/2007
<b>Evaluator:</b>	<b>Panel Reviewer:</b>	<b>Group Manager:</b>	<b>Group:</b>
Ramachandra Jammi	Peter Nigel Freeman	Monika Huppi	IEGSG

## **2. Project Objectives and Components:**

### **a. Objectives:**

The overall objective of the Private Sector Infrastructure Development Project (PSIDP) was to support Bangladesh in developing a modern and efficient infrastructure by promoting private sector participation in the investment, operation, ownership and maintenance of infrastructure facilities .

The more detailed objectives were to :

- (i) proactively develop and market sound infrastructure sub -projects for private investment;
- (ii) establish speedy competitive and transparent procurement processes for realizing private sector participation in such sub-projects;
- (iii) provide appropriate mechanisms for reasonable risk -sharing and mobilizing commercial investment in the form of equity and debt financing for infrastructure sub -projects; and
- (iv) create suitable legal and regulatory structures in the various infrastructure sub -sectors for the sustained and efficient operation of private infrastructure facilities .

### **Post-Flood Recovery Assistance program (PFRAP)**

In March 2005, following severe floods in Bangladesh, IDA provided funding of US\$ 200m to the PFRAP by

reallocating proceeds from five ongoing credits including the PSIDP (the other four credits were: *Post-Literacy and Continuing Education Project (PLCE, Cr. 3467-BD); Female Secondary School Assistance Project II (FSSAP-II, Cr. 3614-BD); Municipal Services Project (MSP, Cr. 3177-BD) and Fourth Fisheries Project (FFP, Cr. 3276-BD)*). Given that a large portion of PSIDP faced imminent cancellation at that time, 77% (US\$154m) of the total reallocation came from PSIDP. Although the Development Credit Agreements (DCAs) for these five projects were amended to accommodate the revised disbursement categories, PSIDP was not formally restructured.

**PFRAP Objective:** To support the speedy recovery of the country and of the affected population, particularly the poor and vulnerable, while emphasizing disaster vulnerability reduction over the long -term.

The ICR has provided ratings based only on the original PSIDP objectives . PFRAP is discussed and rated separately in Annex 10 to the ICR. This ICR review treats the project as a restructured project (even though it was not formally restructured). Therefore, in the following sections, the performance of the original PSIDP and the PFRAP are rated separately . The final ICR review ratings are weighted on the basis of actual utilization of project funds (approximately 2:3), as per the ICR Review Guidelines for "Rating the Outcome of Projects with Formally Revised Projects"

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

Yes

If yes, did the Board approve the revised objectives /key associated outcome targets?

No

**c. Components (or Key Conditions in the case of DPLs, as appropriate):**

**PSIDP**

1. Financing Infrastructure sub-projects with private participation: To provide support for investment sub-projects with private sector participation through a long -term debt facility (SDR159.6m/US\$225m) in the form of a line of credit from the Government of Bangladesh (GOB) to the newly-established Infrastructure Development Company Ltd (IDCOL), a non-bank financial institution, to provide long -term finance to special purpose entities established for the construction and operation of commercial infrastructure projects on the basis of a sub -project pipeline available at appraisal. This component included technical assistance (TA) of SDR4.7m/US\$7.0m for investment advisory services to strengthen IDCOL's capacity in project financing . (At Appraisal: US\$225.0m; Actual: US\$98.8m)
2. Capacity-building: To strengthen the capacity of line ministries and parastatals to undertake transaction development (involving the conduct of competitive and transparent procurement processes, marketing of sub-projects and managing the entire process of structuring, documentation, bidding, negotiation and award of concessions) of infrastructure projects for private sector investment . (At Appraisal: US\$10.0m; Actual: US\$6.7m)

**PFRAP**

Livelihood restoration: Financing critically needed eligible imports including food grains, edible oils, fertilizer, industrial plant machinery and raw materials . (At Appraisal -- Bank/PSIDP: US\$10.0m; Actual -- Bank/PSIDP: US\$10.7m)

Infrastructure rehabilitation: (Planned PFRP: US\$200m, Actual PFRP: US\$154.0m; Planned PSIDP contribution: US\$144.3m, Actual PSIDP contribution: US\$135.7m). This consisted of the following sub-components. These figures are based on Annex 1 and Annex 12 to the ICR (Borrower's report on PFRAP)

- (i) Primary Road Network (**PFRP Planned, Actual** : US\$40m, US\$2.0m; **PSIDP Contribution -Planned, Actual** : US\$32.0m, US\$0.6m)
- (ii) Secondary Road Network ( **PFRP**:US\$31.3m, US\$25.0m; **PSIDP Contribution** : US\$25.0m, US\$17.2m);
- (iii) Municipal Infrastructure (**PFRP**: US\$30.3m, US\$26.0m; **PSIDP Contribution** : US\$11.9m, US\$8.8m);
- (iv) Primary Schools (**PFRP**:US\$49.4m, US\$40.0m; **PSIDP Contribution** : US\$26.0, US\$20.7m);
- (v) Secondary Schools (**PFRP**:US\$24.8m, US\$20.0m; **PSIDP Contribution** : US\$5.9, US\$4.0); and
- (vi) Fisheries (**PFRP**:US\$2.4m, US\$2.0m; **PSIDP Contribution** : None)

A quick disbursing budget support for US\$ 45m was made by IDA to GOB to ensure immediate rehabilitation of the affected population, infrastructure rehabilitation, and for economic recovery by financing .

The above figures are based on Annex 10 of the ICR. The figures presented in Annex 1 and Annex 10 need to be reconciled.

**d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

**PSIDP**

Project Cost, Financing, Borrower Contribution:

The project cost for PSIDP as estimated at appraisal was approximately US\$ 246m (including co-finance), but only US\$105.5m was used, due to only one major sub-project being financed and the rest being reallocated to PFRAP . CIDA and DFID provided co-finance of US\$ 7.5m and US\$3.5m respectively, all of which was utilized for the project .

The borrower's contribution was less than 0.1% of the project cost at US\$0.35m.

**Dates:** The project was extended three times, for two years from December 2002 to December 2004, for three months from December 2004 to March 2004 and for three years from March 2004 to March 2007. The first extension was partly in response to the two-year delay that occurred in establishing the Infrastructure Investment Facilitation Center (IIFC) and to provide time to allow IDCOL to disburse the US\$ 80m to the Meghnaghat-1 Power Project (MPL). The second extension was based on positive signs of private sector interest and greater government interest and commitment, and progress on several other infrastructure commitments . The third extension was to also to facilitate potential pipeline projects.

#### **PFRAP**

The original allocation of US\$ 154.0m from PSIDP was revised to US\$ 117.6m, and an additional US\$ 46.0m was allocated from other credits increasing the total to US\$ 163.6m. Of this, US\$ 114.5m or 70% has been disbursed as of March 31, 2007. The reduced disbursement is due to the cancellation of the primary roads component, and some contracts under the secondary roads and primary schools components .

### **3. Relevance of Objectives & Design:**

#### **PSIDP**

**Relevance:** The project objective and design were highly relevant at appraisal as well as at present (CAS 1998 to CAS 2006-09), for addressing Bangladesh's inadequate infrastructure across all sectors - power, gas supply, roads, ports, telecom, water etc. The project addressed the large gap between needed infrastructure investments and public financing (estimated at over US\$0.75 billion per annum at the time of appraisal) in a situation where FDI flows were small and domestic capital markets very narrow, and in the context of a poor policy environment and weak legal and regulatory systems. The project was also consistent with GOB's and Bank's policy of promoting private participation in infrastructure for easing public financing requirements and delivering efficient services .

**Design:** In the above context, the project aimed to enhance government capacity to tackle policy, regulatory and project related issues in the different infrastructure sectors that would tap the financial, technical and managerial resources of the private sector . It built upon the report on power sector reforms prepared by an inter -ministerial group and related institutional changes that had already been set in motion . It recognized that the policy environment for private participation was conducive to different extents -- better in power sector, less so in telecom and not conducive in others However, the project consciously chose to depend on other sector loans (incl. IDA's Telecom Regulatory support Project and the Asian Development Bank's Power Project ) to work on overarching policy issues. In respect of actual transactions, the project envisaged lending to projects with majority private sector involvement rather than a wider spectrum of public-private ventures and ruled out some applications like captive industrial power capacity. This ultimately proved to be unduly constraining .

#### **PFRAP**

**Relevance:** The PFRAP was highly relevant to the reconstruction and rehabilitation needs in the aftermath of the devastating floods of 2004, which caused an estimated loss of about US\$ 2.3 billion (or 4% of the GDP), with 36m people (or 26.5% of the country's then population) in 47 (out of 64) districts being affected. It was also relevant to medium and long-term considerations for natural disaster risk management identified in the CASs at appraisal as well as at present.

**Design:** PFRAP was originally formulated as a three part, unbundled strategy : (1) short-term rehabilitation (2) medium-term reconstruction and recovery and (3) longer-term, multi-hazard risk management needs of the country . However, no attempt was made to front-load policy conditionality on the project in recognition of the fact that such conditionality would impede the short-term emergency recovery objectives of the program during its rapid preparation and implementation. The PFRAP worked through existing PMUs in each concerned line ministry and department/executing agency .

### **4. Achievement of Objectives (Efficacy):**

#### **PSIDP**

**Overall Objective:** **Develop modern and efficient infrastructure by promoting private sector participation in the investment, operation, ownership and maintenance of infrastructure facilities . Negligibly achieved.**

The overall objective was ambitious, particularly given the inadequate policy and governance environment, and fledgling institutions. PSIDP did not succeed in developing infrastructure with private participation on a scale that might have produced a transformative impact or demonstrated the attributes of efficient private sector led infrastructure growth. The main achievement was the financing of a major power plant - the 450 MW combined cycle at MPL and the Haripur project (supported with an IDA guarantee) which were projects of high quality in terms of timely construction, competitive cost of power and, subsequently, an excellent operational record .

**Objective 1: Proactively develop and market sound sub -projects for private investment . Negligibly achieved.**

The TA provided to Government officials through IIFC -- for transparent procurement approaches, regulatory frameworks, and risk sharing mechanisms for private sector infrastructure promotion and operations -- did not yield a significant flow of private project deals . This is attributed to inertia and lack of initiative in line ministries and lack of clear rules on how to apply the policy, and interference in their decision making by political superiors . However, the creation of IDCOL and IIFC were positive outputs that can be built upon in the future .

**Objective 2: Establish speedy competitive and transparent procurement processes for realizing private sector participation in such sub -projects . Modestly Achieved.**

Competitive procurement and licensing processes were followed for MPL but were not more broadly embedded as rules in a legal regime that would be relatively immune to political interference .

**Objective 3: Provide appropriate mechanisms for reasonable risk sharing and mobilizing commercial investment in the form of equity and debt financing for infrastructure sub -projects . Modestly achieved.**

These mechanisms were demonstrated by the MPL, but have yet to be mainstreamed to any significant extent .

**Objective 4: Create a suitable legal and regulatory structure in the various infrastructure sub -sectors for the sustained and efficient operation of private infrastructure facilities . Negligibly Achieved.**

IIFC has made some efforts in this direction by preparing policies and regulations (e.g. public switched telephone network (PSTN) regulations; Private Sector Infrastructure Guidelines; Remote Area Power Supply Systems Guidelines (RAPSS); Draft Coal Policy in 2007) but it would need a stronger legal and regulatory regime of governance for the sectors in order that private sector infrastructure facilities are developed on a very large scale .

**PFRAP**

**Supporting the speedy recovery of the country** (first part of the overall PFRAP objective). *Modestly Achieved.*

Results fell far short of even the revised targets, and one important sub -component (primary roads) and parts of other sub-components were cancelled. In supporting the recovery of the country from flood damage, rehabilitation activities covered infrastructure and livelihoods in almost half of Bangladesh, in 47 districts and 262 upazillas. At Credit closing on March 31, 2007, and in terms of revised targets, disbursement averaged 70% with 95% of physical works being completed.

*The Livelihood Restoration Program (LRP)* was delayed by more than a year due to protracted negotiations between the implementing agency -- Palli Karma Sahayak Foundation (PKSF) -- and the Ministry of Finance for channeling funds on a grant basis. About a third of the planned 400,000 beneficiaries obtained small loans, though with delay.

Only 36.4% of the disbursed amount had reached the poor as of April 2007, and the rest was expected to be disbursed by December 2007. However, the maximum ceiling of loan size (Taka 3000) for each borrower was considered insufficient compared to the needs, given the increase in prices of essentials .

*The Primary Road network sub-component* (US\$36.4m) and related activities in other sub-components were cancelled in February 2006, after misprocurement was declared following a INT investigation . The ICR does not provide any details about the nature of misprocurement . Cancellation of these funds put a dent in GOB's commitment to the flood program and on overall governance in donor -aided projects.

In each of the sub-components for Secondary Roads, Municipal Infrastructure, Primary Schools, and Secondary Schools, achievements was considerably below even the revised targets as below :

*Secondary Roads* (upazilla roads: 1,700 km (original target), 1,100 km (revised), 888 km (actual); growth center markets (13, 13, 7); bridges/culverts (1,051m, 1,051m, 832m);

*Municipal Infrastructure* (urban roads: 1,350 km (original target), 620 km (actual); bridges and culverts: 1,125 m, 85m; Drainage: 42 km, 7 km)

*Primary Schools repairs* (17,000 (original target), 746 (revised), actual achievements not specified)

*Secondary Schools repairs* (918 (original target), 746 (revised), actual achievements not specified)

The Secondary Schools sub-component was affected by delay in release of GOB funds . In respect of Primary Schools, the Bank helped the relevant agencies tackle the demand for uninterrupted cash flow by delaying the recovery of the initial deposit of the Special Accounts up to March 2007.

*The Fisheries component* included rehabilitation of 31 flood affected fish farms and was completed on time .

**Emphasizing disaster vulnerability reduction over the long -term** (second part of the overall PFRAP objective)  
*Negligibly Achieved:* There was little or no progress in this respect .

**5. Efficiency (not applicable to DPLs):**

**PSIDP**

An economic and financial analysis was carried out for MPL which was the only investment made by IDCOL . An impressive positive NPV of \$ 1724m and an EIRR of 65% at a 10 percent discount rate is reported based on specific assumptions for consumer willingness -to-pay and an imputed economic value of gas . Even assuming a conservative rate of Taka8/KWh, the EIRR remains above the benchmark 14% EIRR predicted at the project appraisal stage .The financial NPV and FIRR are estimated to be US\$ 11m and 11 percent respectively using a 10% discount rate, which is relatively modest but still creditable given that this was GOB's initial experience with independent power producers . Since IEG records ERR and FRR rather than EIRR/FIRR, the above figures are not included in the table below .

**PFRAP**

No NPV or ERR or financial rates of return were calculated for PFRAP .

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

	Rate Available?	Point Value	Coverage/Scope*
Appraisal		%	%
ICR estimate		%	%

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

**6. Outcome:**

**PSIDP**

PSIDP had significant shortcomings in terms of achieving its overall objective of facilitating and financing the development of infrastructure with private participation on a large scale . Its most significant achievement was to successfully finance MPL for which it coordinated with other donors to develop transparent procurement approaches, and risk sharing mechanisms with the private sector . However these practices were not mainstreamed to the rest of the power sector or other infrastructure sectors, limiting their overall impact in creating a conducive environment for large-scale private participation in infrastructure . This was partly because the overall policy, legal and regulatory environment did not keep pace with the progress in expertise in conducting transactions . In retrospect, the conscious design decision to rely on other projects to work on creating the enabling policy environment, may not have been appropriate . The project did not receive a reasonable level of government commitment for transparent solicitation and transaction processing . If such commitment had been forthcoming, the technical competencies that were developed in IIFC and IDCOL as well as the line ministries could have resulted in sound structuring of investment projects . Rating: Moderately Unsatisfactory

**PFRAP**

In terms of the first part of its objective -- supporting the speedy recovery of the country -- results fell far short of even the revised targets, and one important sub-component (primary roads) and parts of other sub-components were cancelled. There was little or no progress in respect of the second part of the objective -- emphasizing disaster vulnerability reduction over the long-term.

In hindsight, most of the initial targets were not fully based on robust assessment and hence tended to be over-optimistic. For instance, the design does not seem to have sufficiently taken into account the short span of the dry season during which construction activity can take place in the country . In addition, national political turmoil, especially in the later part of the last year of implementation, took a certain toll on some components, particularly the secondary road network. In the light of these problems most of the components were restructured as implementation continued, but ultimately fell short of the revised targets . Rating: Moderately Unsatisfactory

**a. Outcome Rating :** Moderately Unsatisfactory

**7. Rationale for Risk to Development Outcome Rating:**

**PSIDP**

The successful financing of MPL provides a good benchmark for future projects in terms of a transparent and competitive process, the low price that resulted, and an operational record of high reliability . However, there appears to be little scope for this to be emulated on a large and diversified scale unless the state of policy, legal, and regulatory environment is enhanced, and government commitment and governance improve . Bank/IDA projects are attempting to keep up the momentum of reform, particularly in the power sector -- Power Sector Development TA project; Siddhirganj Peaking Power Project; South Zone Power Distribution Project (FY08) and an Energy Sector DPL (FY09). However, the risk to the objective of promoting broad-based private sector participation in infrastructure is considered to be significant. Rating: Significant

**PFRAP**

There has been no clear assessment of the quality of rehabilitation works, but the ICR mentions instances where the quality of works may not have been of acceptable standards . For example, weak implementation of the bridges/culverts rehabilitation works, has raised the concern that overall road connectivity with the secondary road network as well as in the municipal infrastructure component will not be achieved . The rehabilitation needs to continue, especially given the large proportion of targets that remained unmet during PFRAP . However, no specific transition arrangements are reported in the ICR . In the long-run, a more stable arrangement for recovery funding, perhaps in the form of a revolving fund, is clearly needed to deal with the reality of recurring natural disasters . Until institutional coordination improves, and more stable arrangements are made, the risk to achieving both the

short-term and long-term objectives of PFRAP remains significant. Rating: *Significant*

**a. Risk to Development Outcome Rating :** Significant

**8. Assessment of Bank Performance:**

**PSIDP**

Quality at Entry: QAG rated the project as highly satisfactory for reflecting lessons of experience with similar initiatives in South Asia, EAP and LAC, which led to incorporating synergy between development and financing aspects within the same project; providing for lack of capacity (through IDCOL and IIFC) within the government in facilitating projects with private participation; giving a sense of comfort to private investors through IDA involvement and WB approval of projects. The project also attempted to focus on developing clean procurement processes and overcoming political interference in sub-project procurement. However, the failure to embed transparency in the solicitation of infrastructure slowed the momentum of the project. This also brought into relief the need for sector reform across a broad front, which the Bank had consciously left to other projects. Rating: *Moderately Unsatisfactory*

Supervision: The project received considerable supervision effort as inferred from the large number and extent of reviews of procurement in several sub-projects proposed for PSIDP support. The composition of the Bank teams changed as the project life was extended. The Bank could have been more flexible in terms of the types of projects that could be financed by IDCOL (IDCOL could not provide equity support; it could lend only in foreign currency and only to greenfield projects), as well as in interpreting its procurement rules to allow local procurement practices to apply. The Bank did not carry out a mid-term review (MTR) partly because of the perception that the project would be closed early, though it participated in an MTR by DFID /CIDA. The MTR proposed steps to widen the membership of IIFC's Board to include Secretaries of Ministries, which might have had a positive impact, but these steps were proposed too late to have any real influence on the project. The Bank followed a hands-off approach in mobilizing expertise to help improve the pace of proposals for sub-projects, to which a somewhat hands-off approach was followed. This appeared to coincide with a period when the Bank (belatedly) gave greater attention to sector policy reform issues. The Bank tried to be proactive and forceful on the whole in urging successive governments to address implementation and governance issues that were retarding the pace of the project. However, there was a progressive decrease of ownership on the part of the Bank as discussions over these issues grew to be numerous and protracted. Rating: *Moderately Satisfactory*

**PFRAP**

QAE: Despite framing the PFRAP as an emergency program, the Bank did not put the program in place and start disbursements until several months after the floods started receding in late September 2004. This was because of delay in agreeing upon the sources of funding, although the funds were eventually reallocated from several ongoing credits. In comparison, other international agencies responded quickly, with the Bank doing so only with the Quick Disbursing component of PFRAP. Rating: *Moderately Unsatisfactory*

Supervision: Implementation issues and solutions were identified appropriately and discussed in a timely fashion with the Borrower. The Bank's missions had technical experts in all major project sectors. The procurement and FM teams provided timely and quality advice. However, the Bank took longer than required to formally notify the Borrower about the cancellation of the Primary Road Network Component. The complex nature of the operation which was spread over six executing agencies, put a heavy burden of coordination on the Bank. Rating: *Moderately Satisfactory*

**a. Ensuring Quality -at-Entry:** Moderately Unsatisfactory

**b. Quality of Supervision :** Moderately Satisfactory

**c. Overall Bank Performance :** Moderately Unsatisfactory

**9. Assessment of Borrower Performance:**

**PSIDP**

Borrower: The Borrower displayed strong commitment during project design, and had already taken significant actions leading up to the project including preparing a report on power sector reform, and establishing IDCOL. However, during implementation, the borrower showed less commitment to the broader policy and regulatory needs, and displayed a lack of transparency in procurement matters, which contributed to a slowdown in the flow of potential sub-projects. It is noted however, that the level and quality of private sector interest in projects was affected negatively for some years by the financial crises of Asia in 1997 and Russia in 1998.

The failure to establish IIFC (it was delayed by two years) in a timely fashion and to empower and resource technical units in the line ministries for transaction processes was reflective of the weak government commitment

to ensuring competitive transparent procurement of sub -projects. A positive aspect of the borrower's performance was the competitive conduct of procurement processes in the case of MPL, but this was overshadowed by the subsequent failure to mainstream such processes . Rating: Moderately Unsatisfactory  
Implementing Agencies: IDCOL played its role in familiarizing procurement agencies with Bank guidelines through workshops. However, IDCOL appeared to function more like an arm of GOB rather than a commercial entity, which had a negative effect on the Bank's working relationship with IDCOL as well as on the ability of IDCOL to act independently . An MTR carried out by DFID/CIDA with WB's participation pointed out that IIFC had no executive authority or decision -making responsibility with respect to transaction or policy changes and concluded that lack of progress in developing transactions was largely attributable to government agencies .  
Rating: Moderately Unsatisfactory

#### **PFRAP**

Borrower: The borrower showed commitment for implementation throughout the project period . However, delays in negotiating with the Ministry of Finance to channel the LRP funds on a grant basis and approval of the Project Proforma (PP) for the Primary and Secondary Schools Component contributed to the avoidable cancellation of some sub-components or portions of sub-components. Rating: Moderately Unsatisfactory

Implementing Agencies: Actual implementation was assigned to existing project management units (PMUs) or project coordination units (PCUs) in six line ministries. A large part of the program was implemented by the Local Government Engineering Department (LGED) under the Ministry of Local Government, Rural development and Cooperatives. As the project experienced an inadequate pace and scale of implementation, ERD took over the coordination of the PMUs/PCUs, but this may have come too late to have had a substantial impact . In addition, mis-procurement under the Primary Road Network sub-component put a dent in GOB's commitment to the overall program. Rating: Moderately Unsatisfactory

**a. Government Performance :**Moderately Unsatisfactory

**b. Implementing Agency Performance :**Moderately Satisfactory

**c. Overall Borrower Performance :**Moderately Unsatisfactory

#### **10. M&E Design, Implementation, & Utilization:**

##### **PSIDP**

Design: Keeping in mind that the project was appraised much prior to the recent emphasis on outcomes, the performance indicators proposed in the PAD are a reasonable mix of outputs and intermediate outputs : (i) increase in the country's infrastructure capacity; (ii) increase in the share of private ownership and operation of infrastructure assets; (iii) amount of non-guaranteed debt finance mobilized for infrastructure projects; ( iv) number of infrastructure projects identified and developed for private sector participation; and (v) establishment of processes and frameworks for promoting such participation.

Implementation and Utilization: Since MPL was the only significant sub-project, there was little scope for implementing and utilizing the M&E indicators.

Rating: Negligible

##### **PFRAP**

Design: Owing to the emergency nature of PFRAP, reliance for M&E was placed on the main implementing agency -- Local Government Engineering Department (LGED) under the Ministry of Local Government, Rural Development and Cooperatives -- which used its existing MIS system and quality control laboratories for monitoring outputs rather than and defined outcomes.

Implementation and Utilization: Better use of MIS and monitoring by LGED may have helped prevent the cancellation of contracts. Six months prior to project closing, the country's Economic Relations Division (ERD) began to regularly coordinate and monitor activities under PFRAP, which may have improved the pace of implementation, but came too late to have a significant impact.

Rating: Negligible

**a. M&E Quality Rating :** Negligible

#### **11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):**

##### **PSIDP**

An Environmental Impact Assessment ("EIA"), a Social Impact Assessment ("SIA") and a Resettlement Action Plan ("RAP") were prepared for the MPL, the only significant sub-project under PSIDP. No major deviations from safeguards and fiduciary policies are mentioned .

**PFRAP**

**Safeguards:** A rapid environmental and social assessment suggested that the impacts of rehabilitation and reconstruction work would be low, and no significant instances were observed.

**Fiduciary Issues:** A Chartered Accountancy firm reviewed the large number of contracts under PFRAP (2,599) and estimated that only 0.25% of them may have deviated from procurement norms. Credit was cancelled for 14 works contracts (US\$36.4m) under the Primary Roads component. A suspected case of collusion in bidding for a secondary school was cancelled by IDA. The Quick Disbursing Support executed by the Bangladesh Bank was not audited by private auditors. The Bank still needs to review a consolidated audit report on the PFRAP which requires the backing of line ministries in its preparation.

<b>12. Ratings:</b>	<b>ICR</b>	<b>IEG Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome:</b>	Moderately Unsatisfactory	Moderately Unsatisfactory	
<b>Risk to Development Outcome:</b>	Significant	Significant	
<b>Bank Performance :</b>	Moderately Unsatisfactory	Moderately Unsatisfactory	
<b>Borrower Performance :</b>	Moderately Unsatisfactory	Moderately Unsatisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTES:**

- 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:****PSIDP**

- Prior to encouraging private infrastructure development, starting from a low base, a coherent enabling policy and regulatory environment needs to be in place .
- In creating new institutions, due consideration must be given to the interplay with the political economy of old institutional arrangements and incentive structures .
- Government commitment at the highest level is essential to ensure the transparent conduct of policy and implementation of transactions for private participation in infrastructure development .

**PFRAP**

- Emergency recovery operations should take into consideration local implementation capacity and the fact that such capacity might be hindered in the aftermath of a disaster .
- In a situation that is prone to periodic natural disasters, a long -term approach should be taken such as creating a dedicated disaster management fund with a clear mandate, processes (including procurement), staff resources, and appropriate institutional linkages for coordination .
- While there may be a need to simplify and speed up procedures during an emergency response, basic procurement procedures and transparency should be maintained .

**14. Assessment Recommended?     Yes  No**

**Why?** Both the original and "restructured" parts of the project experienced a complex interplay of factors in project design and implementation, including issues of policy, governance, institutional development, and involvement of the private sector. There are several lessons to be learnt from a more detailed analysis of this experience, that can be very useful to future operations in Bangladesh as well as for other countries in similar situations .

**15. Comments on Quality of ICR:**

The portion of the ICR relating to the original project is informative, analytical and objective in its assessment . The portion (Annex 10) relating to the PFRAP is also informative, but relatively less objective in its analysis . The amounts planned and actually disbursed under PFRAP need to be reconciled between Annex 1, 10 and 12. Overall, the ICR is considered satisfactory, but could have been more concise .

**a.Quality of ICR Rating :** Satisfactory