



Bangladesh: Strengthening the Capacity of Infrastructure Development Company Limited

Project Name	Strengthening the Capacity of Infrastructure Development Company Limited	
Project Number	55328-001	
Country	Bangladesh	
Project Status	Approved	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 6873-BAN: Strengthening the Capacity of Infrastructure Development Company Limited	
	Technical Assistance Special Fund	US\$ 750,000.00
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth	
Drivers of Change	Governance and capacity development Partnerships Private sector development	
Sector / Subsector	Finance - Infrastructure finance and investment funds	
Gender Equity and Mainstreaming	Some gender elements	
Description	<p>The knowledge and support technical assistance (TA) will support knowledge development and capacity building of the Infrastructure Development Company Limited (IDCOL), a public sector financing company mandated by the Government of Bangladesh to provide long-term financing of public-private partnership (PPP) projects. The TA will help lay the groundwork for the transformation of IDCOL into a more market-oriented entity, particularly by transforming its funding sources and capital structure, and strengthening its risk management, business process automation, and portfolio diversification. The TA will also enable IDCOL to take a leadership role in facilitating climate finance in Bangladesh. The TA is included in the Bangladesh Indicative Country Pipeline and Monitoring Report (2022-2024).</p>	
Project Rationale and Linkage to Country/Regional Strategy	<p>Rapid economic growth has increased the demand for energy, transportation, and urban development. However, infrastructure deficit remains a bottleneck and prevents the economy from reaching its full potential. Public-sector-driven infrastructure development is constrained by resource availability with the budget deficit, rising to 5.6% in 2020. Moreover, the coronavirus disease (COVID-19) pandemic has resulted in increasing fiscal pressure. The government has highlighted PPP as an important tool to mobilize private sector resources into infrastructure investments to supplement public investment and to achieve better value-for-money.</p> <p>As part of its efforts to mainstream PPP, the government set up IDCOL in 1997 to address long-term funding challenges of infrastructure projects, especially in PPP projects. Since then, it has become the leading domestic financial institution in catalyzing long-term funding and promoting private sector investment in infrastructure projects. By December 2020, its outstanding loan and advances was at Taka (Tk) 79.1 billion, rising from Tk41.0 billion in 2016. Its shareholder equity grew to Tk9.2 billion from Tk6.0 billion in 2016. It is one of the few financial institutions that have the technical and managerial capacity to appraise, structure and execute infrastructure project financing in Bangladesh.</p> <p>ADB has had a long-term engagement with IDCOL. Through Public Private Infrastructure Development Facility (PPIDF), PPIDF2 and Tranche 1 of PPIDF3, ADB provided \$535 million project financing. With the support of two ADB TAs, IDCOL has developed a PPP policy framework, set up a dedicated risk management unit led by senior officers, established a corporate recovery unit, formulated a corporate strategy with a focus on infrastructure investment and advisory services, strengthened ICT capacity and compliances, and developed a capable social and environmental safeguard team. Currently, IDCOL is led by a strong 8-person Board including independent directors and staffed with experienced executives and professionals. With its rapid growth in operations and enhanced capacities, IDCOL is ready to take major steps to become more effective in achieving its missions, with ADB's support.</p> <p>First, IDCOL remains a state-owned institution, relying on multilateral loans, guaranteed by the government. As of December 2019, the outstanding amount of multilateral loans stood at Tk75.5 billion (ADB's share is 39%). With its growing operations and stronger capacity, IDCOL is considering diversifying its funding sources gradually. Funds can be raised in the capital market, either through a combination of domestic and international bond issuances, potentially a green bond issuance, partially guaranteed by ADB or through an offshore-taka linked bond. Tapping the capital markets will help IDCOL improve its long-term financial sustainability and adopt good practices in project appraisal, risk management, and corporate governance. Furthermore, IDCOL will be encouraged to adopt global Green Bond framework in its investment.</p> <p>Second, IDCOL needs to strengthen its capital base to ensure long-term sustainability and to support its expanding operations. One of the options is to bring on board a strategic partner, possibly an international infrastructure financing company or a development financial institution. This will not only strengthen IDCOL's capital base, but also provide IDCOL access to international project appraisal systems and processes, management know-how, improved risk management and corporate governance practices. This will also establish a good precedence in the reform of the State-Owned Enterprises in Bangladesh.</p> <p>Third, as a leading infrastructure finance company, IDCOL is expected to take the lead in supporting the country's agenda for a low carbon and climate resilient economy and developing new sectors with its financing and advisory services. So far, IDCOL's main role has been limited to being a financier of infrastructure projects including some renewable energy and energy efficiency projects, but more needs to be done. Bangladesh is highly susceptible to the impacts of climate change. Ranked 7th in the Global Climate Risk Index, the country is most vulnerable to extreme weather conditions and climate change. The government has committed to reducing greenhouse gas emissions by 21.85% below, business-as-usual, in the industrial sectors by 2030 of which, 6.73% reduction is targeted as unconditional using only domestic resources and remaining 15.12% is targeted with a condition to receive sufficient and appropriate assistance from the global community. IDCOL shall play a bigger role to spearhead emerging areas of green technology to support climate change adaptation projects.</p> <p>Transformations in all these areas, require advanced expertise and introduction of best practices in capital market, climate financing and green technology. Experiences gained through the process will be beneficial not only for IDCOL but for the country. A technical assistance addressing these areas was requested by the government, and the outline of the TA was agreed on during the fact-finding mission for the processing of the Third Public-Private Infrastructure Development Facility-Tranche 2.</p> <p>The TA is closely aligned with ADB's Strategy 2030 and will contribute to achieving the following operational priorities: (i) Operational Priority (OP) 2 of Gender Equality and Women's Empowerment (by strengthening IDCOL's gender inclusive project implementation capacity); (ii) OP3 of Tackling Climate Change, Building Climate & Disaster Resilience & Enhancing Environmental Sustainability (by developing new sectors or subsectors for climate financing); and (iii) OP6 of Strengthening Governance and Institutional Capacity (by strengthening IDCOL's capital and financing structure, and risk management and operation capacities)</p>	
Impact	Financial institutions supporting PPP infrastructure and climate finance strengthened	

Project Outcome	
Description of Outcome	Capacity of IDCOL to support infrastructure investments, and climate financing enhanced
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	A medium-term resource diversification plan supporting the implementation of the corporate strategy developed. IDCOL's capacity for financing potential new areas of climate finance and social infrastructure expanded. IDCOL's operation control and management enhanced.
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Nation-wide
Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	
Business Opportunities	
Consulting Services	ADB will recruit a consulting firm with international and national consultants. The firm will be engaged by ADB through quality- and cost-based selection with a quality-cost ratio of 90:10, because of the highly specialized expertise needed, using a simplified technical proposal in accordance with the ADB Procurement Policy (2017, as amended from time to time).
Procurement	The TA-financed equipment will be procured following ADB's Procurement Policy (2017, as amended from time to time) and associated TA staff instructions.
Responsible ADB Officer	
	Zhang, Dongdong
Responsible ADB Department	
	South Asia Department
Responsible ADB Division	
	Public Management, Financial Sector and Trade Division, SARD
Executing Agencies	
	Ministry of Finance Economic Relations Division (ERD), MOF Sher-e-Bangla Nagar, Dhaka_1207 Bangladesh
Timetable	
Concept Clearance	08 Nov 2021
Fact Finding	03 Nov 2021 to 10 Nov 2021
MRM	-
Approval	13 Dec 2021
Last Review Mission	-
Last PDS Update	13 Dec 2021

TA 6873-BAN

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
750,000.00	0.00	0.00	0.00	0.00	0.00	750,000.00	-	0.00

Project Page	https://www.adb.org/projects/55328-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=55328-001
Date Generated	14 December 2021

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.