

# Project Administration Manual

Project Number: 42180  
Loan Number(s): {LXXXX}  
September 2013

People's Republic of Bangladesh: Second  
Public–Private Infrastructure Development  
Facility

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LOAN PROCESSING HISTORY

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## **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Executing Agency (EA, Economic Relations Division), the Financial Management Agency (Finance Division), and the Implementing Agency (IA, Infrastructure Development Company Limited [IDCOL]) are wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by the Ministry of Finance and IDCOL of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the Loan Agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

## Abbreviations

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
BRPD	–	banking regulation and policy department
EA	–	executing agency
ERM	–	environmental risk management
ESSF	–	environmental and social safeguard framework
IA	–	implementing agency
IDCOL	–	Infrastructure Development Company Limited
LIBOR	–	London interbank offered rate
MOF-ERD	–	Ministry of Finance-Economic Relations Division
MOF-FD	–	Ministry of Finance-Finance Division
OCR	–	ordinary capital resources
PAM	–	project administration manual
PCR	–	project completion report
PMU	–	project management unit
PO	–	participating organization
PPIDF	–	Public–Private Infrastructure Development Facility
RE	–	renewable energy
RERED	–	Rural Electrification and Renewable Energy Development
SHS	–	solar home system
SOE	–	statement of expenditure

## LOAN PROCESSING HISTORY

<b>Milestones</b>	<b>Dates</b>
Approval of Concept Clearance Paper	13 March 2012
1 <sup>st</sup> Fact-finding Mission	19–28 March 2012
2 <sup>nd</sup> Fact-finding Mission	14–22 April 2013
Appraisal Mission	2–4 July 2013
Management Review Meeting	17 July 2013
Loan Negotiations	19 August 2013
Board Circulation	26 September 2013
Board Approval	17 October 2013
Loan Agreement Signing	25 November 2013
Loan Effectiveness	23 February 2014

## I. PROJECT DESCRIPTION

1. **Project's rationale, location, and beneficiaries.** The Second Public–Private Infrastructure Development Facility (PPIDF II, the Project) is the successor project to the Public–Private Infrastructure Development Facility approved in 2008 (PPIDF I) and is designed to (i) provide an ordinary capital resource (OCR) loan of \$100 million to the Government of Bangladesh (the Government) for the purpose of onlending in foreign or local currency to the Infrastructure Development Company Limited (IDCOL) to finance private sector-sponsored medium to large infrastructure subprojects in Bangladesh with a minimum subproject size of \$10 million, and (ii) provide an Asian Development Fund (ADF) loan of \$10 million equivalent to the Government for the purpose of onlending in local currency to IDCOL's successful solar home system (SHS) program. The project has a countrywide geographical focus.

2. **Impact and outcome.** The impact of the Project will be enhanced development of infrastructure including renewable energy (RE) facilities in Bangladesh. The outcome of the Project will be increased private sector participation in infrastructure development, including in RE facilities.

3. **Outputs.** The two outputs aim to address Bangladesh's infrastructure deficiencies by providing long-term infrastructure financing, including for RE given the country's substantial exposure to climate change induced risks.

4. **Output 1: Increased available long-term debt financing for innovative infrastructure projects.** The output will be achieved through output 1 which will provide IDCOL with local currency or US dollar funding in the amount of up to \$100 million equivalent.

5. The proceeds from this project output will be used to finance private sector-sponsored medium and large infrastructure projects in Bangladesh with an individual subproject size of at least \$10 million that meet the following eligibility criteria:<sup>1</sup>

- (i) Projects should be an integral part of the Government's priority plan for the relevant sector and/or subsector.
- (ii) The project must be majority-owned by the private sector parties. Private sector parties must hold at least 51% of the project's equity and be significantly involved in its management for the life of the IDCOL loan.
- (iii) The sponsors should have a proven track record of successfully developing, financing, and operating similar infrastructure projects.
- (iv) To ensure sponsor's commitment to the project, equity should represent not less than 20% of the total project cost.
- (v) The technology proposed for a project should have a successful track record.
- (vi) Projects should be financially viable with robust and predictable cash flows and capable of generating sufficient foreign exchange revenues or revenues indexed to US dollar to repay the US dollar loans to IDCOL or viable after receiving grants from the viability gap fund established by the Government.
- (vii) Projects should meet the Government, ADB, and IDCOL environmental and social assessment criteria.
- (viii) The economic rate of return of the Project should be at least 12%.

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<sup>1</sup> The eligibility criteria are consistent with IDCOL's current investment guidelines.

6. In line with the current investment guidelines of IDCOL, IDCOL will finance up to 40% of the total costs of an individual subproject while the subproject sponsor will be required to invest a minimum of 20% of the total subproject cost as equity, thereby better balancing the risk factors between the subproject sponsor and the Government via IDCOL. The remaining debt financing will be sourced from private or public sector financiers.

7. The eligible subsectors, which meet the Government's current priority plan, include (i) power generation, which—given the acute power shortage in the country—is expected to receive priority in terms of financing under this output of the PPIDF II; (ii) roads and bridges; (iii) railways; (iv) ports (including seaports and airports); (v) gas and gas-related infrastructure; (vi) water supply, sewage, and solid waste management; (vii) information technology; (viii) RE; and (ix) other infrastructure development subprojects as may be approved by the Government, IDCOL's Board, and ADB.

8. **Output 2: Increased availability and accessibility of financing for SHS.** The output will be achieved through output 2 which will provide IDCOL with a credit line of \$10 million in local currency equivalent for its SHS program. IDCOL's SHS program is a demand-driven model for increasing access to electricity in remote rural areas where grid connection is not economically feasible or would take a long time to reach.

9. IDCOL's SHS program provides refinancing, sets technical specifications for equipment, develops publicity materials, extends loans, installs the systems through participating organizations (POs) which also monitor their performance, and provides maintenance support. In particular, IDCOL provides loans at an approximate interest rate of 6%–8% (per annum) with a tenor of 5 years–7 years and a grace period of up to one year to POs,<sup>2</sup> which then provide customers in rural areas with financing of up to 80% of the cost of an SHS<sup>3</sup> with a capacity of 10 watts–130 watts.<sup>4</sup>

10. Funds used by IDCOL for refinancing stem primarily from donor loans channeled through the Government. IDCOL's main responsibility is, therefore, to raise and channel funding in the form of loans to POs and to monitor the overall performance of its SHS program. POs, in a second step, will then select subproject areas and potential customers, extend loans, install the systems, monitor their performance, and provide maintenance and technical support. In

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<sup>2</sup> IDCOL's renewable energy (RE) program is innovative because it is implemented through participating organizations (POs), which are nongovernment organizations, microfinance institutions, and private entities. These POs select project areas and potential customers, extend loans, install the systems, and provide maintenance support. Through this scheme, IDCOL can take advantage of POs' grassroots networks, which are vital for introducing efficient technology to underdeveloped rural areas and encouraging community participation.

<sup>3</sup> SHSs are small photovoltaic systems with a peak capacity of between 10 watts and 130 watts and comprise a solar panel, battery, charge controller, wires, and loads. The estimated technical lifetime of a solar panel for an SHS is about 20 years, 5 years–7 years for a battery, and 3 years for a charge controller. Maintenance and after-sales service are provided free of charge within the first 3 years of purchase. During this time, the systems are regularly checked by PO staff while collecting the monthly installments. After the 3-year payback period, maintenance is provided by the POs for a minimal monthly fee. Given that SHS users are owners of their systems, motivation to keep the system running will be high. As there are no further monthly installments after the payback period, the payment of a small monthly service fee as well as the replacement of the battery every 5 years will not be a major financial obstacle.

<sup>4</sup> SHS are used mainly by low and middle class households, and micro- and small enterprises in off-grid rural locations to operate light bulbs, small electrical appliances like mobile chargers, and black-and-white television sets. Households, and micro- and small enterprises buy SHSs either by cash or credit, but they are required to pay a minimum 10% of the cost as a downpayment. The price of a typical 50-watt SHS is about \$400.

addition to the refinancing arrangement, donors devised a grant scheme<sup>5</sup> to incentivize the end-users to increase the affordability of these RE applications to buyers in rural off-grid areas, where the poorer section of the population normally lives. The prices of SHSs depend not only on the institutional capacity in operating the program cost efficiently and on the refinancing terms offered to IDCOL and its POs but also on world prices for the various system components that are subject to demand and supply. Thus, the grant scheme will shelter end-users from some of the price fluctuations as well as accelerate the SHS program.

11. The main rationale for output 2 is to increase the financing available to the rural poor for the purchase of an SHS which is in line with the provision of funds already provided by other donors. The funds will increase SHS installation rates and the successful implementation of alternative energy generation in off-grid areas. This will assist the Government in implementing its vision of universal electricity access by 2020.

12. During the implementation of this output, IDCOL will endeavor to ensure that:

- (i) at least 20% of all SHS are provided to female customers;
- (ii) at least 40% of all participants in its in user trainings are women;
- (iii) new technologies such as light-emitting diode lights, gel-based batteries (which are maintenance free and have a longer life of up to 8 years but are more costly), will be gradually introduced in its SHS program; and
- (iv) POs will receive refinancing of up to a maximum of 80% for an individual SHS or a maximum of \$260, whichever is lower.

#### **A. Eligibility Criteria for Participating Organizations (POs)**

##### **1. For all POs**

13. **General criteria.** The following general criteria apply to all POs in IDCOL's SHS program:

- (i) Satisfactory business plan approved by the PO's board of directors as to the overall planning in relation to the use of the IDCOL refinancing facility, including (a) proposed internal organization to implement the business plan; (b) details of responsible business team; (c) capacity to originate, evaluate, and approve lending proposals; (d) manage subsequent follow-up monitoring and loan recoveries; and (e) details of similar financing schemes that the PO operates.
- (ii) Particulars of the operational and financial results of the PO for at least the previous 2 years based on an acceptable audited report. The PO's operations should be profitable for at least the past 2 years. However, in reaching an assessment about potential profitability, IDCOL will also consider (a) forward looking business prospects and potential for profitable operations; and (b) in case the PO is operating a solar program, the performance of the solar business.
- (iii) The PO should furnish proof to IDCOL that the organization's financial performance is in conformity with the applicable financial criteria.
- (iv) After fulfilling the eligibility criteria for program entry, the PO will continue to meet

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<sup>5</sup> The grant scheme consists of (i) a buy-down grant of \$20 to reduce the consumer price of the SHS, (ii) a grant to IDCOL for management and monitoring on the use of refinancing loans and grant outputs, and (iii) an institutional development fund available to the POs that have installed less than 5,000 SHS to widen their outreach capacities in rural areas.



the aforementioned eligibility criteria, satisfactory to IDCOL, which shall monitor the PO's compliance therewith annually. If the PO fails at any time to satisfy the above specified criteria, IDCOL reserves the right to suspend subloan authorizations under the Project until the PO has taken specific steps to address its problems in a manner satisfactory to IDCOL.

- (v) The PO has established and maintained sound and transparent accounting, management information, and internal audit systems.
- (vi) Accounts are audited by a reputable external auditor on an annual basis.

14. **Specific financial criteria.** The following specific financial criteria apply to all organizations participating in IDCOL's RE subproject:

- (i) must have a minimum equity of Tk10 million;
- (ii) must have a debt–equity ratio not in excess of 3.0;
- (iii) must have minimum total cash collection ratio of principal and interest on current loan portfolio calculated on a rolling 12-month basis of 95%;
- (iv) in case of an existing SHSs loan portfolio, must have a minimum total cash collection ratio of principal and interest calculated on a rolling 12-month basis of 95%;
- (v) must have a minimum after-tax profit equivalent to 4% per annum on revolving loan fund;
- (vi) in cases where prospective business profitability is considered to be positive, should be at least breaking even after meeting operational expenses and debt service. However, in such cases, continued eligibility will be conditional on being able to meet the 4% per annum after-tax profit criterion the following year; and
- (vii) must have a minimum debt service coverage ratio of 1.25 times.

## 2. For Microfinance Institutions

15. In addition to above criteria, microfinance institutions have to comply with the following criteria:

- (i) must be registered with appropriate registration authority to conduct microfinance services;
- (ii) must be currently conducting microfinance services with soft loan funds from:
  - (a) Palli Karma-Sahayak Foundation as a PO,
  - (b) the Bangladesh Small Industries and Commerce Bank Ltd.(BASIC Bank), and
  - (c) any other similar national or international funding source;
- (iii) must have microfinance operations in subproject areas identified in the priority list for the SHS program;
- (iv) must have not less than 10,000 beneficiaries; and
- (v) must be capable of managing a rural RE program.

16. **Economic analysis of each subproject.** Each subproject should be subjected to an economic analysis to establish economic viability. Economic analysis should be carried out following the economic analysis guidelines<sup>6</sup> and the analyses should cover all the key areas—macroeconomic and sector context, demand analysis, economic rationale, project alternative analysis, cost–benefit analysis, sustainability analysis, distribution analysis, and sensitivity and

<sup>6</sup> ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila.

risk analysis. Subprojects with an economic internal rate of return of less than 12% should not be financed.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

Indicative Activities	Months (June 2013 being Month 1)									Responsible
	1	2	3	4	5	6	7	8	9	
Advance contracting actions		X								ADB, IDCOL
Establish project implementation arrangements	X									MOF-FD, IDCOL, MOF-ERD
Loan negotiations			X							ADB, MOF-FD, IDCOL, MOF-ERD
Government draft legal opinion provided				X						EA, IDCOL
ADB Board approval					X					ADB
Loan signing						X				ADB and MOF-ERD
Loan effectiveness									X	ADB and MOF-ERD

ADB = Asian Development Bank, IDCOL = Infrastructure Development Company Limited, MOF-ERD = Ministry of Finance, Economic Relations Division, MOF-FD = Ministry of Finance, Finance Division.

Source: Asian Development Bank.



### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Implementation Organizations—Roles and Responsibilities

Project Implementation Organizations	Management Roles and Responsibilities
Executing Agency: Ministry of Finance- Economic Relations Division	<ul style="list-style-type: none"> <li>• Manage the overall project administration and coordination (including among IA, ADB, development partners, and other relevant stakeholders).</li> </ul>
Financial Management Agency: Ministry of Finance, Finance Division	<ul style="list-style-type: none"> <li>• Manage all treasury functions in relending the ADB US dollar funds in local currency, including the management of foreign exchange exposure and maturity gap risk.</li> <li>• Sign subsidiary loan agreement(s) with IA (IDCOL).</li> <li>• Establish relevant accounts including the project imprest account and maintain close monitoring of the account activities.</li> </ul>
Project specific management body (either stand-alone or within the executing agency)	<ul style="list-style-type: none"> <li>• A PMU has already been established within IDCOL to monitor the screening and selection of subprojects.</li> <li>• PMU will ensure compliance with state and national policies and IDCOL's ESSF which ensures compliance with ADB safeguard policies and national norms.</li> <li>• The PMU will have a dedicated finance and accounts officer who will be in charge of the financial management of the Project.</li> <li>• The PMU will be responsible for the identification, screening, selection, and monitoring of all subprojects ensuring compliance with state and national environmental, involuntary resettlement, and indigenous people's policies and the ESSF.</li> <li>• In addition, the PMU will be responsible for developing and implementing a PPMS.</li> </ul>
Project steering committee	Not applicable.
Implementing agency: Infrastructure Development Company Limited	<ul style="list-style-type: none"> <li>• Policy direction and strategic oversight will be provided by IDCOL's Board of Directors.</li> <li>• Guide overall ADB project implementation in accordance with the loan and/or project agreement and the subsidiary loan agreement(s).</li> <li>• Enter into a subsidiary loan agreement with MOF-FD on the borrowing of ADB funds.</li> <li>• Approve the selection of POs and sign participation agreements with all qualified POs.</li> <li>• Monitor screening and selection of subprojects.</li> <li>• Ensure that regular project reviews are conducted on the compliances to the loan agreement including environmental and social safeguards, gender actions requirements and ADB procurement guidelines.</li> <li>• Review compliance reports and take corrective measure whenever necessary, including recommending PMU to disqualify if any PO does not comply with ADB loan agreement and other implementation guidelines, in terms of environment and social safeguards, gender actions requirements and ADB procurement guidelines.</li> <li>• Propose appropriate relending terms to POs and/or subproject by drawing lessons learned from its management of the PPIDF I intervention.</li> <li>• Ensure that POs use the ADB funds for the intended purposes of the Project.</li> <li>• Monitor POs compliance to the applicable national laws and regulations and ADB loan agreement and relevant covenants,</li> </ul>

Project Implementation Organizations	Management Roles and Responsibilities
	including environment and social safeguards, gender actions requirements, ADB procurement guidelines, and ADB prohibited investment activities. <ul style="list-style-type: none"> <li>• Suspend any further disbursements and undertake other appropriate measures if the subproject sponsors or the POs do not comply with the participation agreements (between IDCOL and the subproject sponsors and/or POs) and ADB loan agreement and other relevant guidelines.</li> <li>• Conduct regular audits on the project accounts.</li> <li>• Submit quarterly reports on the fund utilization to ADB, including detailed subloan information: type of borrowers, subloan amount, interest rate, tenor, repayment terms, amortization schedule, and intended purposes.</li> </ul>
Asian Development Bank	Provide a loan of \$100 million from OCR and a loan of \$10 million from ADF to MOF-FD for onlending to IDCOL which will sign a subsidiary loan agreement with IDCOL as per the loan agreement.

ADB = Asian Development Bank, ADF = Asian Development Fund, ESSF = environment and social safeguards framework, IA = implementing agency, IDCOL = Infrastructure Development Company Limited, MOF-FD = Ministry of Finance-Finance Division, PMU = project management unit, OCR = ordinary capital resources, PO = participating organization, PPIDF = Public-Private Infrastructure Development Facility, PPMS = project performance monitoring system

Source: Asian Development Bank.

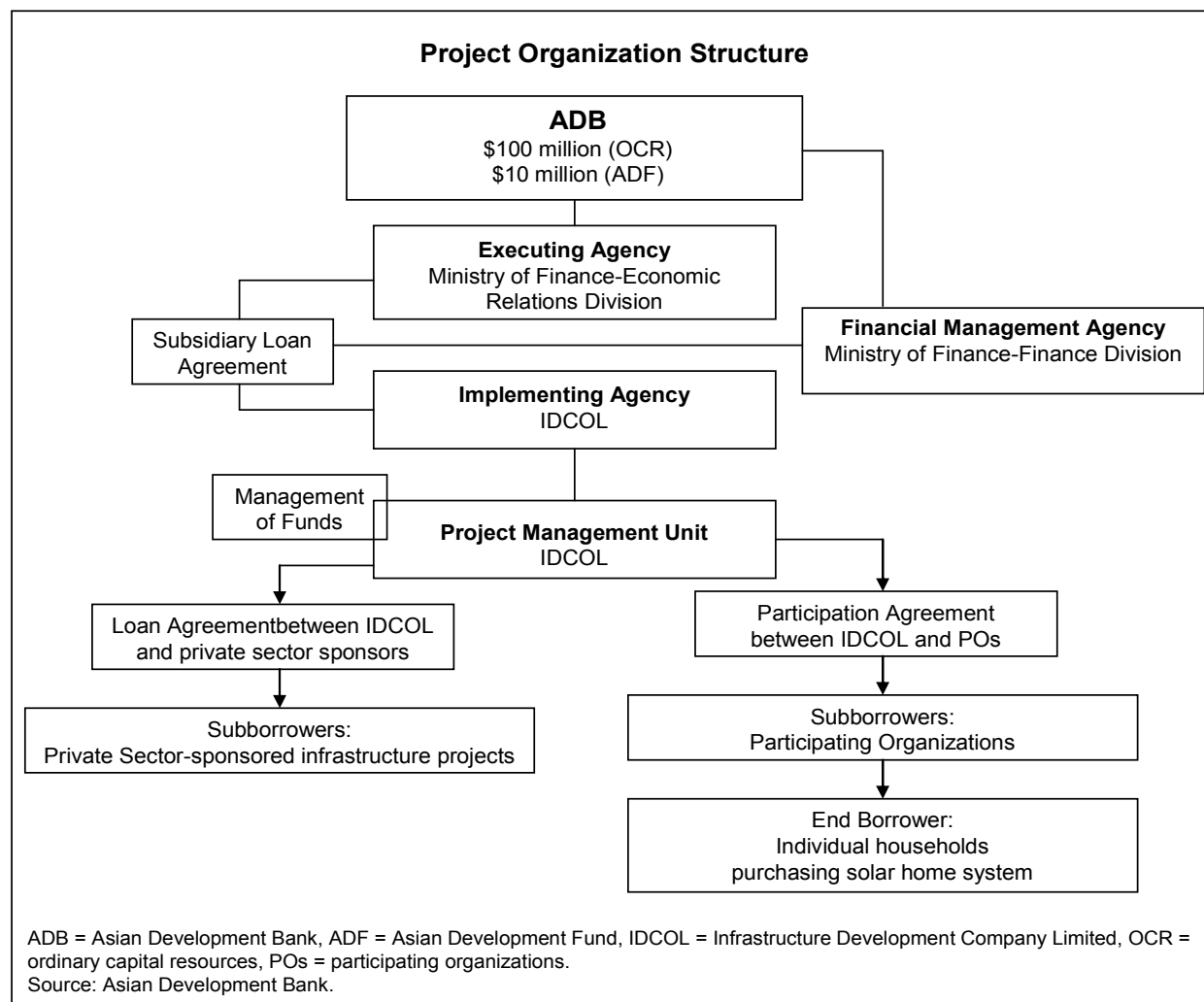
## B. Key Persons Involved in Implementation

<b>Executing Agency</b>	Ministry of Finance–Economic Relations Division Mr. Arastoo Khan, Additional Secretary (Budget2) Telephone : +880 2 918 0675 Email address: addl-secy2@erd.gov.bd Office address: Sher-E-Bangla Nagar Dhaka Bangladesh
<b>Financial Management Agency</b>	Ministry of Finance–Finance Division Mr. Shahab Uddin Ahmed, Additional Secretary (Budget1) Telephone : +880 8 716 5290 Email address: sahmed@finance.gov.bd Office address: Building no. 7, Bangladesh Secretariat Dhaka-1000, Bangladesh
<b>Implementing Agency</b>	Infrastructure Development Company Limited Mr. Mahmood Malik, Executive Director and Chief Executive Officer Telephone: +88029103881 Email address: mmalik@idcol.org Office address: UTC Building, Level -16 8 Panthapath, Kawranbazar, Dhaka-1215, Bangladesh
<b>ADB</b>	Public Management, Financial Sector and Trade Division (SAPF) Bruno Carrasco, Director, SAPF Telephone No.+63 2 632 6977 Email address: bcarrasco@adb.org
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<b>Co-Mission Leader</b>	Bangladesh Resident Mission

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Source: Asian Development Bank.

### C. Project Organization Structure



17. The credit facility will be established at IDCOL, which will also be the project management unit (PMU) because of its experience in managing similar project financing including PPIDF I. Ministry of Finance-Economic Relations Division (MOF-ERD) will be the executing agency while the Ministry of Finance-Finance Division will be the financial management agency. MOF-ERD and IDCOL Board will provide overall policy support and implementation guidance. IDCOL will be the implementing agency. IDCOL has established a PMU under PPIDF I to monitor the screening and selection of subproject. The PMU staff consists of specialists with expertise in risk and project management. The PMU is staffed with existing IDCOL staff to the extent possible. PMU will also monitor day to day implementation of the Project including compliance to the applicable national laws and regulations and ADB loan agreement and relevant covenants, including environment and social safeguards, gender actions requirements, ADB procurement guidelines, and ADB prohibited investment activities.

## IV. COSTS AND FINANCING

### A. Financing Arrangements

#### 1. Onlending terms of output 1 (medium-sized to large infrastructure subprojects)

18. The Government has requested a \$100 million loan from ADB's OCR to assist in financing the Project. The OCR loan will have a 25-year maturity, including a 5-year grace period, an interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility,<sup>7</sup> a commitment fee of 0.15% per annum, and such other terms and conditions as set forth in the relevant loan agreement. Based on these terms and assuming a straight-line amortization schedule, the average loan maturity will be 15.25 years which will result in a maturity premium of 10 basis points to be paid to ADB.

19. The Government has provided ADB with (i) the reasons for its decision to borrow under ADB's LIBOR-based lending facility on the basis of these terms and conditions, and (ii) an undertaking that these choices were its own independent decision and not made in reliance on any communication or advice from ADB.

20. The loan proceeds will be relented to IDCOL in (i) dollars at a relending LIBOR rate plus 100 basis points per annum and for at least a 20-year term<sup>8</sup> with a grace period of 5 years for the purpose of foreign currency disbursements; or (ii) in Taka at bank rate<sup>9</sup> with at least a 20-year term with a grace period of 5 years pursuant to a subsidiary loan agreement with such other terms and conditions acceptable to ADB.

21. Onlending by IDCOL to eligible subprojects will be at interest rates that reflect IDCOL's cost of funds plus a spread to cover transaction costs and risks. Subloans will be on full commercial and competitive terms<sup>10</sup> at IDCOL's discretion. The subprojects will have to be majority-owned by a private sector sponsor who has proven track record of successfully developing, financing, and operating similar infrastructure projects.

#### 2. Onlending Terms of output 2 (SHS subprojects)

22. The Government has also requested a \$10 million equivalent loan from ADB's Special Funds resources. The ADF loan will have a 25-year term, a 5-year grace period, and an interest charge of 2.0% per annum throughout the loan tenor. It will include such other terms and conditions as may be set forth in the loan agreement.

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<sup>7</sup> The OCR loan will be provided to the Government under ADB's maturity-based pricing scheme which includes: (i) a 10 bps premium on new loans with average loan maturity of greater than 13 years up to 16 years, and (ii) a 20 bps premium on new loans with average loan maturity of greater than 16 years up to 19 years.

<sup>8</sup> Any reflows of the ADB loan from IDCOL to the Government due to the difference in tenor will have to be used by the Government for lending activities with similar objectives and focus.

<sup>9</sup> Bank rate means the rate published by Bangladesh Bank on its website (<http://www.bangladesh-bank.org>) in accordance with Article 21 of the Bangladesh Bank Order, 1972.

<sup>10</sup> IDCOL currently charges a variable rate equal to the prevailing United States dollar LIBOR plus minimum 400 basis points for its senior loans and a variable rate equal to the prevailing United States dollar LIBOR plus minimum 450 basis points for subordinated loans. The interest rate is a fixed rate based on the maturity of the subloan and the market swap rate between variable and fixed interest rates for United States dollar debt at the time the subloan is fully drawn, plus (i) a spread of minimum 450 basis points for subordinated loans; or (ii) a spread of minimum 400 basis points for senior loans. The maximum maturity of both senior and subordinated loans is 15 years including up to 3 years grace period.

23. The Government will make the \$10 million equivalent ADF loan available to IDCOL in Taka under a subsidiary loan agreement at a fixed rate of 3% with at least a 20-year term and a grace period of 5 years. IDCOL will onlend the proceeds from the ADF loan to POs at rates which make the program sustainable, while the Government will bear the foreign exchange risk.

24. The proposed onlending terms to POs reflect current market rates for this type of intervention and are also in line with the terms offered by some of the other lenders financing IDCOL's SHS program, notably the World Bank under its Second Rural Electrification and Renewable Energy Development (RERED II).

## B. Financing Plan

25. The financing plan assumes that IDCOL will provide financing up to its maximum allowed investment limit of 40% of total subproject cost to each subproject for a maximum of \$40 million per intervention<sup>11</sup> (while the sponsor will be required to inject at least 20% equity), therefore catalyzing 60% from private sector sponsors and other financial institutions. Typically, IDCOL's share will be smaller, varying between 10% and 30%, to reflect the fact that most infrastructure transactions are financed by a consortium of financial institutions, and IDCOL will be one lender among several. Hence, IDCOL's catalytic effect is expected to be much larger.

**Table 1: Financing Plan**

<b>Source</b>	<b>Amount (\$ million)</b>	<b>Share Total (%)</b>
<b>ADB</b>	<b>110.0</b>	<b>28</b>
Output 1 (OCR)	100.0	26
Output 2 (ADF)	10.0	2
<b>Cofinanciers</b>	<b>195.5</b>	<b>51</b>
World Bank <sup>a</sup>	99.5	26
JICA <sup>b</sup>	96.0	25
<b>Government</b>	<b>30.0</b>	<b>8</b>
<b>Private sector investors<sup>c</sup></b>	<b>50.0</b>	<b>13</b>
<b>Total</b>	<b>385.5</b>	<b>100</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, JICA = Japan International Cooperation Agency, OCR = ordinary capital resources.

<sup>a</sup> The Second Rural Electrification and Renewable Energy Development Project of the World Bank consists of a loan of \$99.45 million from the International Development Association to support Infrastructure Development Company Limited's solar home system (SHS) program and a loan of \$16.55 million for the financing of solar mini-grid installations.

<sup>b</sup> JICA approved in March 2013 a concessional loan of \$122.48 million for IDCOL's SHS program under the Renewable Energy Development Project of which \$96 million is earmarked for IDCOL's SHS program.

<sup>c</sup> This assumes that the sponsor will provide equity financing of 20% of total project cost—private sector banks and financiers will provide debt funding of 40% of total project cost while IDCOL will finance 40% of each project, which is the maximum threshold permitted under its investment guidelines.

Source: Asian Development Bank and Government of Bangladesh estimates.

## C. Parallel Cofinancing

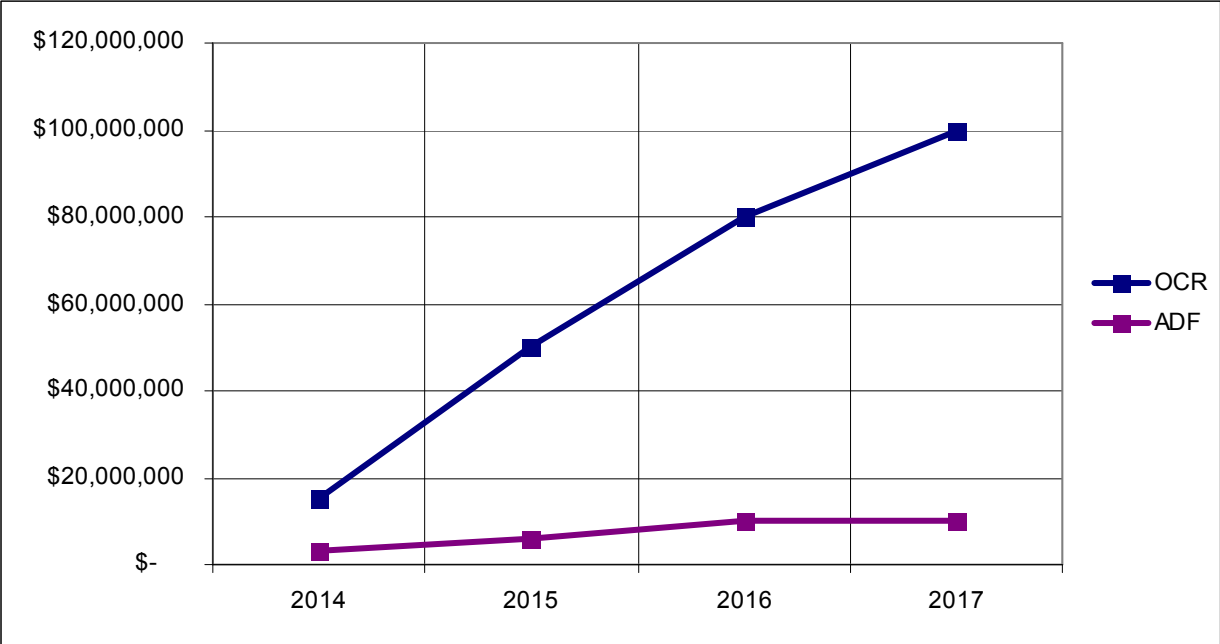
26. Financing from commercial sources during the project implementation period will be encouraged for additional investments into the infrastructure sector of Bangladesh and to complement ADB financing.

<sup>11</sup> IDCOL's single borrower exposure is based on the availability of lendable funds. Currently, IDCOL can extend loans to a single borrower of up to 1/3 of its lendable funds. Given the current availability of lendable funds, the limit is presently \$40 million per eligible borrower but this amount might increase or decrease in future depending on the amount of resources available to IDCOL.



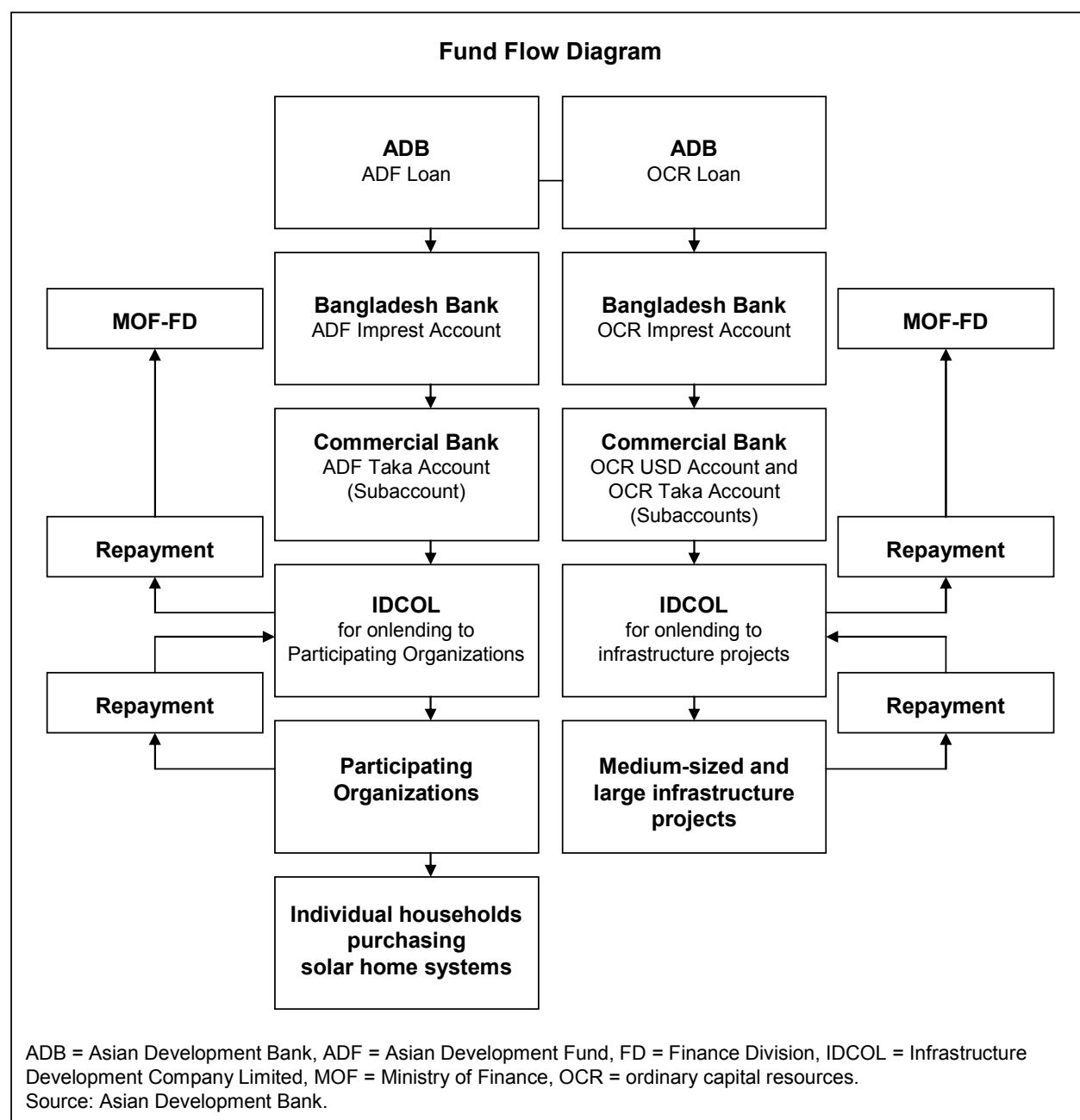
27. On 16 August 2012, the Board of the World Bank (WB) approved a \$155 million sovereign loan on similar terms as ADB’s ADF loan for the RERED II of which \$99.45 million will be provided to IDCOL to support its SHS program together with a grant of \$16.55 million.

**D. Disbursement S-curve**



Note: Because this is a credit line, there is no contract award projection.  
Source: Infrastructure Development Company Limited.

## E. Fund Flow Diagram



## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

28. Financial management assessment questionnaires were completed for the financial management agency (MOF-FD) and the implementing agency (IA, IDCOL). The survey results are attached to the project administration manual (PAM) as Appendix 1. The project financial management is administered by IDCOL, registered as a public limited company with Registrar of Joint Stock Companies and Firms in Bangladesh under the Companies Act 1994 and 100%

owned by the Government. IDCOL was established by the Government to bridge the financing gap and encourage private sector for developing medium and large scale infrastructure and RE projects in Bangladesh.

29. The framework for public financial accountability in Bangladesh is founded on the principles of governance associated with the model inherited from the British. This framework is widely accepted as appropriate for the country. The primary accountability institutions and organizations for financial management, control, audit, and legislative scrutiny, however, need to evolve in line with the changes in the more advanced democracies of a similar background. However, the financial accountability at the national level is less developed—for example, the control over funds is subject to less public scrutiny. However, IDCOL complies with the reporting requirements of the Government and as required per the Companies Act.

30. IDCOL has an eight-member Board of Directors represented by both public and private sectors (four from public sector, three from private sector, and one ex-officio) and the Board is largely independent from management. As of the end of 2012, the total number of staff of IDCOL is 147 (51 regular and 96 temporary staff). Since supporting IDCOL in 2008 under the PPIDF I, IDCOL has increased its capital base, multiplied profits, and gained experience in project financing, including environment and safeguard policies. In addition, IDCOL has got a staffing plan approved by its Board, i.e. after completing the recruitment plan, the regular staff capacity will be increased to 82 along with adequate number of temporary staff. IDCOL's regular staff strength is projected to be 117 at the end of the next 5 years and will be adequately supported by temporary staff. Over the years, IDCOL has developed capacity and knowledge in appraising infrastructure and RE projects. As per latest revised organogram, IDCOL will hire additional staff within the next 5 years based on the revised structure and functions for each unit.

31. Based on the previous financial management assessment, the key area that IDCOL, as the IA, needs to develop is its risk management and public disclosure. IDCOL has limited capacity to price transactions and it needs to improve its systems to monitor and manage interest rate risks. IDCOL's staffing in this regard is not fully adequate and it is in the process of hiring additional experts in these areas.

32. IDCOL's SHS program is one of the fastest growing RE program in the world. The company has recently diversified its financing of other renewable applications, i.e. biogas, biomass-based electricity, solar base transceiver station, solar minigrid, and solar irrigation.

33. Foremost, MOF-FD takes the foreign exchange risks by disbursing the ADB (USD) funds in local currency<sup>12</sup> and IDCOL faces credit risks related to its borrowers, i.e. to the sponsors of its infrastructure projects and to the POs in its SHS program for defaulting on the payment. The MOF-FD, through the central bank (Bangladesh Bank), is able to hedge its foreign exchange exposure and reflects the cost of funds of its local currency onlending to IDCOL. IDCOL has developed in-depth knowledge and processes on financial assessment and due diligence to choose the most creditworthy institutions as evidenced by its low nonperforming loan ratio.

34. Second, IDCOL's lending to the POs under its SHS program is in form of a refinancing scheme which reduces the financial risks to IDCOL. Also, IDCOL can only finance up to 40% of

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<sup>12</sup> In the case of the OCR loan, IDCOL has the option to receive the proceeds in USD rather than in local currency and to onlend these funds in USD to subprojects which have the capacity to absorb USD. In such a case, there is no foreign currency risk for the Government or IDCOL.

the total project costs in its project financing business as per its credit policy, while 20% of the project costs have to be by the sponsor in form of equity. Overall, IDCOL enjoys the reputation in the market of being one of the most competent public financial institutions in Bangladesh. IDCOL is one of the highest rated domestic financial institutions. IDCOL was first rated AA from the Credit Rating Information and Services Limited and AA1 from the Credit Rating Agency of Bangladesh (CRAB) in 2007. Since supporting IDCOL in 2008 under the first facility, IDCOL has increased its capital base, demonstrated positive cash flows, multiplied profits, and gained experience in project finance, including safeguard policies. IDCOL's credit rating of AA1 was reconfirmed by CRAB in June 2012.

35. The PMU of IDCOL has a defined role to play, headed by its chief executive officer who reports to the Board of Directors. IDCOL has the experience of implementing private sector infrastructure development project and RE development project of WB, ADB, and other development partners like KfW, GTZ including Solar Energy Program in Bangladesh.

36. IDCOL has successfully managed donor-funded projects and has undertaken (or is currently undertaking) similar credit facilities from numerous donor agencies (including ADB), the management organization and processing systems of IDCOL can produce satisfactory project financial reports that meet the requirements of financial reporting for PPIDF II. These systems ensure the confidentiality, integrity, and availability of the data. However, its staff needs to be adequately trained to maintain the systems and deliver the expected outputs in a timely fashion.

37. No major issues have occurred in the past in relation to IDCOL's management of ADB-funded projects. There have been established precedents in administering ADB fund flows from MOF-FD, through a subsidiary loan agreement, to IDCOL. As the central bank, Bangladesh Bank has a strong treasury capacity to manage foreign exchange exposure, interest rate risk, and maturity risk on behalf of MOF-FD. The disbursement of the funds will be guided by the established eligibility criteria for both the POs and subborrowers.

38. There is also a maturity mismatch between the average onlending term to IDCOL and subborrowers. As a result, the credit facility may be designed as a revolving fund to provide continued funding support of at least 20 years to its subborrowers. Any repayment of the funds, after paying interest and principal, will be accumulated to provide additional lending to POs to ensure that the maturity gap is closed.

## **B. Disbursement**

39. ADB's loan proceeds to the Government will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time),<sup>13</sup> and detailed arrangements agreed upon between the Government and ADB.

40. The disbursement schedule will be in annual amounts of \$15 million, \$35 million, \$30 million, and \$20 million for the OCR loan and \$3 million, \$3 million and \$4 million for the ADF loan during the first 4 years of project implementation.

41. Two separate sets of withdrawal application will be submitted for ADF and OCR loans. In addition, before submitting the first withdrawal application, the borrower should submit to ADB, the specimen signature of the authorized person for signing the withdrawal application.

<sup>13</sup> Available at <http://www.adb.org/documents/loan-disbursement-handbook>

42. Subprojects under output 1 will be prepared and processed as follows:
- (i) IDCOL will review the preliminary designs and cost estimates for all subprojects as approved by the lending consortium.
  - (ii) IDCOL's assessment with respect to any issues related to environmental, involuntary resettlement, and indigenous peoples, as stipulated in the environment and social safeguards framework (ESSF), will be reviewed and updated to ensure their relevance and consistency with the applicable legal framework in Bangladesh and ADB's environmental and social safeguard requirements.
  - (iii) IDCOL will follow a 2-tier approval process with ADB. First, it will provide ADB with the concept paper which will include preliminary data and information on the project, its sponsors, and the proposed financial terms. After ADB reviewed and approved the concept paper, IDCOL will carry out a detailed due diligence and will provide ADB with the following documents which are collected from the sponsor and will submit them to ADB for approval: (a) a detailed information memorandum or business plan, (b) a copy of the minutes from the meeting of IDCOL's board or credit committee through which the subloan was approved, (c) compliance with respect to ADB's procurement guidelines, (d) a copy of the subloan agreement, and (e) any other relevant information that will help ADB to arrive at an informed view on the proposed intervention.
  - (iv) IDCOL will periodically review ongoing subprojects to ascertain their compliance with the approved safeguard frameworks. These review reports will be submitted to ADB, together with other relevant safeguard documents, for information and review. If any major noncompliance is found during such a review, ADB will request a corrective action plan, which will be prepared by IDCOL and submitted to ADB for review and approval. In addition, any subproject which is financed under the PPIDF will follow the approved common safeguards frameworks.
  - (v) IDCOL will submit a safeguard compliance certificate to ADB for approval.
43. IDCOL will be responsible for preparing disbursement projections, collecting supporting documents, preparing withdrawal applications, and sending the latter to ADB in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time).
44. For SHS subprojects under output 2, IDCOL will provide subloans to POs that have already received financing from ADB during PPIDF I and collect from the POs and submit to ADB a summary sheet which will provide the following information: (i) compliance with exposure limits for each PO, (ii) name and address of each end-user, (iii) cost of equipment and any other related costs, (iv) total grant amount received for each particular installation, and (v) net amount funded by IDCOL. Subloans for new POs that have not been previously funded under PPIDF I will require prior ADB approval.
45. Except as ADB may otherwise agree, the borrower shall cause IDCOL to establish immediately, after the loan becomes effective, imprest accounts in US dollar at Bangladesh Bank. The advance to the imprest accounts should not exceed the 6-month estimated cash flow required for payments to be made to subborrowers for eligible subprojects. The request for advance to each of the imprest accounts should be accompanied by an estimate of expenditure sheet<sup>14</sup> setting out the estimated expenditures for the forthcoming 6 months of project implementation, and submission of evidence satisfactory to ADB that the imprest accounts have

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<sup>14</sup> Available in Appendix 10B of the *Loan Disbursement Handbook* 2012.

been duly opened.

46. Under the OCR loan, IDCOL will also open subaccounts on the following terms: (i) a US dollar account with a commercial bank, acceptable to the MoF-FD and ADB, to receive the advance in US dollars from the imprest account under the OCR loan for onlending by IDCOL; and (ii) a Taka account with a commercial bank, acceptable to the MoF-FD and ADB, to receive the advance in Taka from the imprest account under the OCR loan for onlending by IDCOL. Under the ADF loan, IDCOL will also open a subaccount in Taka with a commercial bank, acceptable to ADB and the MoF-FD, to receive the advance in Taka from the imprest account under the ADF loan for onlending by IDCOL.

47. For every liquidation and replenishment request of each of the imprest accounts, the borrower will furnish to ADB (i) a statement of account (bank statement) where the imprest account is maintained, and (ii) the imprest account reconciliation statement reconciling the abovementioned bank statement against the MOF-FD's records.<sup>15</sup>

48. After eligible expenditures are incurred and paid from the imprest account, the borrower may request for replenishment of the imprest account by submitting a withdrawal application (Appendix 10A, ADB LDH 2012) and summary sheet (Appendix 7B, ADB, LDH 2012) if full document is required, or a statement of expenditures (SOE) (Appendix 9C) if SOE procedure is approved. The SOE procedure can be used for reimbursement and for liquidating advances to the imprest accounts for individual payment not exceeding \$200,000. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit. IDCOL will submit to ADB the following documents (or such other documents as shall be satisfactory to ADB):

- (i) **Output 1.** (a) subloan agreement between IDCOL and subborrower, (b) evidence of payment of a subloan or requirement to make a subloan to the subborrower, (c) independent assessment and/or engineer's certificate on physical progress and financial progress, (d) a cash flow or utilization request verified by a chartered accountant, and (e) notice of drawdown by the agent of the subborrower confirming all conditions precedent to disbursement are satisfied and no event of default has occurred or is continuing.
- (ii) **Output 2.** (a) subloan agreement between POs and IDCOL; and (b) a copy of the summary sheet collected from each PO detailing the number of SHSs being financed, the total cost per SHS, and the total amount of financing sought from ADB. Where the amounts are above the SOE ceiling, a complete set of supporting documents has to be provided to ADB.

49. Before the submission of the first withdrawal application, IDCOL should submit to ADB sufficient evidence of the authorized person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is \$100,000, unless otherwise approved by ADB. IDCOL is to consolidate claims to meet this limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing.

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<sup>15</sup> Follow the format provided in Appendix 10C of the *Loan Disbursement Handbook 2012*.

### C. Accounting

50. IDCOL will maintain separate financial statements by funding source for all expenditures incurred on the Project. IDCOL will also establish and maintain separate records for works, goods, and services financed out of loan proceeds. The company will maintain separate financial statements according to generally accepted accounting principles for all expenditures incurred under the PPIDF II and the subprojects, whether out of loan proceeds or from other sources, and record, in a transparent manner, all funds received from the Government, ADB, and other sources. In addition, IDCOL has to comply with the statutory reporting requirements with different regulators and/or authorities, i.e. submit the annual report to Registrar of Joint Stock Companies and Firms, Bangladesh Securities and Exchange Commission, and Bangladesh Bank on a daily, monthly, quarterly, and annually as appropriate.

### D. Auditing

51. IDCOL will cause the detailed consolidated project accounts to be audited in accordance with international standards on auditing by an auditor acceptable to ADB. The audited financial statements—including a management letter—will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the EA. Consolidated annual financial statements, as maintained by IDCOL, will be (i) audited by independent auditors whose qualifications, experience, and terms of reference are acceptable to ADB; and (ii) submitted to ADB within 6 months of the end of the financial year. The annual audit report will specifically include a separate audit opinion on the use of loan proceeds, the soundness of the imprest fund and SOEs procedures, and compliance with financial loan covenants. IDCOL has been briefed on ADB's policy regarding delayed submission of audits and requirements for a satisfactory and acceptable audit of accounts. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures. Audited financial statements will be disclosed as per ADB's public communication policy.

52. In addition, IDCOL shall submit its own financial statements within one month of their approvals by IDCOL's Board of Directors.

53. In case of a delayed submission of audited project financial statements, the following steps will be taken by ADB:

- (i) When audited project financial statements are not received by the due date, ADB will write to the EA advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the EA of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.

- (iii) When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

54. An internal audit unit within IDCOL has been set up for ensuring ongoing compliance and ensure pre-audit of project expenditure. IDCOL will also get the up to date financial statements audited. The required actions for financial management are as follows:

No.	Actions Required	Target Dates
1	Adopt and implement ADB's accounting policies and procedures for the Project.	By effectiveness
2	IDCOL should maintain separate accounts for each of the projects under the investment program and have such accounts audited annually, in accordance with appropriate auditing standards consistently applied by independent auditors whose qualifications, experience, and terms of reference are acceptable to ADB.	Ongoing
3	IDCOL financial staff must undergo trainings on ADB financial management procedures to further strengthen its capacity.	Ongoing

ADB = Asian Development Bank, IDCOL = Infrastructure Development Company Limited.  
Source: Asian Development Bank.

## VI. PROCUREMENT AND CONSULTING SERVICES

55. Subborrowers will be responsible for procurements of any qualified subprojects funded by ADB. IDCOL will be responsible for reviewing subborrowers' procurement processes and report them to ADB and will be responsible for monitoring the compliance of the procurement process at subborrower and/or subproject levels. The principle of the procurement process should be guided by ADB's *Procurement Guidelines* (2013, as amended from time to time) to ensure transparency, competition, and fairness. It is envisaged that there will not be any direct contracting of the consultants to support the loan implementation. However, it is envisaged that IDCOL and the subborrowers will carry out some procurement activities as a part of the engineering, procurement, and construction contract.

56. The procurement process will be reviewed and monitored by IDCOL and eventually by ADB for compliance with ADB procurement guidelines. The specific policy requirements and supplementary measures are described in the PAM.<sup>17</sup>

### A. Advance Contracting and Retroactive Financing

57. Advance contracting will take effect only after the loan signing and will be undertaken in accordance with established private sector or commercial practices, which are acceptable to ADB. For funding support under the IDCOL's credit facility, potential subborrower's issuance of invitations to bid under advance contracting will be subject to ADB approval. EA, IDCOL, and identified subborrowers have been (and will be) advised that approval of advance contracting does not commit ADB to finance the Project.

58. **Retroactive financing.** There will be no retroactive financing under this Project.

<sup>17</sup> Project administration manual (accessible from the list of linked documents in Appendix 2).



## B. Procurement of Goods, Works, and Consulting Services

59. Procurement under ADB-financed subloans will be conducted using international competitive bidding and/or using established private sector or commercial practices acceptable to ADB, in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).

60. For subprojects to be financed out of output 1, ADB will encourage IDCOL to require its subborrowers to adopt international competitive bidding procedures in accordance with ADB's *Procurement Guidelines* (2013, as amended from time to time) when the amount of the investment is unusually large, and economy and efficiency can be gained by following such procedures.

61. For procurement of goods and services to be financed by subloans out of the loan proceeds, the subborrower will ensure, and certify to ADB if requested, that goods and services obtained are suitable for the subloans, that the contract is awarded to the lowest evaluated substantially responsive bidder, and that account is taken of factors such as time of delivery, efficiency, and the reliability of goods.

62. IDCOL will ensure that only contracts are awarded to contractors or suppliers incorporated in an ADB member country, and that only goods and equipment will be sourced from an ADB member country, by the subborrower for the subproject or any of its components and that the amount of such procurement is at least equal to the size of the subloan.

## VII. SAFEGUARDS

63. ADB took the lead during processing of the PPIDF I<sup>18</sup> in developing an ESSF<sup>19</sup> which contains the safeguards policy framework for environment, involuntary resettlement, and indigenous peoples. IDCOL has adopted the ESSF and improved its in-house capacity with ADB support. The ESSF is uploaded on IDCOL website.<sup>20</sup> IDCOL will continue to ensure all subproject proposals, to be financed under output 1 of the PPIDF II comply with the requirements of the ESSF. IDCOL has hired a qualified specialist in the areas of environmental and social safeguards to build in-house capacity. The ESSF will be reviewed and updated taking into account ADB Board approval of the Safeguard Policy Statement,<sup>21</sup> and ADB's experience in implementing the ESSF under the PPIDF I.

64. As the IA, IDCOL as a financial institution also follows Bangladesh Bank's guideline on environmental risk management (ERM) issued as Circular No. 01 by its banking regulation and policy department (BRPD) on 30 January 2011. The ERM integrate environmental risk management practice into credit risk management procedures. Banks and financial institutions

<sup>18</sup> The preparation of ESSF was funded out of TA7143-BAN and guided by ADB's Environmental and Social Safeguards Division.

<sup>19</sup> The common safeguards frameworks include (i) the anticipated impacts of the outputs or projects likely to be financed under the ADB facility on the environment, involuntary resettlement, and indigenous peoples; (ii) safeguards criteria to be used in selecting projects; (iii) requirements and procedures to be followed to screen and categorize projects, conduct impact assessments, develop management plans, hold public consultations, and disclose public information (including the 120-day disclosure rule, if required), and monitor and report the progress of such projects or project components; (iv) the institutional arrangements (including budget and capacity requirements); and (v) IDCOL's and ADB's responsibilities and authorities for the preparation, review, and clearance of safeguards documents.

<sup>20</sup> Available at [http://www.idcol.org/Download/ESSF\\_Final.pdf](http://www.idcol.org/Download/ESSF_Final.pdf)

<sup>21</sup> ADB. *Safeguard Policy Statement*. 2009. Manila.

are required to adopt the ERM practices in a formal and structured manner in line with global norms so as to protect their financing from the risks of a deteriorating environment and ensure sustainable banking practices.

65. The ERM guidelines were also designed to establish a minimum environmental requirement for the banks and financial institutions. Among the requirements include (i) the adoption of an environmental risk management as a policy; (ii) procedures to identify, plan, and integrate environmental risk in financing activities; and (iii) alignment of financing classification of business activities across the categories of the Department of Environment, incorporating environmental covenants in processing and approval of loans, carrying out monitoring of environmental risk, and information disclosure of compliance to the ERM guidelines in the annual report.

66. Another circular was issued by BRPD on 27 February 2011, BRPD (Circular No. 02) directing banks to adopt green banking policy consistent with global norms to protect the environment and ensure sustainable banking practices. The green banking policy incorporates the ERM and the environmental and climate change risk as part of the existing credit risk methodology in evaluating and assessing a prospective borrower. It is time-based and separated into three phases to be implemented from 31 December 2011 until 31 December 2013.

67. The implementation effectiveness of the existing environmental management system framework is discussed in the Report and Recommendation of the President (RRP)—linked document on Financial Intermediary: Environmental and Social Management System Arrangement.

68. IDCOL is required to provide an effective environmental and social policy and management system in all its activities, products, and services in relation to the relending ADB funds to infrastructure projects and POs. IDCOL is required to communicate the developed environmental and social management system to all relevant management and staff in order to meet the requirements of ADB's Safeguard Policy Statement (SPS) 2009<sup>22</sup> for subprojects to be financed with ADB funds. IDCOL's subborrowers in its infrastructure finance business should have the capacity to develop project categorization, screening, and associated reporting mechanism. No equivalent to ADB category "A" project will be financed by ADB fund and the EA will cause IDCOL ensure that no procurement is done from a non-ADB member country.

69. Pursuant to ADB's SPS, ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to subprojects financed by ADB.

70. Under output 2, IDCOL will only finance projects that are classified as category C according to ADB's SPS. To monitor compliance, it has developed an environmental and social management framework for its RE business with the help of WB.<sup>23</sup>

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<sup>22</sup> Available at <http://www.adb.org/documents/safeguard-policy-statement?ref=site/safeguards/main>.

<sup>23</sup> Available at [http://www.idcol.org/Download/RERED\\_II\\_ESMF.pdf](http://www.idcol.org/Download/RERED_II_ESMF.pdf).

## VIII. GENDER AND SOCIAL DIMENSIONS

71. The Project will support—through the environmental and social safeguards management unit of IDCOL—the adoption of the following gender-related design features such as: (i) assess internal mechanisms and capacities to promote greater visibility of gender and social inclusion considerations in the design of its subprojects; (ii) ensure that all recipient subprojects and subborrowers under the Project will identify and maximize opportunities for women’s participation in all employment opportunities during construction, operation and maintenance of infrastructure, with potential adoption of evidence-based gender-related targets; (iii) promote adherence to national core labor standards and commitments to gender equality and women’s empowerment stated in the Government’s legislation and regulations; (iv) assess the social and gender impact of the SHS program—with specific focus on ADB-financed activities under PPIDF I—and the potential use of other identified women friendly technologies for greater social and gender-related elements; and (v) ensure the use of the gender action framework (supplementary appendix) developed for the Project in the design of the ensuing subproject to be financed under the PPIDF II.

72. IDCOL will disseminate information to its subborrowers on (i) the Government’s National Policy for Women’s Advancement which has been reflected in the Sixth Five-Year Plan; and (ii) Bangladesh Bank’s Department of Financial Institutions and Markets Circular No. 2 on Actions Corporate Social Responsibility in Financial Institutions which requires financial institutions to report on gender equality-related performance indicators bi-annually.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

### A. Project Design and Monitoring Framework

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<b>Impact</b> Enhanced development of infrastructure, including renewable energy facilities	Gross capital formation (% of GDP) increased to 28% by 2022 (Baseline 2012: 26.5%)  Contribution of renewable energy to the total electricity production of Bangladesh increased to 10% by 2022 (Baseline 2008: 0.8%)	For all indicators:  Annual Development Plan of the government  Millenium Development Goals reports on infrastructure development activities  Statistics from the Ministry of Finance and the Ministry of Power, Energy and Mineral Resources  Bangladesh Bureau of Statistics	<b>Assumption</b> Government is committed to address the concern that Bangladesh’s economy is widely regarded to suffer from weak governance and corruption.  <b>Risk</b> Misappropriation of ADB funds, in particular from output 1, for purposes other than stated in the legal agreements.

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Outcome</b> Increased PSP in infrastructure development including in renewable energy facilities</p>	<p>Number of infrastructure subprojects under PPP and PSP modality increased by 4 by 2019 (Baseline in 2013: 1)</p> <p>At least 57,500 tons of GHG emissions reduced by 2019 (Baseline 2009: 55.3 million tons for all of Bangladesh)</p>	<p>For all indicators:</p> <p>Reports from IDCOL</p> <p>Bangladesh Bureau of Statistics</p> <p>Statistics from the Ministry of Finance and the Ministry of Power, Energy and Mineral Resources</p>	<p><b>Assumption</b> Government will take steps to expediently approve large infrastructure subprojects.</p> <p><b>Risk</b> Inadequate infrastructure project structuring prevents financial closure of subprojects despite greater available finance.</p>
<p><b>Outputs</b> 1. Increased availability of long-term debt financing for innovative infrastructure subprojects</p>	<p>Number of financial closures for large subprojects (total project cost of more than \$10 million) increased by 4 by 2019 (Baseline 2013: 1)</p> <p>Amount of additional private capital mobilized under this project increased by \$50 million by 2019</p> <p>An independent risk manager recruited or risk management unit has been established by 2019</p>	<p>For all indicators:</p> <p>Annual report and MIS of IDCOL</p> <p>Reports from other financial institutions and/or development partners</p>	<p><b>Assumption</b> Feasible and bankable large infrastructure subprojects are available.</p> <p><b>Risk</b> Capacity of IDCOL deteriorates through frequent staff turnover.</p>
<p>2. Increased availability and accessibility of financing for SHS</p>	<p>Number of SHS installations increased by at least 33,333 by 2019 through this project (Baseline February 2013: Total of 2 million SHSs financed)</p> <p>33,333 new households with access to electricity by 2019 (Baseline: 84 million—55.3% of</p>	<p>For all indicators:</p> <p>Periodic reports generated by IDCOL</p> <p>Statistics from Ministry of Power, Energy and Mineral Resources</p>	<p><b>Assumption</b> Stable demand for SHSs</p>

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
	<p>total population of 152 million)</p> <p>33,333 additional microfinance accounts opened and end borrowers reached—at least 30% of whom are women—by 2019 under this project (Baseline 2011: 20.9 million)</p> <p>SHS sale to women increased to 30% by 2019 (Baseline 2013: 20%)</p>		
<p><b>Activities with Milestones</b></p> <p><b>1. Increased availability of long-term debt financing for innovative infrastructure subprojects</b> (February 2014–January 2019)</p> <p>1.1. IDCOL identifies and finalizes subproject pipeline to be financed by ADB funds (February 2014–June 2014)</p> <p>1.2. IDCOL management presents to its board a revised organogram with a risk management unit (July 2014)</p> <p>1.3. IDCOL initiates recruitment of risk manager (by December 2014)</p> <p>1.4. IDCOL staff performs due diligence of potential subprojects (July 2014–January 2019)</p> <p>1.5. IDCOL management obtains board approval for subprojects eligible to be financed with ADB funds (January 2015–January 2019)</p> <p><b>2. Increased availability and accessibility of financing for solar home systems</b></p> <p>2.1 IDCOL develops publicity materials and extend loans (By July 2014)</p> <p>2.2 IDCOL provides refinancing facilities for POs to provide micro-credits to end- beneficiaries for SHS installations (February 2014–January 2019)</p> <p>2.3 IDCOL provides maintenance support for SHS (February 2014–January 2019)</p>			<p><b>Inputs</b></p> <p><b>Loan</b></p> <p><b>ADB: \$110.0 million</b></p> <p><b>Cofinanciers: \$195.5 million</b></p> <p><b>Government of Bangladesh: \$30.0 million</b></p> <p><b>PSP and/or PPP: \$50.0 million</b></p>

ADB = Asian Development Bank, ADF = Asian Development Fund, GDP = gross domestic product, GHG = greenhouse gas, IDCOL = Infrastructure Development Company Limited, MIS = management information system, OCR = ordinary capital resources, PPP = public–private partnership, PSP = private sector participation, SHS= solar home system.

Source: Asian Development Bank.

## **B. Monitoring**

73. **Project performance monitoring.** IDCOL will undertake overall monitoring of the proposed project in terms of progress. ADB, the Government, and EA will conduct semiannual

reviews throughout the implementation of the Project. The review will monitor the (i) project output quality, (ii) implementation arrangements, (iii) implementation progress, and (iv) disbursements. Performance will be monitored based on indicators and targets stipulated in the design and monitoring framework.

74. **Compliance monitoring.** In addition to the standard assurances, compliance with the specific assurances will be monitored. Compliance monitoring will be based on the loan agreement and project agreement. Procurement practices will also be measured against their acceptability to ADB.

75. **Safeguards monitoring.** The safeguards unit of IDCOL will undertake safeguard monitoring and reviews in terms of environment, resettlement, and indigenous people and the related reporting including compliance with core labor standards.

76. **Gender and social dimensions monitoring.** As part of its overall performance monitoring, IDCOL will include in the progress report an update on the status of implementation of all social- and gender-related elements included in the gender action framework.

### C. Evaluation

77. ADB will field regular review missions to review status of the credit facility, its disbursements, physical progress subproject level, and compliance with the environmental management plan. Within 12 months from the effective date, ADB and IDCOL shall jointly undertake a comprehensive review of the Project. The review shall assess the Project's achievements and progress in implementing the Project against the performance targets and the project implementation schedule in order to identify any difficulties or constraints encountered in implementing the Project and to make adjustments, if necessary, for the remaining project implementation period. In particular, the review shall, among others, evaluate the rate of utilization of proceeds of the OCR loan for the financing of medium and large size infrastructure project, compliance with the loan covenants generally and compliance with the environmental and social safeguards requirements. Within 6 months of physical completion of the Project, EA and IA will submit the project completion report (PCR)<sup>24</sup> to ADB. Subsequently, ADB will field a mission to finalize the PCR.

### D. Reporting

78. IDCOL will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for the next 12 months; and (iii) a PCR within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts, together with the associated auditor's report, should be adequately reviewed.

### E. Stakeholder Communication Strategy

79. Stakeholder consultations and communication are critical aspects of the project design. Regular stakeholder consultations will be held during project implementation. All policy, legal,

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<sup>24</sup> Project completion report format is available at <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

regulatory, and institutional changes resulting from the project will be communicated to the stakeholders through the website of IDCOL. In addition, regular awareness and dissemination activities are built into the design of the Project. IDCOL has already set up a designated website<sup>25</sup> to disclose all key project-related information, including detailed description of the design and structure of PPIDF II. For the financing of medium-sized and large infrastructure projects under output 1 of PPIDF II, stakeholder consultations and communication are mandatory under Bangladesh law. Because of the promotion of RE applications, in particular the SHS have already received significant awareness and promotion campaigns under PPIDF I, a well implemented stakeholder communication strategy is already in place from the beginning of the Project.

## X. ANTICORRUPTION POLICY

80. ADB reserves the right to investigate, directly, or through its agents, any violations of the anticorruption policy relating to the Project.<sup>26</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the MOF-FD and all project contractors, suppliers, consultants, and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.<sup>27</sup>

81. To support these efforts, relevant provisions of ADB's *Anticorruption Policy* are included in the loan regulations for the Project. In particular, all contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit and examine the records and accounts of the MOF-FD and IAs and all contractors, suppliers, consultants, and other service providers as they relate to the proposed Project. During review missions, the financial management, governance, and anticorruption risk assessments will be updated to ensure their provisions remain valid and are helping to realize the Project's objectives.

82. The Project also seeks to accelerate and deepen good governance among the sponsors of the medium and large size infrastructure project that will be financed out of output 1 and among the POs under the SHS program of IDCOL (output 2) in accordance with Bangladesh's corporate governance standards and Bangladesh's international obligations by (i) incorporating anti-money laundering risk management requirements; (ii) reporting on corporate governance structures and activities in annual reports; (iii) applying a lending monitoring system; and (iv) incorporating good governance and anticorruption measures in loan assurances in accordance with the findings of the governance and anticorruption risk assessment. The Project also seeks to enhance financial management controls through (i) the Bangladesh Bank imprest account; (ii) funds flow controls, including vetting and approval procedures; and (iii) audit and accounting requirements.

83. ADB's Office of the Auditor General, Integrity Division (OAGI) is the point of contact to report allegations of fraud and corruption among ADB-financed projects or its staff. Anyone coming across evidence of corruption associated with the Project may contact OAGI by telephone, facsimile, e-mail, or by mail as follows:

Office of the Auditor General  
Integrity Division (OAGI)  
Asian Development Bank

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<sup>25</sup> [www.idcol.org](http://www.idcol.org)

<sup>26</sup> Available at <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>27</sup> ADB's Integrity Office web site is available at <http://www.adb.org/integrity/unit.asp>.

6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila, Philippines  
Telephone: +63 2 632 5004  
Fax: +63 2 636 2152  
E-mail: [integrity@adb.org](mailto:integrity@adb.org) or [anticorruption@adb.org](mailto:anticorruption@adb.org)

## **XI. ACCOUNTABILITY MECHANISM**

84. People who are, or may in the future be, adversely affected by the Project may submit complaints to ADB's accountability mechanism. The accountability mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the accountability mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the accountability mechanism.<sup>28</sup>

## **XII. RECORD OF PAM CHANGES**

85. {All revisions and/or updates during the course of implementation should be retained in this section to provide a chronological history of changes to implemented arrangements recorded in the PAM.}

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<sup>28</sup> For further information, see <http://www.adb.org/Accountability-Mechanism/default.asp>.



**FINANCIAL MANAGEMENT ASSESSMENT QUESTIONNAIRE  
(Infrastructure Development Company Limited)**

Topic	Response	Remarks
<p><b>1. Implementing Agency</b></p> <p>1.1 What is the entity's legal status and/or registration?</p>	<p>Infrastructure Development Company Limited (IDCOL) is registered as a public limited company under the Companies Act 1994 and registered with the Registrar of Joint Stock Companies and Firms, Bangladesh.</p> <p>IDCOL is licensed by the Bangladesh Bank, the central bank, as a nonbank financial institution.</p>	<p>IDCOL was established by the Government of the People's Republic of Bangladesh (the Government) to bridge the financing gap and encourage private sector for developing medium and large scale infrastructure and renewable energy (RE) projects in Bangladesh. IDCOL, so far, has invested about \$167 million in the power sector, \$66 million in the telecom, information technology sector, and other infrastructure projects, and \$400 million in the RE sector of Bangladesh.</p>
<p>1.2 Has the entity implemented an externally-financed project in the past (if so, please provide details)?</p>	<p>IDCOL has implemented and/or implementing the following externally-financed projects in the past:</p> <ul style="list-style-type: none"> <li>(i) Private Sector Infrastructure Development Project (financed by the International Development Agency [IDA]);</li> <li>(ii) Rural Electrification and Renewable Energy Development Project (financed by IDA);</li> <li>(iii) Public-Private Infrastructure Development Facility (financed by ADB);</li> <li>(iv) Renewable Energy Development Project (financed by Japan International Cooperation Agency [JICA]);</li> <li>(v) Participation in the financing of Improving Rural Households Livelihood through Solar Energy Program in Bangladesh (financed by the Islamic Development Bank [IDB]);</li> <li>(vi) Renewable Energy Program (financed by KfW);</li> <li>(vii) Programme Renewable Energy and Energy Efficiency (financed by GIZ); and</li> <li>(viii) National Domestic Biogas and Manure Program (financed by KfW)</li> </ul>	

Topic	Response	Remarks
	and Stichting Nederlandse Vrijwilligers [SNV] Netherlands Development Organization).	
1.3 What are the statutory reporting requirements for the entity?	<p>IDCOL has the following statutory reporting requirements with different regulators and/or authorities:</p> <ul style="list-style-type: none"> <li>(i) Submission of annual report to the Registrar of Joint Stock Companies and Firms, Securities Exchange Commission, and Bangladesh Bank;</li> <li>(ii) Periodic reporting to Bangladesh Bank, among others: <ul style="list-style-type: none"> <li>(a) Daily <ul style="list-style-type: none"> <li>- Call money transaction</li> </ul> </li> <li>(b) Monthly <ul style="list-style-type: none"> <li>- Statement of loan rescheduling</li> <li>- Statement of write-off</li> <li>- Credit Information Bureau reporting</li> <li>- Liquidity profile</li> <li>- Minutes of the Board meeting</li> </ul> </li> <li>(c) Quarterly <ul style="list-style-type: none"> <li>- Statement of classification</li> <li>- Statement of interest rates</li> <li>- Statement of sector-wise loan distribution</li> <li>- Statement of money laundering</li> <li>- Statement of business activities</li> <li>- BASEL II reporting</li> <li>- Stress-testing reports</li> <li>- Loans and/or advances to directors</li> <li>- Statement of large loans</li> <li>- Statement of legal suits and/or writ petitions</li> </ul> </li> <li>(d) Semi-annually <ul style="list-style-type: none"> <li>- Statement of activities</li> <li>- Statement of net assets</li> <li>- Unaudited financial statements</li> <li>- Statement of shareholding</li> <li>- Statement of corporate social responsibility</li> <li>- Case report</li> </ul> </li> <li>(e) Annually <ul style="list-style-type: none"> <li>- Audited financial statements</li> </ul> </li> </ul> <p>(iii) Besides, reporting to development partners as and when required.</p> </li></ul>	
1.4 Is the governing body for the project independent?	IDCOL has an eight-member Board of Directors represented by both public and private sectors. Four of its directors are from public sector and four are from private sector.	The management is responsible for implementing the decisions of the Board. The Board does not get involved in the day-to-day operations of the

Topic	Response	Remarks
	The Board is largely independent from the management.	company.
1.5 Is the organizational structure appropriate for the needs of the project?	IDCOL has been structured in a manner suitable for financing of infrastructure and RE projects following public-private partnership (PPP) model. The organization is equipped with diversified professionals, e.g. economists, financial analysts, accountants, lawyers, environmental consultants, etc. IDCOL is funded by multiple agencies, i.e. the Government, World Bank, ADB, JICA, IDB, KfW, GIZ, SNV Netherlands Development Organization, USAID, etc.	<p>IDCOL, over the years, has developed unique capacity and knowledge base in appraising infrastructure and RE projects implemented in Bangladesh. It has financed about forty infrastructure projects and implemented two national RE programs, i.e. solar home system (SHS) and biogas. IDCOL SHS program is one of the fastest growing RE projects in the world. It is going to implement improved cook stove program on national level shortly.</p> <p>IDCOL has diversified into financing other RE applications, i.e. biogas and biomass-based electricity, solar base transceiver station (BTS), solar mini-grid, solar irrigation, solar photovoltaic-based assembling plant, etc.</p>
<b>2. Funds Flow Arrangements</b>		
2.1 Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, the Government, and other financiers.	For the proposed project, funds flow arrangement would be from ADB to the Government, to IDCOL, for onlending to the qualified sponsors.	
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government and/or finance ministry) to the entity satisfactory?	Yes. IDCOL would need to sign a subsidiary loan agreement with the Ministry of Finance-Finance Division (MOF-FD). There are established procedures for this.	
2.3 What have been the major problems in the past in receipt of funds by the entity?	No major problems encountered so far.	
2.4 In which bank will the imprest account be opened?	The imprest account will be opened with the Bangladesh Bank and the operating accounts will be opened with other	

Topic	Response	Remarks
	commercial banks.	
2.5 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Yes. IDCOL has previous experience of managing projects funded by ADB and other international agencies, i.e. World Bank, IDB, Gesellschaft fuer International Zusammenarbeit [GIZ], KfW, etc.	
2.6 Does the entity have and/or need a capacity to manage foreign exchange risks?	Foreign exchange risks will be handled by the Government. Besides, the spread between lending and borrowing rate will help manage the foreign exchange risks better.	
2.7 How are the counterpart funds accessed?	<p>The debt to equity ratio of projects financed by IDCOL usually varies between 65:35 and 80:20 as deem fit by IDCOL Board.</p> <p>As per IDCOL lending policy, maximum allowable investment limit of IDCOL for an infrastructure project is up to 40% of the Project costs with the remaining financing meant to come from the sponsors' own sources (equity) and other local banks and/or financial institutions, and bilateral and/or multilateral agencies. In reality, IDCOL's investment varies between 20%–30% of the Project costs.</p> <p>As for RE projects, i.e. IDCOL SHS program, biogas programs, and other RE projects, the maximum debt to equity ratio is up to 80:20.</p>	
2.8 How are payments made from the counterpart funds?	The sponsors are required to fund at least 20% of the total project cost.	
2.9 If part of the project is implemented by communities or nongovernmental organizations (NGOs), does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	IDCOL conducts audit of project specific accounts by both external auditor and foreign-aided project audit directorate (FAPAD).	
2.10 Are the beneficiaries required to contribute to project costs? If beneficiaries have an	For IDCOL RE programs, the beneficiaries need to contribute at least 10% of the systems cost in the form of equity.	

Topic	Response	Remarks
option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?		
<p><b>3. Staffing</b></p> <p>3.1 What is the (proposed) organizational structure of the accounting department? Attach an organization chart.</p>	<p>As per the organogram, the accounting department is headed by a general manager (GM).</p> <p>There are three units under the department: (i) accounts; (ii) treasury; and (iii) financial planning, control, and reporting.</p> <p>The accounts department will have two further segments: (i) payables, receivables and payrolls, and (ii) disbursement and replenishment.</p> <p>Financial, planning, control, and reporting department will have two further segments: (i) financial planning and reporting, and (ii) financial compliance and taxation.</p>	
<p>3.2 Identify the (proposed) accounts staff, including job title, responsibilities, educational background, and professional experience. Attach job descriptions and curriculum vitae (CVs) of key accounting staff.</p>	<p>The accounting department is currently headed by a GM. There are currently four personnel working under the GM including one unit head and three more officers. Moreover, IDCOL is in process of recruiting two more officers to carry out the existing and new project accounts effectively.</p> <p>All the existing accounting personnel have adequate educational and professional background. As for the proposed positions, adequate academic and professional qualifications have been sought (copy of the recruitment advertisement attached).</p> <p>Please see the job descriptions and CVs of key accounting staff attached.</p>	
<p>3.3 Is the project finance and accounting function staffed adequately?</p>	<p>Yes. In addition, IDCOL is in the process of hiring two more accounts personnel to accommodate the requirements under upcoming projects.</p>	
<p>3.4 Is the finance and accounts staff adequately qualified and experienced?</p>	<p>Yes.</p>	

Topic	Response	Remarks
3.5 Is the project accounts and finance staff trained in ADB procedures?	Yes. They are already handling the existing Public–Private Infrastructure Development Facility (PPIDF I) project account of ADB.	
3.6 What is the duration of the contract with the finance and accounts staff?	All the staffs have been appointed as per the personnel policy of IDCOL—all the jobs are permanent in nature.	
3.7 Indicate key positions not contracted yet, and the estimated date of appointment.	All the key positions of IDCOL are duly occupied.	
3.8 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	<p>The Project will be implemented by the existing staffs of IDCOL. IDCOL has a comprehensive administrative manual including personnel policy. The manual includes position descriptions defining duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff.</p> <p>IDCOL is in the process of developing a comprehensive human resource (HR) manual for efficient management of diversified HR-related aspects, e.g. recruitment, promotion, training, etc.</p>	
3.9 At what frequency are personnel transferred?	Not applicable.	
3.10 What is training policy for the finance and accounting staff?	IDCOL provides rigorous on-the-job training to its employees under the supervision of the respective departmental heads. Besides, the staffs are sent to external trainings imparted by regulators, development partners, etc. IDCOL has recently instituted a tuition reimbursement policy for its employees to encourage them to obtain complementary professional degree.	
<b>4. Accounting Policies and Procedures</b>		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and	Yes. IDCOL has been practicing standard accounting system in accordance with international accounting standard (IAS), international financial reporting standard (IFRS), and other local laws for ensuring appropriate and timely recording of entity financial transactions.	<p>Accounts department prepares information on the financial position, performance, and change in financial position of the company. To maintain international standards, all financial statements are prepared in accordance with IAS and IFRS by the department.</p> <p>Yes. The existing</p>

Topic	Response	Remarks
sources of funds? Will the project use the entity accounting system?		accounting system will serve the proposed PPIDF II project.
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes. The accounts are prepared and maintained in an automated accounting system, ensuring necessary approval and control.	In accordance with IAS and IFRS
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes. The chart of accounts of IDCOL is flexible enough to incorporate new account codes and titles, as and when required.	see audited financial statements
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	see audited financial statements
4.5 Are the general ledger and subsidiary ledgers reconciled and in balance?	Yes. Regular reconciliation statements are prepared on a monthly, quarterly, semiannual, and annual basis. In addition, reconciliations are made during sending of each withdrawal application under different project funds.	
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes. IDCOL retains all accounting and supporting documents on a permanent basis which provided easy access to authorized users.	
<b>Segregation of Duties</b>		
4.7 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute transaction, (ii) recording of transaction, and (iii) custody of assets involved in the transaction?	Yes. Transactions are executed through procurement staff while transactions are recorded by accounting personnel and custody of assets is ensured by operations personnel.	
4.8 Are the functions of	Yes.	

Topic	Response	Remarks
ordering, receiving, accounting for, and paying for goods and services appropriately segregated?		
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes. One officer is assigned in the preparation of regular reconciliation statements apart from processing transactions.	
<b>Budgeting System</b>		
4.10 Do budgets include physical and financial targets?	Yes.	
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes.	
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	IDCOL prepares its annual budget in March for the next fiscal year. The budget is revised in February of the current fiscal year where the budget is adjusted for significant variations with maintaining adequate explanations.	
4.13 Are approvals for variations from the budget required in advance or after the fact?	Yes. As per the decision of the Board, adequate explanations are required to be provided by the management if the deviation is more than 20% than the budgeted amount. Subject to satisfactory explanation, such deviations require prior approval of the Board.	
4.14 Who is responsible for the preparation and approval of budgets?	GM of accounts department	
4.15 Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes.	
4.16 Are the project plans and budgets of project	Yes. Notably, the annual budget is prepared by the GM of accounts	



Topic	Response	Remarks
activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	department.	
<b>Payments</b>		
<p>4.17 Do invoice-processing procedures provide for:</p> <p>(i) copies of purchase orders and receiving reports to be obtained directly from issuing departments?</p> <p>(ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received?</p> <p>(iii) Comparison of invoice quantities with those indicated on the receiving reports?</p> <p>(iv) Checking the accuracy of calculations?</p>	Yes. One officer is assigned for initiating procurements in accordance with IDCOL procurement policy.	
4.18 Are all invoices stamped PAID, dated, reviewed, and approved, and clearly marked for account code assignment?	Yes.	
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes.	
<b>Policies And Procedures</b>		
4.20 What is the basis of accounting (e.g., cash, accrual)?	Accrual basis	
4.21 What accounting standards are followed?	IAS, IFRS, and Bangladesh accounting standards (BAS).	IAS and IFRS
4.22 Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Yes.	
4.23 Is the accounting	Yes. The manual has been updated to	

Topic	Response	Remarks
policy and procedure manual updated for the project activities?	address requirements of different ongoing projects including PPIDF I. The manual may be updated to incorporate additional and/or new requirements under the Project.	
4.24 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy, or procedure to be used by the entity?	Yes. However, the change must be made in accordance with BAS.	
4.25 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes.	
4.26 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes. There are core risk management guidelines adopted by IDCOL as per instruction of the Bangladesh Bank, ensuring adequate safeguards for the organization.	
4.27 Are manuals distributed to appropriate personnel?	Yes.	
<b>Cash and Bank</b>		
4.28 Indicate names and positions of authorized signatories in the bank accounts.	All bank accounts are operated jointly by the chief executive officer (CEO) or deputy CEO with GM or director (investment) or director (loans).	
4.29 Does the organization maintain an adequate, up to date cashbook, recording receipts and payments?	Yes.	
4.30 Do controls exist for the collection, timely deposit, and recording of receipts at each collection location?	Yes.	
4.31 Are bank and cash reconciled on a monthly basis?	Yes.	

Topic	Response	Remarks
4.32 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes. The head of accounts unit regularly reviews the reconciliations prepared by officers.	
4.33 Are all receipts deposited on a timely basis?	Yes. All receipts and/or collections are recorded on daily basis.	
<b>Safeguard over Assets</b>		
4.34 Is there a system of adequate safeguards to protect assets from fraud, waste, and abuse?	Yes. The proper verification and monitoring systems are adopted for proper management and maintenance of assets.	
4.35 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes, on a yearly basis handled by accounts and administration audited by internal and external auditors.	
4.36 Are there periodic physical inventories of fixed assets and stocks?	Yes, on a monthly and annual basis.	
4.37 Are assets sufficiently covered by insurance policies?	Partially, e.g. the vehicles are properly insured.	
<b>Other Offices and Implementing Entities</b>		
4.38 Are there any other regional offices or executing entities participating in implementation?	RE programs are currently implemented by the partner organizations working under IDCOL SHS program and biogas program. In addition, IDCOL has ten regional offices for monitoring quality inspection activities.	
4.39 Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Yes. IDCOL is already handling several other similar projects including an ADB project and is familiar with the relevant controls and procedures.	
4.40 Does information among the different offices and/or implementing agencies flow in an accurate and timely fashion?	Yes.	
4.41 Are periodic reconciliations performed among the	Yes.	

Topic	Response	Remarks
different offices and/or implementing agencies?		
<p><b>Other</b></p> <p>4.42 Has the project advised employees, beneficiaries, and other recipients to whom to report if they suspect fraud, waste, or misuse of project resources or property?</p>	Yes, to the CEO of IDCOL.	
<p><b>5. Internal Audit</b></p> <p>5.1 Is there an internal audit department in the entity?</p>	<p>Yes. IDCOL has an internal audit department. The internal auditor of IDCOL is responsible for the following:</p> <ul style="list-style-type: none"> <li>(i) verify the continuing adequacy and applicability of credit risk management policies and procedures;</li> <li>(ii) prepare a yearly audit plan to be approved by the Board according to which the audit is to be carried out; and</li> <li>(iii) work with Board committees and the management to ensure that a system is in place to identify and analyze all major risks on a regular basis—prepare a comprehensive written audit report following each audit.</li> </ul>	<p>(i) Assessments of internal audit, at a minimum, will randomly test all aspects of credit risk management in order to determine that:</p> <ul style="list-style-type: none"> <li>(a) credit activities are in compliance with IDCOL’s credit and accounting policies and procedures, and with the laws and regulations to which these credit activities are subjected to: <ul style="list-style-type: none"> <li>- existing credit facilities are duly authorized, and are accurately recorded and appropriately valued on the books of IDCOL;</li> <li>- credit exposures are appropriately rated;</li> <li>- credit files are complete;</li> <li>- potential problem accounts are being identified on a timely basis and determine whether IDCOL’s provision for credit losses is adequate;</li> <li>- credit risk management reports are adequate and</li> </ul> </li> </ul>

Topic	Response	Remarks
		<p>accurate; and</p> <ul style="list-style-type: none"> <li>- Improvement in the quality of credit portfolio has been done.</li> </ul> <p>(b) Provide management, audit committee, and the Board with opinions on the internal controls in the organization;</p> <p>(c) carry out an independent appraisal of the effectiveness of the policies, procedures, and standards by which the financial, physical and information resources of the organization are managed; and</p> <p>(d) add value by acting as a facilitator in business risk management and carrying out value for money reviews, thereby assisting the management and the Board in the effective discharge of their responsibilities.</p>
5.2 What are the qualifications and experience of audit department staff?	The internal auditor has adequate accounting background.	
5.3 To whom does the internal auditor report?	To the Board	
5.4 Will the internal audit department include the project in its work program?	Yes, they will audit on the project implementation.	
5.5 Are actions taken on the internal audit findings?	Yes.	
<b>6. External Audit</b>		
6.1 Is the entity financial statement audited regularly by an independent auditor?	Yes. For the year 2011–2012, it was audited as per international standards on auditing (ISA) by A. Qasem Co. Chartered Accountants, a Cooperating Firm of	

Topic	Response	Remarks
Who is the auditor?	PricewaterHouse Coopers.	
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Audit reports are normally issued within 6 months after end of fiscal year.	
6.3 Is the audit of the entity conducted according to ISA?	Yes.	IAS and IFRS
6.4 Were there any major accountability issues brought out in the audit report of the past 3 years?	No.	
6.5 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	The project accounts will be audited by the same external auditor.	
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	All recommendations made by auditors are implemented.	
6.7 Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	Yes, FAPAD.	
6.8 Has the project prepared acceptable terms of reference for an annual project audit?	Yes.	
<b>7. Reporting and Monitoring</b>		
7.1 Are financial statements prepared for the entity? In accordance with which accounting standards?	IAS, IFRS, and BAS	
7.2 Are financial statements prepared for the implementing unit?	Yes. Project accounts and financial statements are prepared separately.	
7.3 What is the frequency	Yes. Financial statements are prepared	

Topic	Response	Remarks
of preparation of financial statements? Are the reports prepared in a timely fashion useful to management for decision-making?	on periodic basis, i.e. monthly, quarterly, semiannual, and annual basis.	
7.4 Does the reporting system need to be adapted to report on the project components?	Yes.	
7.5 Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes. IDCOL has an integrated accounting information system which involves coordination between the loan and accounts modules, ensuring proper synchronization between the physical progress and financial information of the Project.	
7.6 Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes.	
7.7 Are financial management reports used by management?	Yes.	
7.8 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes. A comparative statement is prepared along with the financial statement to represent variance analyses.	
7.9 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Financial reports are prepared through automated accounting system.	
<b>8. Information Systems</b>		

Topic	Response	Remarks
8.1 Is the financial management system computerized?	Yes. The accounting system is automated which integrates the loan and account transactions, ensuring transparent financial management.	
8.2 Can the system produce the necessary project financial reports?	Yes. The system can produce the necessary project financial reports.	
8.3 Is the staff adequately trained to maintain the system?	Yes.	
8.4 Does the management organization and processing system safeguard the confidentiality, integrity, and availability of the data?	Yes.	

Source: Infrastructure Development Company Limited.

### Financial Management Assessment Questionnaire (Ministry of Finance-Finance Division)

Topic	Response	Remarks
<b>1. Financial Management Agency</b>		
1.1 What is the entity's legal status and/or registration?	not applicable	
1.2 Has the entity implemented an externally-financed project in the past (if so, please provide details)?	not applicable	
1.3 What are the statutory reporting requirements for the entity?	not applicable	
1.4 Is the governing body for the project independent?	not applicable	
1.5 Is the organizational structure appropriate for the needs of the project?	not applicable	
<b>2. Funds Flow Arrangements</b>		
2.1 Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, the Government and other financiers.	See financial management assessment report for details.	
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the Government and/or Finance Ministry) to the entity satisfactory?	Yes.	
2.3 What have been the major problems in the past in receipt of funds by the entity?	None.	
2.4 In which bank will the imprest account be opened?	Bangladesh Bank, the central bank of Bangladesh	



Topic	Response	Remarks
2.5 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	Yes.	
2.6 Does the entity have and/or need a capacity to manage foreign exchange risks?	Yes. Ministry of Finance (MOF) will bear the burden of foreign exchange risk.	
2.7 How are the counterpart funds accessed?	From the Government (Bangladesh Bank) budget	
2.8 How are payments made from the counterpart funds?	not applicable	
2.9 If part of the project is implemented by communities or nongovernmental organizations (NGOs), does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	not applicable	
2.10 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	not applicable (implementing agency [IA] and/or project monitoring unit [PMU] issue)	
<b>3. Staffing</b>		
3.1 What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	not applicable (IA and/or PMU issue)	
3.2 Identify the (proposed) accounts staff, including job title, responsibilities, educational background, and professional experience. Attach job descriptions and curriculum vitae (CVs) of key accounting staff.	not applicable (IA and/or PMU issue)	
3.3 Is the project finance and accounting function staffed adequately?	not applicable (IA and/or PMU issue)	
3.4 Is the finance and accounts staff adequately qualified and experienced?	not applicable (IA and/or PMU issue)	
3.5 Is the project accounts and finance staff trained in ADB procedures?	not applicable (IA and/or PMU issue)	
3.6 What is the duration of the contract with the finance and accounts staff?	not applicable (IA and/or PMU issue)	
3.7 Indicate key positions not contracted yet, and the estimated date of appointment.	not applicable (IA and/or PMU issue)	
3.8 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	not applicable (IA and/or PMU issue)	
3.9 At what frequency are personnel transferred?	not applicable (IA and/or PMU issue)	
3.10 What is the training policy for the finance and accounting staff?	not applicable (IA and/or PMU issue)	

Topic	Response	Remarks
<b>4. Accounting Policies and Procedures</b>		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	Yes. Ministry of Finance-Finance Division (MOF-FD) has a semi-computerized budgeting and accounting system.	
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes.	
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	not applicable (IA or PMU responsible)	
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes.	
4.5 Are the general ledger and subsidiary ledgers reconciled and in balance?	Yes.	
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes. Internal and/or external auditors of the Government are normally allowed to check those documents.	
<b>Segregation of Duties</b>		
4.7 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction, (ii) recording of the transaction, and (iii) custody of assets involved in the transaction?	Yes.	
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes.	
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes.	
<b>Budgeting System</b>		
4.10 Do budgets include physical and financial targets?	Yes.	
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes.	
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes. Monitoring meetings will be held with line ministries.	
4.13 Are approvals for variations from the budget required in advance or after the fact?	not applicable	
4.14 Who is responsible for the preparation and approval of budgets?	Additional secretary, budget wing of MOF-FD	

Topic	Response	Remarks
4.15 Are procedures in place to plan project activities, collect information from the units in charge of the different outputs, and prepare the budgets?	not applicable	
4.16 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes.	
<b>Payments</b>		
4.17 Do invoice processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices, and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?	not applicable (IA and/or PMU issue)	
4.18 Are all invoices stamped PAID, dated, reviewed, and approved, and clearly marked for account code assignment?	not applicable (IA and/or PMU issue)	
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	not applicable (IA and/or PMU issue)	
<b>Policies and Procedures</b>		
4.20 What is the basis of accounting (e.g., cash, accrual)?	Cash.	
4.21 What accounting standards are followed?	Accounting regulations (AR) and Bangladesh accounting standards (BAS) issued by the Institute of Chartered Accountants of Bangladesh	
4.22 Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	not applicable	
4.23 Is the accounting policy and procedure manual updated for the project activities?	not applicable	
4.24 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy, or procedure to be used by the entity?	not applicable (IA and/or PMU issue)	
4.25 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes, accounting and financial regulations.	
4.26 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	Yes.	
4.27 Are manuals distributed to appropriate personnel?	Yes.	

<b>Topic</b>	<b>Response</b>	<b>Remarks</b>
<b>Cash and Bank</b>		
4.28 Indicate names and positions of authorized signatories in the bank accounts.	Joint secretary and/or additional secretary, MOF-FD	
4.29 Does the organization maintain an adequate, up-to-date cashbook, recording receipts, and payments?	Yes.	
4.30 Do controls exist for the collection, timely deposit, and recording of receipts at each collection location?	Yes.	
4.31 Are bank and cash reconciled on a monthly basis?	Yes.	
4.32 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes.	
4.33 Are all receipts deposited on a timely basis?	Yes.	
<b>Safeguard over Assets</b>		
4.34 Is there a system of adequate safeguards to protect assets from fraud, waste, and abuse?	Yes. Strict budgetary allocation and control are in place. Audited by internal and/or external.	
4.35 Are subsidiary records of fixed assets and stocks kept up-to-date and reconciled with control accounts?	Yes, same mechanism as 4.34.	
4.36 Are there periodic physical inventories of fixed assets and stocks?	Yes, same mechanism as 4.34.	
4.37 Are assets sufficiently covered by insurance policies?		
<b>Other Offices and Implementing Entities</b>		
4.38 Are there any other regional offices or executing entities participating in implementation?	No.	
4.39 Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to other offices or entities?	It is being discussed.	
4.40 Does information among the different offices and/or implementing agencies flow in an accurate and timely fashion?	Yes.	
4.41 Are periodic reconciliations performed among the different offices and/or implementing agencies?	Yes. Timing will be finalized.	
<b>Other</b>		
4.42 Has the project advised employees, beneficiaries, and other recipients to whom to report if they suspect fraud, waste, or misuse of project resources or property?	Generally, yes. Since this project is in processing stage, it is required to finalize.	
<b>5. Internal Audit</b>		
5.1 Is there an internal audit department in the entity?	Yes.	

Topic	Response	Remarks
5.2 What are the qualifications and experience of audit department staff?	In accordance with the government recruitment guidelines	
5.3 To whom does the internal auditor report?	Reports directly to comptroller and auditor general	
5.4 Will the internal audit department include the project in its work program?	Yes.	
5.5 Are actions taken on the internal audit findings?	Yes.	
<b>6. External Audit</b>		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, the auditor general.	
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Within 6–9 months after closure of financial year	
6.3 Is the audit of the entity conducted according to the international standards on auditing?	Yes.	
6.4 Were there any major accountability issues brought out in the audit report of the past 3 years?	No.	
6.5 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Auditor General is auditing.	
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	Yes.	
6.7 Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	No.	
6.8 Has the project prepared acceptable terms of reference for an annual project audit?	not applicable	
<b>7. Reporting and Monitoring</b>		
7.1 Are financial statements prepared for the entity? In accordance with which accounting standards?	Yes.	
7.2 Are financial statements prepared for the implementing unit?	not applicable (IA and/or PMU issue)	
7.3 What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion useful to management for decision-making?	Monthly. But based on the requirement, it will vary.	
7.4 Does the reporting system need to be adapted to report on the project outputs?	No.	
7.5 Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	not applicable (IA and/or PMU issue)	

Topic	Response	Remarks
7.6 Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	not applicable (IA and/or PMU issue)	
7.7 Are financial management reports used by management?	Yes.	
7.8 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes.	
7.9 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared by spreadsheets.	
<b>8. Information Systems</b>		
8.1 Is the financial management system computerized?	Yes, partly.	
8.2 Can the system produce the necessary project financial reports?	not applicable (IA and/or PMU issue)	
8.3 Is the staff adequately trained to maintain the system?	Yes.	
8.4 Does the management organization and processing system safeguard the confidentiality, integrity, and availability of the data?	Yes.	

**GENDER ACTION FRAMEWORK<sup>1</sup>**

<b>Tasks</b>	<b>Indicators</b>	<b>Responsibilities</b>
<b>PLANNING and/or DESIGN PHASE</b>		
<p>Carry out gender and social analysis to inform the finalization of the DPRs for the facility-financed subprojects with information and data on current patterns of women's involvement in the energy sector, including construction, and operation and maintenance of subproject-financed infrastructure.</p> <p>Include a dedicated social development expert, with gender-related expertise, local knowledge, and experience (3–6 person months based on the complexity of the facility-financed subproject).</p>	<p>Consultation with community structures and/or groups, project-affected beneficiaries (% targets for women's participation to be developed)</p>	IDCOL
<b>CONSTRUCTION PHASE</b>		
<p>Provide separate facilities required for women at the construction site such as separate toilets, and childcare facilities in case of mother of under 5-year children during construction and operation of infrastructure project.</p> <p>Provide equal wage rates for work of equal value for women and men laborers.</p> <p>Identify gender-responsive risk mitigation measures including addressing health and social impacts associated with large-scale infrastructure development (including sexually-transmitted infections, human trafficking). If adequate mitigation initiatives (supported by the Government, NGOs, and/or CBOs) are not in place, identify and budget mitigation initiatives accordingly.</p> <p>Include women in all awareness, training, and capacity development activities.</p>	<p>Women employment opportunity (% targets to be developed)</p> <p>Record of wages paid shows no gender disparities for work of equal value</p> <p>Budget allocated for gender-related activities</p> <p>Gender-integrated mitigation measures implemented</p>	IDCOL
<b>OPERATION PHASE</b>		
<p>Establish specific targets for women's employment during operation of infrastructure—based on the gender and social analyses conducted, baseline data collected, and in line with the Government's legislation and regulations, promising practices and—if feasible—adoption of gender elements.</p> <p>Implement gender-responsive monitoring and evaluation system whereby: (i) data are disaggregated by sex; (ii) indicators are established at the onset of implementation, monitored against baseline conditions and reported on a regular basis, focusing on improvements to quality of life parameters.</p>	<p>Consultations carried out (% targets for women's participation to be developed)</p>	IDCOL

<sup>1</sup> This gender action framework (AF) aims at promoting the incorporation of social and/or gender-related approaches and considerations in the design of facility-financed projects. It will guide the preparation of project-specific gender action plans—as needed—should their need arise during the preparation of the detailed project report. The framework builds on the Government's broader commitment to gender, including in the energy sector and promising practices developed by ADB in its support to the energy sector. The gender framework is not a substitute for any other safeguards' frameworks (i.e. resettlement, environment, and/or indigenous people's frameworks) which—by their nature—aim at specifically targeting affected people within the project area.

Tasks	Indicators	Responsibilities
<b>CAPACITY DEVELOPMENT PHASE</b>		
<p>Contribute to establish long-term capacity to monitor the social and gender-related elements of subprojects, in line with internationally-established good practices.</p> <p>Develop a training module and gender sensitization training targeting the specific needs and constraints faced by the executing and/or implementing agencies, project monitoring units and/or project implementation units, corporation, and other relevant agencies on gender-related policies, strategies and practices.</p>	<p>Training carried out for the staff (% targets for women's participation to be developed)</p> <p>Training package includes gender session, and facilitated by social development experts</p>	IDCOL

CBO = community-based organization, DPR = detailed project report, IDCOL= Infrastructure Development Company Limited, NGO = nongovernmental organization.

Source: Ministry of Finance-Finance Division.