

Facility Administration Manual

Project Number: 42180-016

Loan Number: XXXX

February 2017

BAN: Third Public–Private Infrastructure
Development Facility

ABBREVIATIONS

ADB	–	Asian Development Bank
BRPD	–	banking regulation and policy department
DMF	–	design and monitoring framework
EA	–	executing agency
ERM	–	environmental risk management
ESSF	–	environmental and social safeguard framework
ESSMU	–	environmental and social safeguard management unit
FAM	–	facility administration manual
IA	–	implementing agency
IDCOL	–	Infrastructure Development Company Limited
MFF	–	multitranche financing facility
MOF-FD	–	Ministry of Finance-Finance Division
NPL	–	nonperforming loan
OCR	–	ordinary capital resources
PCR	–	project completion report
PFR	–	periodic financing request
PPIDF	–	Public–Private Infrastructure Development Facility
PPP	–	public–private partnership
RRP	–	Report and Recommendation of the President to the Board
SHS	–	solar home system
TA	–	technical assistance

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Facility Administration Manual Purpose and Process

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

The Infrastructure Development Company Limited (IDCOL) is wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the Government and ADB. ADB staff is responsible for supporting implementation including compliance by IDCOL of its 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 FAM 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 FAM and the loan agreement, the provisions of the loan agreement shall prevail.

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

LOAN PROCESSING HISTORY

Milestones	Dates
Consultation Mission	20–23 June 2016
Approval of Concept Clearance Paper	1 July 2016
Fact-finding Mission	22–25 August 2016
Management Review Meeting	26 September 2016
Loan Negotiations	8 November 2016
Board Circulation	21 February 2017
Board Approval	14 March 2017
Loan Agreement Signing	1 April 2017 (tentative)
Loan Effectiveness	1 July 2017 (tentative)

I. FACILITY DESCRIPTION

1. The \$526 million sovereign-guaranteed multitranche financing facility (MFF) includes a \$500 million regular ordinary capital resources (OCR) loan component and a \$26 million concessional OCR loan component. The implementation period for the first periodic financing request (PFR) comprising of a \$250 million regular OCR loan and a \$10 million concessional loan is during 1 July 2017–31 December 2020 while the second PFR comprising the remaining \$250 million regular OCR loan and a concessional OCR loan of \$16 million is during 1 July 2020–31 December 2023.

2. The regular OCR loan will provide Infrastructure Development Company Limited (IDCOL) with additional resources for long-term financing, given the huge market requirement and the need to scale up the availability of long-term financing for infrastructure projects with a total project cost of \$10 million and more. The concessional OCR loan will finance medium-sized to large energy efficiency and renewable energy interventions with a total cost of up to \$10 million per projects in the following sectors: (i) grid-connected solar projects, solar mini grids, solar irrigation pumps, wind and other RE installations; (ii) energy efficient projects including brick kilns, waste, and effluent treatment plants; (iii) recycling plants; (iv) waste to energy solutions; and (v) biogas and biomass-based power plants. IDCOL will provide funding under both PFRs directly to the subprojects.

3. The impact of the Third Public–Private Infrastructure Development Facility (PPIDF 3) will be increased investments in infrastructure including energy efficiency and renewable energy facilities, aligned with Bangladesh's Seventh Five-Year Plan 2016–2020. The outcome of PPIDF 3 will be private sector investments in infrastructure, including the financing of RE facilities. The outputs will be (i) increased available long-term debt financing for infrastructure projects including some innovative public–private partnership (PPP) interventions, (ii) catalyzed take-out financing for infrastructure projects, and (iii) strengthened IDCOL's institutional capacity.

II. IMPLEMENTATION PLANS

A. Facility Readiness Activities

Indicative Activities	Oct 16	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Responsible Party
Confirm subproject pipeline	X										IDCOL
Establish facility implementation arrangements at IDCOL			X								IDCOL
Prepare and carry out credit and risk model training						X					ADB Consultants, IDCOL
Prepare subproject readiness		X	X	X	X	X	X	X	X	X	IDCOL
Loan negotiations	X										ADB, IDCOL, MOF-ERD, MOF-FD
ADB Board approval				X							ADB
Loan signing							X				ADB, IDCOL, MOF-ERD
Loan effectiveness										X	ADB, IDCOL, 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.

B. Overall Facility Implementation Plan

[illegible]

ADB = Asian Development Bank, IDCOL = Infrastructure Development Company Limited, PMU = project management unit.

Sources: Asian Development Bank and Infrastructure Development Company Limited.

III. FACILITY MANAGEMENT ARRANGEMENTS

A. Facility 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"> • Manage the overall project administration and coordination (including among IA, ADB, development partners, and other relevant stakeholders). • Sign sovereign guarantee agreement and loan agreements with ADB with respect to the concessional OCR loan and regular OCR loan. • Sign loan agreement and PFR with ADB for tranche 1. • Sign an FFA with ADB as per the loan agreement with respect to the PFR for tranche 1. • Process and obtain approval for the TPP (if applicable).
Financial Management Agency: Ministry of Finance- Finance Division	<ul style="list-style-type: none"> • 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. • Establish relevant accounts including the project imprest account and maintain close monitoring of the account activities.
Project specific management body (either stand-alone or within the executing agency)	<ul style="list-style-type: none"> • A PMU has already been established within IDCOL to monitor the screening and selection of subprojects. • PMU will ensure compliance with state and national policies and IDCOL's ESSF which ensures compliance with ADB safeguard policies and national norms. • The PMU will have a dedicated finance and accounts officer who will be in charge of the financial management of the project. • 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. • In addition, the PMU will be responsible for developing and implementing an PPMS.
Project steering committee	Not applicable.
Implementing agency: Infrastructure Development Company Limited	<ul style="list-style-type: none"> • Policy direction and strategic oversight will be provided by IDCOL's Board of Directors. • Guide overall ADB project implementation in accordance with the loan and/or project agreement and the subsidiary loan agreement(s). • Ensure adequate counterpart resources and support to benefit from the ADB TA grant. • Coordinate with ADB consultants to prepare a comprehensive risk management and pricing framework. • Work with ADB consultants to develop the necessary capacities to originate, develop, screen, review, price, approve, and monitor the financing to eligible infrastructure subprojects. • Monitor screening and selection of subprojects. • Prepare the withdrawal applications to ADB, open and manage the imprest accounts, prepare reports, and arrange for audit of those accounts. • 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. • Review compliance reports and take corrective measure whenever necessary, including recommending PMU to disqualify if any subproject sponsor does not comply with ADB loan agreement and

Project Implementation Organizations	Management Roles and Responsibilities
	<p>other implementation guidelines, in terms of environment and social safeguards, gender actions requirements, and ADB procurement guidelines.</p> <ul style="list-style-type: none"> • Propose appropriate relending terms to subproject sponsors by drawing lessons learned from its management of the PPIDF 1 and 2 interventions. • Ensure that the subproject sponsors use the ADB funds for the intended purposes of the project. • Monitor subprojects sponsors comply with 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. • Suspend any further disbursements and undertake other appropriate measures if the subproject sponsors do not comply with the loan agreements (between IDCOL and the subproject sponsors) and ADB loan agreement and other relevant guidelines. • Ensure timely audit of the ADB program and funds utilization. • 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). • Prepare a project completion report to ADB within 6 months from project closing date.
Asian Development Bank	<ul style="list-style-type: none"> • Provide a loan of \$250 million from regular OCR and a loan of \$10 million from concessional OCR to MOF-FD under tranche 1 of PPIDF 3 for onlending to IDCOL. • Review the annual safeguards monitoring report submitted by IDCOL on the implementation of the ESSF (2011 or its revisions) and prepare a corrective action plan in collaboration with IDCOL in the event that the ESSF (2011 or its revisions) does not function properly. • Responsible for overall coordination of the project. • Provide guidance to IDCOL with regard to implementation of the project. • Monitor achievements of the project's targets established in the design and monitoring framework. • Conduct field reviews of implementation twice a year. • Oversee implementation of attached TA.

ADB = Asian Development Bank, ESSF = environment and social safeguards framework, FFA = framework financing agreement, IA = implementing agency, IDCOL = Infrastructure Development Company Limited, MOF-FD = Ministry of Finance-Finance Division, PMU = project management unit, OCR = ordinary capital resources, PPIDF = Public-Private Infrastructure Development Facility, PPMS = project performance monitoring system, PFR = periodic financing request, TA = technical assistance, TPP = technical assistance project proposal.

Source: Asian Development Bank.

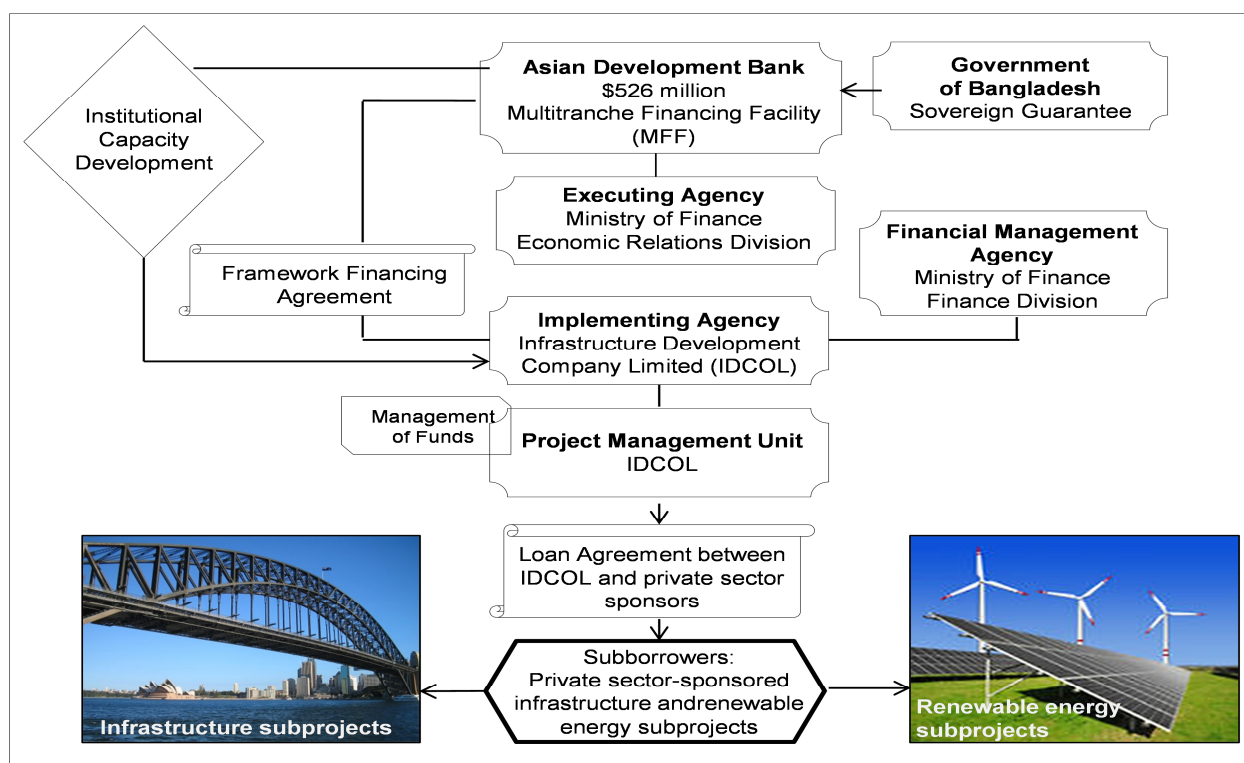
B. Key Persons Involved in Implementation

Executing Agency Ministry of Finance– Economic Relations Division	Mr. Saifuddin Ahmed Joint Secretary, ADB-Wing Economic Relations Division (ERD) Room # 25-26, Block # 08, ERD Ministry of Finance, Sher-e Bangla Nagar, Dhaka-1207
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Financial Management 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
Implementing Agency Infrastructure Development Company Limited	Mr. Mahmood Malik Executive Director and Chief Executive Officer PPIDF 3 Project Director UTC Building, Level 16 8 Panthapath, Kawranbazar, Dhaka-1215, Bangladesh Telephone: +88-02 910 3881 Email: mmalik@idcol.org
Project Management Unit (PMU)	Mr. Nazmul Haque Director (Investment) and Head of Advisory PPIDF 3 Head of PMU UTC Building, Level 16 8 Panthapath, Kawranbazar, Dhaka-1215, Bangladesh Telephone: +88-02 910 2171 Email: nhaque@idcol.org
ADB Public Management, Financial Sector, and Trade Division (SAPF)	Bruno Carrasco Director Telephone No.+63 2 632 6977 Email address: bcarrasco@adb.org
Mission Leader SAPF	Peter Marro Principal Financial Sector Specialist, SAPF Telephone: 00632 632 5762 Email: pmarro@adb.org

Source: Asian Development Bank.

C. Facility Organization Structure



Source: Asian Development Bank.

D. Selection Criteria

4. The regular OCR loan proceeds will be used to provide medium- to long-term subloans in local currency or US\$ at interest rates that reflect IDCOL's cost of funds plus a spread to cover transactional costs and risks following commercial and competitive terms, as determined by IDCOL. IDCOL will use the ADB regular loan proceeds to finance infrastructure subprojects (including RE facilities) with a total subproject cost of \$10 million and more. It is expected that subprojects will be financed in those infrastructure subsectors that meet the Government's priority plan which include, among others: (i) power generation, which—given the power shortage in the country—is expected to receive priority in terms of financing under PPIDF 3; (ii) toll roads and bridges; (iii) ports; (iv) telecommunication; (v) gas and gas-related infrastructure; (vi) water supply; (vii) information technology; and (viii) other infrastructure development projects such as those prepared by the PPP authority as may be approved by the Government, ADB, and IDCOL's Board.

5. The concessional OCR loan proceeds will be used to provide medium- to long-term subloans in local currency at interest rates that allow IDCOL to earn a risk-adjusted return. The ADB loan proceeds will be used by IDCOL to fund RE-related interventions such as: (i) grid-connected solar projects, solar mini grids, solar irrigation pumps, wind, and other RE installations; (ii) energy efficient projects including brick kilns, waste, and effluent treatment plants; (iii) recycling plants; (iv) waste to energy solutions; and (v) biogas and biomass-based power plants with a subproject total cost of not more than \$10 million.

6. Infrastructure development subprojects in other subsectors may be approved on a case-by-case basis by the Government, IDCOL's Board, and ADB.

E. Subproject Selection and Approval Process

7. **Subproject eligibility criteria.** The ADB loan proceeds under PPIDF 3 will be used to finance private sector-sponsored infrastructure projects in Bangladesh that meet the following eligibility criteria:¹

- (i) The subproject should be an integral part of the Government's priority plan for the relevant infrastructure sector and/or subsector.
- (ii) The subproject must be majority-owned by the private sector parties. Private sector parties must hold at least 51% of the project's equity.
- (iii) The technology proposed for a subproject should have a successful track record.
- (iv) The subprojects should be financially-viable with robust and predictable cash flows and be capable of generating sufficient revenues for repaying the subloan; in the case of a dollar-denominated subloan, be capable of generating sufficient foreign exchange revenues or revenue indexed to the US\$ or demonstrate capacity to mitigate the currency risk to repay the US\$ loans to IDCOL.
- (v) The subprojects should meet the environmental and social assessment and procurement guidelines of the Government, ADB, and IDCOL.
- (vi) The economic rate of return of the subproject should be at least 12%.
- (vii) The subproject is compliant with ADB Safeguard Policy Statement (2009) as it applies to financial intermediary category B or C subprojects and the environmental and social safeguard framework (ESSF) of IDCOL.
- (viii) have total project cost in excess of \$10,000,000 (regular OCR loan) or up to \$10,000,000 equivalent (concessional OCR loan)

8. **Sponsor-related criteria.** The ADB loan proceeds under PPIDF 3 will be used to finance private sector-sponsored infrastructure projects in Bangladesh promoted by sponsors that meet the following eligibility criteria:

- (i) The sponsors or subproject contractors should have a proven track record of successfully developing, financing, and operating infrastructure projects or have made formal or contractual arrangements with third parties with such proven track record; and
- (ii) The equity portion of the subproject should not be less than 20% of the total subproject cost to ensure the sponsor's commitment to the subproject.

9. **Retroactive financing.** Retroactive financing will be allowed for eligible expenditures not exceeding 20% under each tranche, incurred before loan effectiveness, but not earlier than 12 months before the signing of the loan agreements. Any retroactive financing would comply with the same ADB requirements as for any other subprojects funded under PPIDF 3.

10. **Take-out financing.** Take-out financing will be one of the new financial products that IDCOL will offer to its clients. As such, IDCOL may use up to 20% of the ADB funds under the regular OCR loan to refinance individual loans or loan portfolio consisting of qualified infrastructure projects from other financial institutions/banks under each tranche. Take-out finance may include subprojects that are financially closed, under construction, or fully commissioned.

¹ The eligibility criteria are consistent with the current investment guidelines of Infrastructure Development Company Limited (IDCOL).

11. **Maximum subloan size.** ADB funds can be used to finance up to 40% of the total subproject cost,² except that with prior approval from ADB the subloan may exceed the limit and be up to 60% of the subproject cost for subprojects. There is no maximum subproject size which is in line with IDCOL's internal exposure limits.

12. **ADB's prior approval.** Under tranche 1, ADB will review the first 3 subprojects funded by the regular OCR and subloans above \$5 million equivalent funded by the concessional OCR to ascertain IDCOL's ability to manage the subproject review and disbursement process. ADB reserves the rights to request any supporting subproject documents and not to reimburse or liquidate any subprojects that do not comply with the PPIDF 3 implementation requirements. The substantiating documentations shall include: (i) evidence of IDCOL's internal (management and/or board) approvals of the subprojects, such as subloan approval letter, with attached subloan credit files including loan application and detail project reports and/or feasibility studies; (ii) auditor certifying the subprojects expenses incurred, (iii) evidence of payment made by IDCOL to the subprojects, such as the bank statements for subloan disbursement, and (iv) IDCOL letter to ADB certifying its compliances with the required PPIDF 3 implementation requirements.

13. Following ADB's approval of the first 3 subprojects, IDCOL may manage the review and approval of the subsequent proposals. ADB reserves the right: (i) to request any supporting documentation for these proposals; and (ii) not to reimburse or liquidate any proposal that does not meet the PPIDF 3 implementation requirements.

14. **Under take-out financing.** For take-out finance, IDCOL is required to review the individual subproject documents to ensure that ADB's eligibility criteria and other compliance requirements are fully met and IDCOL's own guidelines under the same subject matter are followed.

IV. COSTS AND FINANCING

A. Financing Arrangements

15. To contribute to the achievement of the 8% gross domestic product investment target by 2020, the Government of Bangladesh (the Government) requested an MFF from ADB in the amount of \$526 million—sovereign guaranteed by Bangladesh. The \$526 million ADB loans will consist of \$500 million from ADB regular OCR and \$26 million from ADB's concessional OCR. The first tranche comprising a \$250 million regular OCR loan and a \$10 million concessional OCR loan will have an availability period of up to 3 years from loan effectiveness of tranche 1. The second tranche comprising the remaining \$250 million regular OCR loan and a concessional OCR loan of \$16 million is expected to be 3 years from loan effectiveness of tranche 2. The \$526 million ADB funds intend to finance up to 40% of total subproject costs and therefore leverage about \$263 million subproject equity and about \$526 million additional debt financing. The availability of the ADB funds will be subject to the Government's submission of related PFRs, execution of the related loan and guarantee agreements for each tranche, and fulfillment of terms and conditions and undertakings set forth in the framework financing agreement.

² Subprojects in the energy efficiency and the renewable energy subsectors have a high developmental impact and long-term funds are not easily available. Therefore, for energy efficiency and renewable energy subprojects to be funded out of the concessional OCR loan, IDCOL's maximum exposure will be set at 70% and 80%, respectively.

1. Onlending terms for the regular OCR loan (medium- to large-sized infrastructure subprojects)

16. The regular OCR loan of \$500 million will have a 20-year term, including a grace period of 5 years, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility,³ a commitment charge of 0.15% per year and such other terms and conditions set forth in the draft loan and project agreement. Based on the above loan terms and the Government's choice of repayment options and dates, there will be no maturity premium.

17. 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.

18. The loan proceeds will be onlent to IDCOL in (i) dollars at LIBOR plus 100 basis points per annum⁴ and for a 20-year term with a grace period of 5 years, or (ii) in Taka at Bangladesh Bank rate with a 20-year term and a grace period of 5 years pursuant to a subsidiary loan agreement, with the Government bearing the foreign exchange risks.

19. 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 at IDCOL's discretion. The subprojects will have to be majority-owned by a private sector sponsor who has a proven track record of successfully developing, financing, and operating similar infrastructure projects.

2. Onlending Terms for the concessional OCR loan (energy efficiency and renewable energy subprojects)

20. The Government has also requested a loan of \$26 million from ADB's concessional OCR. The concessional OCR loan will have a 25-year term including a 5-year grace period, and an interest charge of 2.0% per annum throughout the loan tenor, and such other terms and conditions set forth in the draft loan and project agreement. The Government will make the loan available to IDCOL in Taka at 3%⁵ with a term of 20 years and a grace period of 5 years pursuant to a subsidiary loan agreement. The Government will bear the foreign exchange risk.

B. Financing Plan

21. The financing plan assumes that IDCOL will provide financing up to its maximum allowed investment limit of 40%⁶ of total subproject cost to each subproject while the sponsor is expected to inject at least 20% equity, therefore catalyzing 40% from private sector sponsors

³ Based on the above loan terms and the Government's choice of repayment options and dates, there will be no maturity premium.

⁴ Same onlending terms for US\$ funds as in the Second Public-Private Infrastructure Development Facility (PPIDF 2).

⁵ The proposed interest rate for Taka funds from the Government to IDCOL under the concessional OCR loan at 3% is the same rate that was used under PPIDF 2. The proposed onlending terms reflect current market rates for this type of intervention (the financing of energy efficiency and renewable energy-related interventions in Bangladesh).

⁶ Subprojects in the energy efficiency and the renewable energy subsectors have a high developmental impact and long-term funds are not easily available. Therefore, for energy efficiency and renewable energy subprojects to be funded out of the concessional OCR loan, IDCOL's maximum exposure will be set at 70% or 80%, respectively.

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. The maximum subloan size is \$80 million as per IDCOL's current lending policy.

Table 1: Indicative Financing Plan

Source	Amount (\$ million)	Share of Total (%)	Tranche 1 (\$ million)	Tranche 2 (\$ million)
Asian Development Bank				
Ordinary Capital Resources (regular)	500.0	38.0	250.0	250.0
Ordinary Capital Resources (concessional)	26.0	2.0	10.0	16.0
Subborrowers' own funds (equity)	263.0	20.0	130.0	133.0
Private Sector Banks/financiers (debt) ^a	526.0	40.0	260.0	266.0
Total	1,315.0	100.0	650.0	665.0

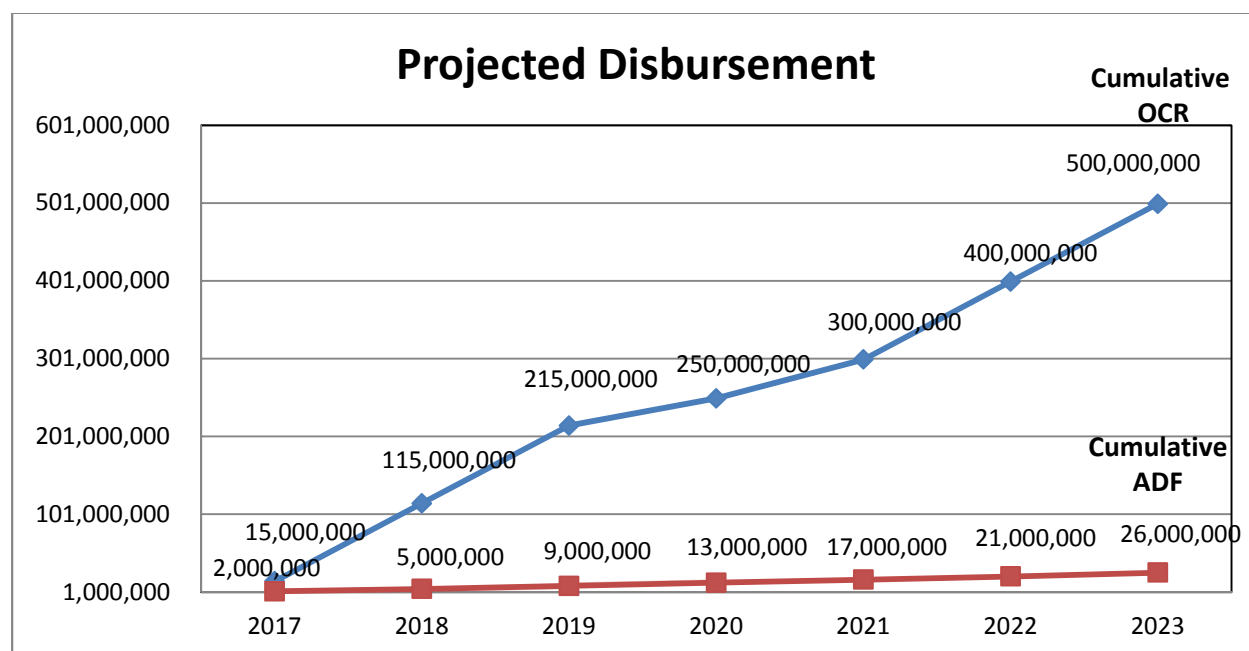
ADB = Asian Development Bank

^a 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 Infrastructure Development Company Limited will finance 40% of each project (using funds under the Third Public–Private Infrastructure Development Facility).

Sources: Asian Development Bank.

C. Disbursement S-Curve

22. The disbursement schedule for the project period of 1 July 2017–31 December 2023 is expected to be for the regular OCR loan in annual amounts of \$15 million, \$100 million, \$100 million, \$35 million, \$50 million, \$100 million and \$100 million; and for the concessional OCR loan in annual amounts of \$2 million, \$3 million, \$4 million, \$4 million, \$4 million, \$4 million and \$5 million.

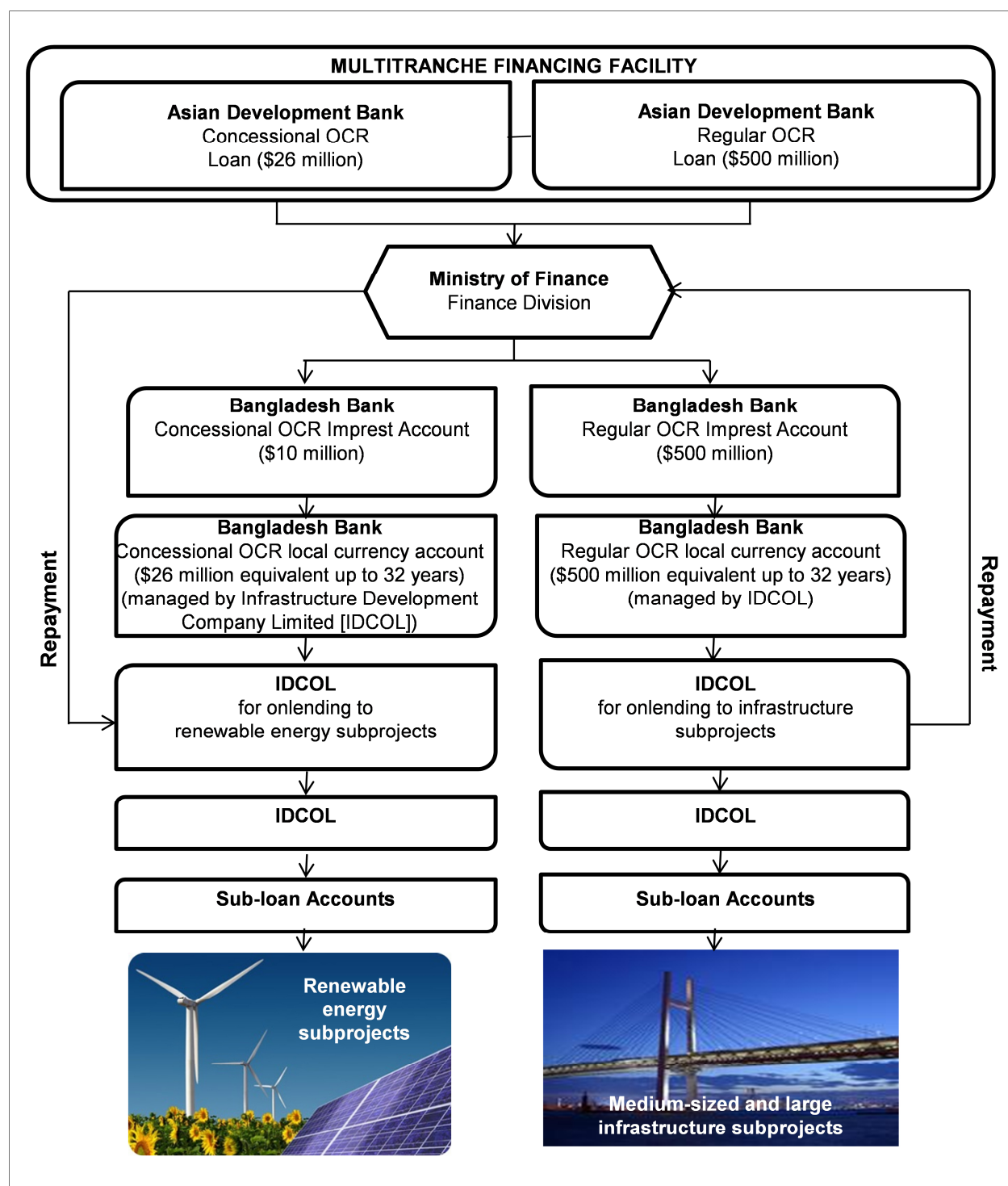


OCR = ordinary capital resources.

Note: Because this is a credit line, there is no contract award projection.

Source: Infrastructure Development Company Limited.

D. Fund Flow Diagram



ADB = Asian Development Bank, IDCOL = Infrastructure Development Company Limited, OCR = ordinary capital resources.

Source: Asian Development Bank.

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

1. Introduction

23. Financial management assessments were completed for the financial management agency (Ministry of Finance-Finance Division [MOF-FD]) and the implementing agency (IA, IDCOL). 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 renewable energy projects in Bangladesh.

2. Country and Sector Financial Management Issues

24. 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 by the Companies Act.

25. MOF-FD takes the foreign exchange risks by disbursing the ADB (USD) funds in local currency⁷ and IDCOL faces credit risks related to its borrowers, i.e. to the sponsors of its infrastructure, RE and EE subprojects for defaulting on the payment. 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 (NPL) ratio.

3. Project Financial Management System

26. **Overview.** IDCOL has an eight-member Board of Directors represented by both public and private sectors (three from public sector, four from private sector, and one ex-officio) and the Board is largely independent from management. As of August 2016, the total number of staff of IDCOL is 59. Since supporting IDCOL in 2008 under PPIDF 1, IDCOL has increased its capital base, multiplied profits, and gained experience in project financing, including environment and safeguard policies. In addition, IDCOL has a staffing plan—approved by its Board—to increase the number of its regular staff to 124 within the next 5 years along with adequate number of temporary staff. 21 positions are to be filled immediately while 25 new staff will be hired within 1–2 years and the remaining 19 vacancies to be filled until 2021. Over the years, IDCOL has developed capacity and knowledge in appraising infrastructure and RE projects.

⁷ In the case of the regular ordinary capital resources (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.

27. **Strengths.** In the context of the need for infrastructure financing and its inherent risks, IDCOL plays a strategic and risk mitigation role in the infrastructure financing space in Bangladesh. IDCOL plays a major role in bridging the financing gap for developing medium- and large-scale infrastructure, energy efficiency and renewable energy subprojects in Bangladesh. With access to long-term resources provided by development banks and donors, IDCOL is able to place projects across a range of infrastructure sectors providing long-term debt financing to viable privately-owned and operated infrastructure projects; and channels grants and concessional loans to reduce the cost of RE projects for the development of rural infrastructure, i.e. off-grid electrification.

28. IDCOL primarily funds greenfield projects implemented by the private sector or through PPP modality that meet IDCOL's eligibility lending criteria on the Government's priority infrastructure sectors, economic and financial viability, environment and social assessment, and others. IDCOL approves loans usually on a limited recourse basis. However, IDCOL has also extended non-recourse-based financing under its RE projects with high developmental impact, such as the solar home system (SHS) program. IDCOL has a separate credit policy and detailed strategy guidelines for loan appraisals and approvals. In cases where foreign sponsors seek credit facilities from IDCOL, a local project company needs to be formed since credit facilities can only be extended to a local corporate entity under the company's investment guidelines. IDCOL has a comprehensive and detailed loan application and review process.

29. Overall, IDCOL enjoys the reputation in the market of being one of the most competent public financial institutions in Bangladesh. IDCOL is the only financial institution in Bangladesh that can catalyze international long-term foreign currency funding and international know-how for infrastructure finance. The company was incorporated on 14 May 1997 as a 100% government-owned public limited company under the Companies Act, 1994. Currently, IDCOL has total assets of Tk62.4 billion (\$800.0 million), a loan book of Tk35.9 billion (\$460.0 million), and paid-up capital of Tk3.9 billion (\$49.2 million). In general, the funding sources of IDCOL include its equity capital, reflows of outstanding loans from its project finance activities, and refinancing funds from donors. The sector breakdown of the company's loan portfolio is as follows: 70.00% (RE); 26.70% (power); 1.65% (telecommunication); 0.39% (information technology and services); 0.27% (ports); and 1.00% (others).

30. As of 30 June 2015, the total revenue of the company was Tk4.1 billion (\$52.3 million) out of which Tk460.0 million (\$5.9 million) was interest from infrastructure projects, Tk1.8 billion (\$22.9 million) was interest from RE, Tk117.0 million (\$1.5 million) was fees income from project finance, Tk39.0 million (\$0.5 million) fees income from RE, and Tk1.6 billion (\$20.4 million) was interest income from short-term investments. During the same period, the company's operating and interest expenses were Tk1.4 billion (\$17.9 million) and profit before tax and provision was Tk2.6 billion (\$33.2 million). The provision of Tk216.0 million (\$2.8 million) has been made for loans and advances and Tk1.1 billion (\$14.0 million) for tax. The after-tax income of the company stood at Tk1.29 billion (\$16.5 million) as opposed to Tk1.45 million (\$18.5 million) last year, a decrease by almost 11% which was primarily a result of higher operating expenses corresponding to a substantial increase of its staff strength. IDCOL has a low NPL level of only 1.58%—one of the lowest NPL ratios in the industry. The Credit Rating Agency of Bangladesh has given IDCOL an "AAA" rating as of 31 December 2015, the highest rating given to any local financial institution in the country.

31. The project management unit 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

World Bank, ADB, and other development partners like Kreditanstalt für Wiederaufbau (KfW) and Gesellschaft für Technische Zusammenarbeit (GTZ).

32. 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 3. 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.

33. 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 the necessary 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 the subborrowers.

34. **Weaknesses.** Based on the financial management assessment carried out for PPIDF 3, the key areas that IDCOL, as the IA, needs to develop is its subproject assessment, pricing, and financial modeling capabilities as well as its risk management capacity. IDCOL has limited capacity to price transactions and it needs to improve its systems to monitor and manage interest rate risks. In particular, IDCOL's present capacity may not be sufficient to cope with additional and more complex activities and demands, especially relating to large infrastructure subprojects in diversified sectors.

35. **Corrective measures.** To address the above identified weaknesses of IDCOL, a \$750,000 technical assistance (TA)⁸ piggybacked to PPIDF 3 will be provided as part of the facility to enhance the institutional capacity of IDCOL in risk management, subproject assessment, pricing, treasury operations, and environmental and social impact assessments and will assist the company in expanding its balance sheet in a prudent and risk-measured manner. The proposed TA will build on some of the achievements made in an earlier TA to IDCOL⁹ provided by ADB and will help strengthen its managerial and technical capacity to play a nodal role in private-sector infrastructure financing in Bangladesh in a sustained manner. Furthermore, the findings from the TA—whenever deemed critical—will provide feedback to support the second tranche of PPIDF 3 and may be included as part of the loan covenants.

36. IDCOL has also agreed to hire an additional senior officer for its large infrastructure unit to assist in the processing of new and administering of existing deals. This measure will significantly strengthen IDCOL's organizational structure and help mitigate the risk that IDCOL does not have sufficient capacity to handle the expected additional financing activities, especially related to the large number of complex infrastructure subprojects that will be funded under PPIDF 3. The new person will be on board prior to ADB loan effectiveness under tranche 1 of PPIDF 3

⁸ Attached Technical Assistance (accessible from the list of linked documents in Appendix 2 of the Report and Recommendation of the President [RRP]).

⁹ Under the first Public–Private Infrastructure Development Facility (PPIDF 1), a capacity development technical assistance (CDTA) of \$500,000 was provided to (i) help foster an enabling public–private partnership (PPP) operating environment in Bangladesh, (ii) assist IDCOL in catalyzing PPP transactions, and (iii) establish a comprehensive environment and social management system at IDCOL.

37. Although NPL ratios of IDCOL, i.e. gross and net NPL ratio at 1.6% and 0.2%, are considered lower than most banks and industry peers, it showed an overall increasing trend, i.e. gross NPL increased from Tk198.8 million in FY2014 to Tk568.5 million in FY2015. There are concerns on the deterioration of its asset portfolio given the volume of rescheduled loans comprising of 5 loan accounts with a portfolio value of Tk5,268 million as of June 2016.

38. IDCOL has adopted a number of proactive measures and steps to address the deteriorating quality of its assets through proactive measures such as pursuing some of the defaulting debtors through legal proceedings, increasing its internal debt recovery efforts by adding more staff, preparing detailed restructuring plans with time-bound actions and implementing a collection efficiency improvement program for its SHS program.

39. To further intensify these efforts, IDCOL has agreed to establish a recovery unit by hiring a senior staff member who will report to the head of IDCOL's credit management department. Furthermore, IDCOL will also strengthen its internal control and risk management process and capacity to ensure that sound financial management practices are in place. To do so, it will appoint a senior manager with background in risk management as the Risk Management Head and to be a voting member in IDCOL's Credit Risk Management Committee and hire an internal auditor at senior level to head its internal audit unit reporting directly to the IDCOL Board. The appointment of these senior staff members will have to be completed prior to ADB loan effectiveness under tranche 1 of PPIDF 3.

40. **Financial management action plan.** IDCOL and ADB have agreed to an action plan to address issues that the financial management assessment identified (Table 2).

Table 2: Financial Management Action Plan

Agreed Action	Responsible Party	Agreed Completion Date
1. Appoint a senior risk manager as head of credit management and a voting member on IDCOL's credit risk management committee	IDCOL	Condition for loan effectiveness of Tranche 1 loan
2. Appoint a unit head to manage IDCOL's newly established loan recovery unit reporting to the risk management head	IDCOL	Condition for loan effectiveness of Tranche 1 loan
3. Appoint an internal auditor at senior level reporting directly to the IDCOL Board	IDCOL	Condition for loan effectiveness of Tranche 1 loan
4. Appoint a senior officer for IDCOL's large infrastructure unit	IDCOL	Condition for loan effectiveness of Tranche 1 loan
5. Submit independent consultant's assessment report on IDCOL's risk management, treasury and resource management, including details on implementation plan—as approved by IDCOL Board (and supported under the piggybacked technical assistance to PPIDF 3)	IDCOL	Within 12 months from effectivity of Tranche 1
6. Pilot integration of management information system as recommended under the resource management plan	IDCOL	Prior to loan effectiveness of Tranche 2

IDCOL = Infrastructure Development Company Limited, PPIDF 3 = Third Public–Private Infrastructure Development Facility.

Source: Asian Development Bank.

41. **Conclusion.** MOF-ERD, MOF-FD and IDCOL have successfully undertaken (or are currently undertaking) similar lines of credit from numerous development partners (including the WB and ADB). As a result, the financial management capacities of the EA and IA are developed to a satisfactory level to ensure smooth functioning of the project. However, IDCOL needs to further strengthen its capacity and staff strength in risk management, subproject assessment, pricing, treasury operations and environmental and social impact assessments. The attached TA will provide capacity development support in this area. Based on the above analysis, the financial management risk for PPIDF 3 is considered to be low.

B. Disbursement

42. The facility proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).¹⁰ The ADB program establishes both the imprest and the direct payment procedure to permit maximum flexibility and accommodate IDCOL's preference. The fund allocation will be made available to IDCOL through a Subsidiary Loan Agreement with MOF-FD. The process will follow the relevant requirements and instructions provided in the loan agreement and this facility administration manual (FAM).

43. The disbursement schedule will be in two PFRs: PFR1 (tranche 1) consists of a regular OCR loan of \$250 million and a concessional OCR loan of \$10 million and PFR2 (tranche 2) consists of a regular loan of \$250 million and a concessional OCR loan of \$16 million. The implementation periods for the two PFRs is during April 2017–April 2020 (for tranche 1) and during April 2020–April 2023 (for tranche 2).

44. Two separate sets of withdrawal application will be submitted for concessional OCR and regular 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.

45. All subprojects 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 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. For the first three subprojects to be financed under the regular OCR loan and for subprojects with total project cost in excess of \$5 million equivalent, 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 extract of the relevant 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

¹⁰ ADB. 2015. *Loan Disbursement Handbook*. Manila.

- 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 3 will follow the approved common safeguards frameworks.
 - (v) IDCOL will submit a safeguard compliance certificate to ADB for approval.

Subproject Selection and Approval Process with respect to ADB's Safeguard Policy Statement (SPS) 2009

46. IDCOL will screen each subproject to determine the potential environmental and social impacts according to the screening process provided for in the ESSF (2011 or its revisions) and referred to in the SPS 2009 to ensure that no category A on environment, involuntary resettlement, and indigenous peoples will be included for funding.

47. The periodic financing request (PFR) will be prepared based on the assessment and review procedures of ESSF (2011 or its revisions).

48. In preparing the PFR, IDCOL will conduct safeguards due diligence of the subprojects to be considered for funding following the ESSF (2011 or its revisions). IDCOL's report on safeguards due diligence will be submitted to ADB including the safeguards documents required, and the environmental and social compliance audit report (including the corrective action plan) for direct lending of subprojects that are existing or under construction, and for takeout financing subprojects. ADB will provide IDCOL of their review and additional requirements, if any.

Compliance with ADB's Loan Disbursement Handbook (2015, as amended from time to time)

49. 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* (2015, as amended from time to time). There will be subloan accounts for the concessional OCR and regular OCR loan under each tranche of PPIDF 3. See Appendix 2 for a list of the key ADB project implementation documents.

Imprest account arrangements

50. 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 (Footnote 10, Appendix 10B) 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 been duly opened.

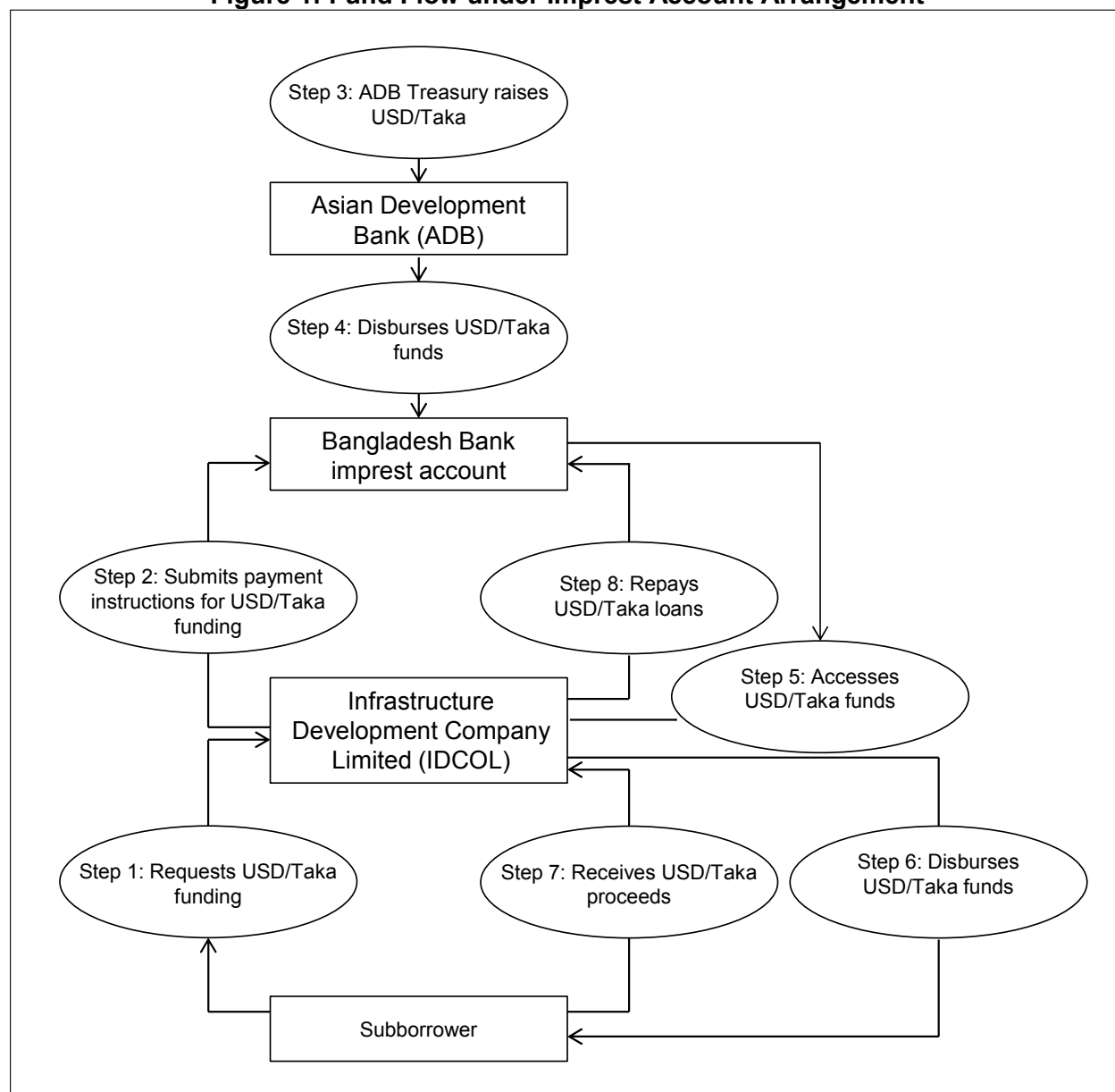
51. Under the regular OCR loan, IDCOL will also open subaccounts on the following terms: (i) a US dollar account with a commercial bank, acceptable to the MoF-FD and ADB, to receive the advance in US dollars from the imprest account under the regular OCR loan for onlending by IDCOL; and (ii) a Taka account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

52. 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 (Footnote 10, Appendix 10C).

53. 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 Loan Disbursement Handbook 2015) and summary sheet (Appendix 7B, ADB Loan Disbursement Handbook 2015).

54. IDCOL will submit to ADB the following documents (or such other documents as shall be satisfactory to ADB):

- (i) subloan agreement between IDCOL and subborrower,
- (ii) evidence of payment of a subloan or requirement to make a subloan to the subborrower,
- (iii) independent assessment and/or engineer's certificate on physical progress and financial progress,
- (iv) a cash flow or utilization request verified by a chartered accountant, and
- (v) 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.

Figure 1: Fund Flow under Imprest Account Arrangement

Source: Asian Development Bank.

Direct payment procedure

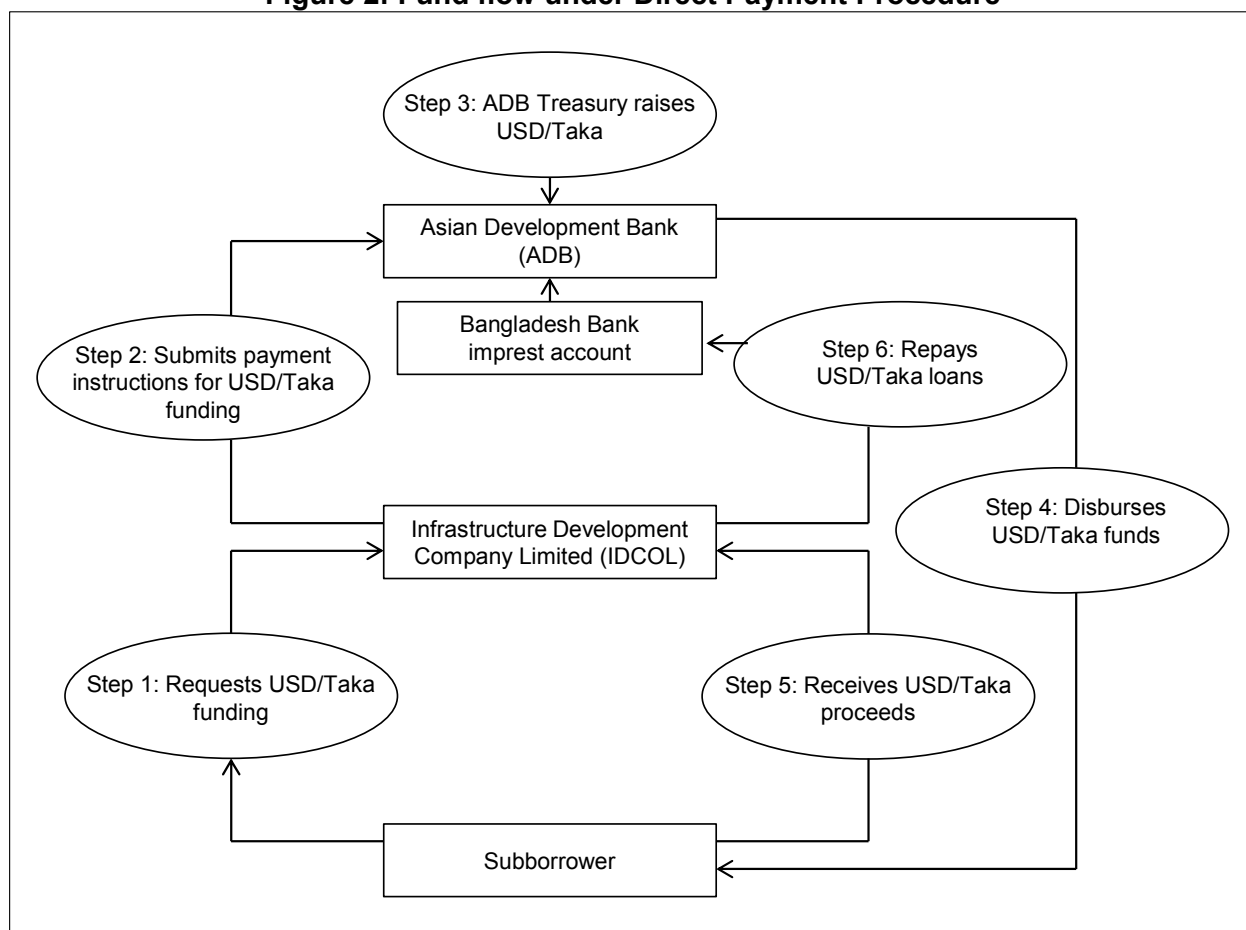
55. **ADB pays directly to the designated beneficiary.** Under the direct payment procedure, IDCOL will submit to ADB the payment instructions for the disbursement of the funds (in US\$ or Taka) directly to the account of the relevant subborrowers.

56. **Basic requirements.** A signed withdrawal application (WA) (Appendix 7A) must be submitted to ADB together with a summary sheet (Appendix 7B) and the required supporting documents. A separate WA is required for each different currency.

57. **Supporting documents.** To prove the requested disbursement is for eligible project expenditures incurred, supporting documents as mentioned in ADB's *Loan Disbursement*

Handbook (2015, as amended from time to time [Footnote 10]) must be submitted to ADB together with the WA. ADB will return WAs that do not meet the requirements. Additional supporting documents may be required depending on the transaction involved. Please refer to Appendix 7C, ADB Loan Disbursement Handbook 2015 for the narrative procedures and the check list for the direct payment procedure.

Figure 2: Fund flow under Direct Payment Procedure



Source: Asian Development Bank.

Evidence of authority

58. Before the submission of the first withdrawal application, IDCOL should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of IDCOL, together with the authenticated specimen signatures of each authorized person by using the “*evidence of authority to sign withdrawal applications*” (Appendix 4B, ADB Loan Disbursement Handbook). 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.

C. Accounting

59. 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 facility proceeds. The company will maintain separate financial statements according to generally-accepted accounting principles for all expenditures incurred under PPIDF 3 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 annual basis as appropriate.

D. Auditing

60. 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 English language to ADB within 6 months of the end of the fiscal year by the executing agency (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 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. Further guidance is shown in a sample letter for audit in Appendix 3.

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

62. 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.

63. 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 updated 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.

64. Public disclosure of the audit opinion and related statement of subprojects will be guided by ADB's Public Communications Policy (2011). After review, ADB will disclose these within 14 days of the date of their receipt by subprojects posting them on ADB's website. The audit management letter and the entity-level audited financial statements will not be disclosed.

VI. PROCUREMENT AND CONSULTING SERVICES

65. There will be no procurement directly financed under the facility. All procurement to be financed under the MFF will be carried out in accordance with the procedures established by the private sector or commercial practices, acceptable to ADB, by ensuring core procurement principles included in the ADB's Procurement Guidelines (2015, as amended from time to time) are met.

66. IDCOL may also carry out relevant institutional procurement and recruitment of consultant services under the capacity development component. The consultants would be engaged in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time).¹¹ Disbursements will be made in accordance with ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time).¹² Procurement of goods under the capacity development component intended for IDCOL's ownership will follow ADB's Procurement Guidelines (March 2013, as amended from time to time).

VII. SAFEGUARDS

67. The environmental and social safeguards framework (ESSF) was prepared by IDCOL with ADB support under the first Public-Private Infrastructure Facility (PPTDF1) in 2008 and was updated during the processing of the second Public-Private Infrastructure Facility (PPIDF 2) to be consistent with the Safeguard Policy Statement (SPS) 2009. The ESSF (2011) was adopted

¹¹ ADB. 2015. *Guidelines on the Use of Consultants*. Manila.

¹² ADB. 2010. *Technical Assistance Disbursement Handbook*. Manila.

by IDCOL for the subprojects considered for financing in PPIDF 1 and PPIDF 2.¹³ Subprojects under the PPIDF 3 will be evaluated according to ESSF (2011) until revisions are incorporated which will be done as part of the ADB technical assistance (TA).¹⁴ While still aligned with SPS 2009, the ESSF (2011) will be reviewed to streamline procedures on the assessment and evaluation of subprojects considered for funding, to incorporate the draft guidelines of the Bangladesh Bank on environmental and social risk management for banks and financial institutions (June 2015), and to accommodate the proposed market expansion on infrastructure finance through take-out financing to be introduced in PPIDF 3. IDCOL will continue to ensure that ADB funds will not be applied to activities described in the ADB Prohibited Investment Activities List, Appendix 5 of SPS 2009 (refer to Appendix 1 of this FAM). Aside from the ESSF, IDCOL has an environmental and social policy statement approved by its Board of Directors and is compatible with the objectives of SPS 2009.

68. The environmental and social safeguards management unit (ESSMU) of IDCOL will provide the technical support to the PMU in reviewing and evaluating subprojects on their environmental and social implications based on ESSF (2011). At present, ESSMU has two senior level safeguards staff and will engage another staff to manage the social dimensions including gender issues associated with the progressive lending portfolio of IDCOL. The TA will also review the organizational set-up of IDCOL to establish independence of ESSMU as advisory on safeguards to the infrastructure and renewable energy units. Through the TA, a safeguards manual will be prepared and training will be conducted to IDCOL operations staff involved in processing subprojects. A brief primer on the environmental and social requirements of IDCOL will be prepared to guide their sponsors on how best to manage the impacts and risks of the subprojects and the compliance to ESSF (2011 and its revisions).

69. For PPIDF 3, IDCOL will require their sponsors to submit an annual safeguards monitoring report while IDCOL will submit an annual report to ADB on the implementation of the ESSF (2011 or its revisions). Should IDCOL annual reports or ADB reviews indicate that the ESSF (2011 or its revisions) does not function properly, ADB and IDCOL agree on a corrective action plan immediately and IDCOL will implement the CAP. The TA will also explore the possibility of developing an information system to track safeguards compliance of subprojects by IDCOL sponsors.

70. A grievance redress mechanism (GRM) will be established which is fully described in paragraphs. 168-171 of the ESSF. For the facility, the grievance redress committee (GRC) will be established by the project proponents 90 days after subproject approval by IDCOL to address grievances related to environment, involuntary resettlement, and indigenous peoples. The composition of the GRC will follow to the extent possible the requirements laid out ESSF. The project proponent will document all complaints received, action taken on each and provide a quarterly report to the IA which will be communicated to ADB on a annual basis and as part of the monitoring report.

VIII. GENDER AND SOCIAL DIMENSIONS

71. A gender action framework was prepared in 2013 with support from ADB during the

¹³ Infrastructure Development Company Limited. 2011. *Environmental and Social Safeguards Framework: Policy and Procedures*. <http://idcol.org/download/1d8514287c3e7cda76423b33a781f79c.pdf>

¹⁴ Proposed technical assistance of \$750,000 from the Financial Sector Development Partnership Special Fund of the Government of Luxembourg

PPIDF 2. In 2014, this gender action framework was incorporated by IDCOL in their environment and social management framework directed for renewable energy subprojects like solar home systems, improved cook stoves, solar irrigation and remote area power supply component. PPIDF 3 will have some gender elements and the interventions will be through the TA. The draft Gender Policy (April 2016) of IDCOL and its organizational structure will be assessed in view of the commitments of GoB to gender equality, and the emerging best practices in other established financial intermediaries. Capacity building of IDCOL staff involved in the pre-subproject approval will be initiated through the development of training manual on social and gender analysis and in identifying opportunities for gender mainstreaming and gender equality results. IDCOL's project performance monitoring and evaluation systems will be strengthened to include the collection and analysis of sex-disaggregated information and data on participation and benefits. Aside from the TA, the additional senior level staff in ESSMU to manage social issues and gender will be crucial in realizing the sustained implementation of proposed gender mainstreaming in IDCOL.

72. IDCOL will continue to disseminate information to its sub-borrowers about the Government's National Women Development Policy (2011) which has been reflected in the Seventh Five-Year Plan (2015-2020) and the requirement of Bangladesh Bank's Department of Financial Institutions and Markets to financial institutions on reporting about gender equality-related performance indicators biannually as provided for in Circular No. 2 on Mainstreaming Corporate Social Responsibility in Financial Institutions.

73. IDCOL will use best efforts to ensure that sponsors of subprojects considered for funding under the PPIDF 3 will comply with national core labor standards applicable during the time of implementation, the commitment of GoB on gender equality and women's empowerment, and in conducting orientation/awareness of sexually-transmitted infections, forced/bonded labor, child labor, and human trafficking.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Facility Design and Monitoring Framework

74. Please see Appendix 1 of the RRP for the facility design and monitoring framework (DMF).

B. Monitoring

75. **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 DMF.

Figure 3: IDCOL's Project Management Unit

Note: All communication to be made to Central Coordinator with a copy to the Project Director and Head of Project Monitoring Unit, unless otherwise notified by Infrastructure Development Company Limited who may add other business units such as Small and Medium Infrastructure Unit, Public–Private Partnership Unit in the PMU, if needed.

76. **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.

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

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

C. Evaluation

79. ADB will field regular review missions to review status of the 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 regular OCR and concessional OCR loans for the financing of medium- and large-size infrastructure project, general compliance with the loan covenants, and compliance with the environmental and social safeguards requirements. Within 6 months of physical completion of the project, the EA and IA will submit the project completion report (PCR) to ADB. The template is to be provided by ADB. Subsequently, ADB will field a mission to finalize the PCR.

D. Reporting

80. IDCOL will provide ADB with (i) semi-annual 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. See Appendix 4 for a pro forma facility progress report.

E. Stakeholder Communication Strategy

81. Stakeholder consultations and communication are critical aspects of the project design. Regular stakeholder consultations will be held during project implementation. All policy, legal, 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 website¹⁵ to disclose all key project-related information, including detailed description of the design and structure of PPIDF 3. For the financing of medium-sized and large infrastructure projects under PPIDF 3, stakeholder consultations and communication are mandatory under Bangladesh law.

F. Institutional Capacity and Market Development

82. A capacity development TA will help IDCOL improve its institutional capacity.¹⁶ IDCOL needs to adopt a long-term vision and operational strategy based on commercial principles through an effective organization. While IDCOL's present capacity is commensurate to the current level of its operations, it might not be equipped to cope with additional and more complex activities, especially relating to large infrastructure subprojects. To address these constraints, the proposed TA will enhance the institutional capacity of IDCOL in risk management, subproject assessment, pricing, treasury operations, and environmental and social impact assessments and will assist the company in expanding its balance sheet in a prudent and risk-measured manner. See Appendix 5 for an outline of the terms of reference of the consultants to be hired under the TA.

83. The proposed \$750,000 TA will be financed on a grant basis by the Government of Luxemburg, through the Financial Sector Development Partnership Special Fund. IDCOL will provide in-kind support through counterpart staff time, office space, and training and workshop venues for the TA activities.

X. ANTICORRUPTION POLICY

84. ADB reserves the right to investigate, directly, or through its agents, any violations of the anticorruption policy relating to the project.¹⁷ All contracts financed by ADB shall include

¹⁵ Infrastructure Development Company Limited. www.idcol.org

¹⁶ Under PPIDF 1, a CDTA of \$500,000 was provided to (i) help foster an enabling PPP operating environment in Bangladesh, (ii) assist IDCOL in catalyzing PPP transactions; and (iii) establish a comprehensive environment and social management system (ESMS) at IDCOL.

¹⁷ ADB. 1998. Anticorruption: Policies and Strategies. Manila.

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 and/or 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.¹⁸

85. 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.

86. 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 under PPIDF 3 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.

87. ADB's Office of Anticorruption and Integrity is the point of contact to report allegations of fraud and corruption among ADB-financed projects or its staff (Footnote 22). Anyone coming across evidence of corruption associated with the project may contact below by telephone, facsimile, e-mail, or by mail:

Office of Anticorruption and Integrity
Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Telephone: +63 2 632 5004
Fax: +63 2 636 2152
E-mail: integrity@adb.org or anticorruption@adb.org

XI. ACCOUNTABILITY MECHANISM

88. People who are, or may in the future be, adversely affected under a subproject 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.¹⁹

¹⁸ ADB. Office of Anticorruption and Integrity. <https://www.adb.org/site/integrity/overview>

¹⁹ ADB. Accountability Mechanism. <https://www.adb.org/site/accountability-mechanism/main>

XII. RECORD OF FAM CHANGES

89. This section will retain all revisions and updates that occur during implementation to provide a chronological history of changes.

ADB PROHIBITED INVESTMENT ACTIVITIES LIST

The following do not qualify for Asian Development Bank financing:

- (i) production or activities involving harmful or exploitative forms of forced labor¹ or child labor;²
- (ii) production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phaseouts or bans, such as (a) pharmaceuticals,³ pesticides, and herbicides,⁴ (b) ozone-depleting substances,⁵ (c) polychlorinated biphenyls⁶ and other hazardous chemicals,⁷ (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,⁸ and (e) transboundary trade in waste or waste products;⁹
- (iii) production of or trade in weapons and munitions, including paramilitary materials;
- (iv) production of or trade in alcoholic beverages, excluding beer and wine;¹⁰
- (v) production of or trade in tobacco;¹⁰
- (vi) gambling, casinos, and equivalent enterprises;¹⁰
- (vii) production of or trade in radioactive materials,¹¹ including nuclear reactors and components thereof;
- (viii) production of, trade in, or use of unbonded asbestos fibers;¹²
- (ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
- (x) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

¹ Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

² Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" (www.ilo.org).

³ A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

⁴ A list of pesticides and herbicides subject to phaseouts or bans is available at <http://www.pic.int>.

⁵ A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

⁶ A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

⁷ A list of hazardous chemicals is available at <http://www.pic.int>.

⁸ A list is available at <http://www.cites.org>.

⁹ As defined by the Basel Convention; see <http://www.basel.int>.

¹⁰ This does not apply to project sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a project sponsor's primary operations.

¹¹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.

¹² This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

LIST OF KEY ADB PROJECT IMPLEMENTATION DOCUMENTS

ADB Loans Disbursement Handbook (2015)

(as may be updated from time to time):

<http://www.adb.org/sites/default/files/institutional-document/33606/adb-loan-disbursement-handbook.pdf>

Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers (2013)

(as may be updated from time to time):

<http://www.adb.org/sites/default/files/institutional-document/31481/guidelines-use-consultants.pdf>

Procurement Guidelines (2015)

(as may be updated from time to time):

<http://www.adb.org/sites/default/files/institutional-document/31482/procurement-guidelines-april-2015.pdf>

SAMPLE LETTER FOR AUDIT**ASIAN DEVELOPMENT BANK**

Regional Department
Sector Division/Regional or Resident Mission

[Date]

[The Borrower]
Dear Sir/Madam:

**Subject: Third Public–Private Infrastructure Development Facility (PPIDF 3)
Financial Reporting and Auditing Requirements**

1. This letter is to ensure your timely compliance with the loan covenants and the quality of financial information as required by ADB. ADB's *Handbook for Borrowers on the Financial Governance and Management of Investment Facility Financed by the ADB* (the Booklet) is enclosed to guide you.

2. ADB, by its Charter, is required to ensure that the proceeds of any loan made, guaranteed, or participated in by ADB are used for the purposes in which the loan was approved. ADB requires accurate and timely financial information from its borrowers to be assured that expenditure was for the purposes stated in the loan agreement.

3. For this particular facility, the requirements are stipulated in sections _____ and _____ of the loan agreement of _____ between ADB and IDCOL and sections _____ and _____ of the loan agreement of _____ between ADB and IDCOL. Copies of the loan agreements are enclosed for onward transmission by your office to your EA and the auditor(s), together with a copy of this letter.

4. The following are the main requirements:

ADB requires IDCOL to maintain a separate account and records related to the facility to ensure that the loan fund is used only for the objectives set out in the loan agreement.

The first audited 'Statement of Subprojects' to be submitted to ADB covers the fiscal year ending _____. As stipulated in the loan agreement, they are to be submitted up to six months after the end of the fiscal year. For this loan, the deadline is by _____. A sample report format, with explanatory notes, is attached as Annex A.

The accounts and records for the facility are to be consistently maintained by using sound accounting principles. Please stipulate that your external auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.

Please ensure that your external auditor specifies in the auditor's report the appropriate auditing standards they used, and direct them to expand the scope of the paragraph in the auditor's report by disclosing the key audit procedures followed.

ADB prefers that auditors conform to the international auditing standards issued by the International Federation of Accountants. In cases where other auditing standards are used, request that your external auditor to indicate in the auditor's report the extent of any differences and their impact on the audit. The external auditor should give his opinion whether or not the Statement of Subprojects presents fairly, in all material respects, subprojects funded by ADB.

The external auditor's opinion is also required on whether:

- the proceeds of ADB's loan have been utilized only for the facility as stated in the loan agreement;
- the financial information contains data specifically agreed upon between IDCOL and ADB to be included in the financial statements;
- the financial information complies with relevant regulations and statutory requirements; and
- compliance has been met with all the financial covenants contained in the loan agreement.

The auditor's report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.

The audit report should also be accompanied by an Audit Management Letter (which sets out any deficiencies in the internal controls that govern the facility and that were identified in the course of the audit, if any).

Actions on deficiencies disclosed by the external auditor in its report are to be resolved by IDCOL within a reasonable time. The external auditor is to comment in the subsequent auditor's report on the adequacy of the corrective measures taken by IDCOL.

5. Compliance with these ADB requirements will be monitored by review missions and during normal facility supervision, and followed up regularly with all concerned, including the external auditor.

Yours sincerely,

Director/Country Director
(Sector Division/Regional or Resident Mission)

cc: Infrastructure Development Company Limited
(External auditor of the Borrower)

PRO FORMA FACILITY PROGRESS REPORT

A. Introduction and Basic Date

1. Provide the following:
 - (i) ADB loan number, facility title, borrower, executing agency, implementing agency;
 - (ii) Total estimated facility cost and financing plan;
 - (iii) Status of facility financing including availability of counterpart funds;
 - (iv) Dates of approval, signing, and effectiveness of ADB loan;
 - (v) Original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates; and
 - (vi) Date of last ADB review mission.

B. Utilization of Funds (ADB loan, cofinancing, and counterpart funds)

2. Provide the following.
 - (i) Cumulative contract awards financed by the ADB loan, cofinancing, and counterpart funds (commitment of funds to date), and comparison with time-bound projections (targets);
 - (ii) Cumulative disbursements from the ADB loan, cofinancing, and counter funds (expenditure to date), and comparison with time-bound projections (targets); and
 - (iii) Re-estimated costs to completion, need for reallocation within ADB loan categories, and whether an overall facility cost overrun is likely.

C. Facility Purpose

3. Provide the following.
 - (i) Status of facility scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
 - (ii) An assessment of the likelihood that the immediate development objectives (facility purpose) will be met in part or in full, and whether remedial measures are required based on the current facility scope and implementation arrangements;
 - (iii) An assessment of changes to the key assumptions and risks that affect attainment of the development objectives; and
 - (iv) Other facility developments, including monitoring and reporting on environmental and social requirements that might adversely affect the facility's viability or accomplishment of immediate objectives.

D. Implementation Progress

4. Provide the following.
 - (i) Assessment of facility implementation arrangements;
 - (ii) Information relating to other aspects of the executing agency's internal operations that may impact on the implementation arrangements or facility progress;
 - (iii) Progress or achievements in implementation since the last progress report;
 - (iv) Assessment of the progress of each facility component, such as:
 - (a) Recruitment of consultants and their performance;

- (b) Procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and
 - (c) The performance of suppliers, manufacturers, and contractors for goods and works contracts.
- (v) Assessment of progress in implementing the overall facility to date in comparison with the original implementation schedule—quantifiable and monitorable targets, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules and budgets, the reference framework or guidelines in calculating the facility progress; and
- (vi) An assessment of the validity of key assumptions and risks in achieving the quantifiable implementation targets.

E. Compliance with Covenants

5. Provide the following.
 - (i) The Borrower's compliance with policy loan covenants such as sector reform initiatives and executing agency (EA) reforms and the reasons for any noncompliance or delay in compliance;
 - (ii) The Borrower's and EA's compliance with financial loan covenants including the EA's financial management and the provision of audited project financial statements or audited agency financial statements; and
 - (iii) The Borrower's and EA's compliance with facility-specific loan covenants associated with implementation, environment, and social dimensions.

F. Major Facility Issues and Problems

6. Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The tasks and duties of each of the consulting services are summarized as follows. The contract duration for the consulting firm will be 3 years. The outline terms of reference for each consultant in this document are not exhaustive and may be supplemented and expanded as required to meet the IDCOL and ADB requirements.

2. **Management Expert/Team Leader** (one international, 4 PMs, intermittent; one national, 2 PMs, intermittent). The experts will be responsible to:

- (i) Undertake an examination of existing resources management operations of IDCOL.
- (ii) Make an assessment on functional resources management requirements with the given business plan and resources plan. The assessment would include requirements for capacity upgrade with particular emphasis on risk appraisal and management and treasury operations.
- (iii) Evaluate and suggest modifications on IDCOL's financial policies including its investment policy, exposure limits, establish funding benchmarks, and develop core funding strategy and loan product development guidelines.
- (iv) Evaluate use of all market risk mitigation and credit enhancement products.
- (v) Evaluate applicability of IDCOL's suite of lending and non-lending financial products.
- (vi) Oversee integration of IDCOL's funding strategy and financial policy with credit risk appraisal framework.
- (vii) Develop appropriate documentation requirements for processing infrastructure financing transactions and develop framework for required back office functions.
- (viii) Provide quarterly progress reports, draft final report and final report incorporating all the TA findings pursuant to a tripartite review with the government and ADB by the end of the consulting services period.

3. The consultant should have 15 years or more of international professional experience in resources management related to infrastructure financing with particular emphasis on integrated risk management and should have qualifications and expertise to (i) be intimately familiar with resources management functions and have a thorough working knowledge of financial products; (ii) deep familiarity with financial modeling, capital markets, valuation, and value for money analysis; and (iii) project management and administration. Further, the consultant is expected to demonstrate familiarity, with respect to operations on (i) risk management and liability analysis, (ii) financial analysis of complex project proposals, (iii) demonstration of expertise in infrastructure development financing, and (iv) team leadership skills. Deep familiarity with capital markets in a developing country will be an advantage and an advanced academic background in economics, finance, business management, and similar areas is essential. The international expert will be the team leader responsible for overall management of the TA. The team leader will develop and oversee the team work program, and ensure effective coordination of all team inputs. The team leader will manage the team and coordinate closely with stakeholders. In close coordination with the implementing agency (IDCOL), the team leader will perform tasks in a timely manner.

4. **Risk Specialists** (one international, 4 PMs, intermittent; one national, 4 PMs, intermittent). The specialists will be responsible to

- (i) Undertake an evaluation of IDCOL's existing project risk appraisal and management system.
- (ii) Assess IDCOL's current lending and loan pricing policies.
- (iii) Develop a framework for undertaking credit risk assessment and pricing of projects as required by the regulatory and/or prudential guidelines and/or global standards.
- (iv) Develop documentation and templates for undertaking risk assessment.
- (v) Develop pricing tools for loan pricing for IDCOL's financing to infrastructure projects based on the above developed framework.
- (vi) Assess available credit risk management tools available in the market and recommend modalities for suitable usage in the context of IDCOL's operations.
- (vii) Integrate the international best practices with current regulatory requirements.

5. The consultant should have 10 years or more of national and international professional experience in project risk assessment and management in infrastructure financing and should have qualifications and expertise on (i) familiarity with credit risk assessment procedures, (ii) experience in working with policymakers at all levels, and (iii) familiarity with financial market products and services including derivatives.

6. **Treasury Specialists** (one international, 4 PMs, intermittent; one national, 4 PMs, intermittent). The specialists will be responsible to

- (i) Undertake an evaluation of IDCOL's existing treasury operations and asset-liability management system.
- (ii) Assess IDCOL's current asset and liability portfolio.
- (iii) Develop asset-liability management framework to meet its business plan.
- (iv) Develop policies, guidelines, and documentation and templates for liability risk management and hedging of interest rate risk and foreign exchange risk.
- (v) Assess available treasury management tools available in the market and recommend modalities for suitable usage in the context of IDCOL's operations.
- (vi) Develop action plan for diversification of IDCOL's liability portfolio by introducing new product suites considering prevailing market realities and legal regime.

7. The consultant should have 10 years or more of national and international professional experience in treasury management for an infrastructure financing institution and should have qualifications and expertise on (i) familiarity with asset-liability management; (ii) hedging of market risks and derivative instruments; (iii) experience in working with policymakers at all levels; (iv) familiarity with infrastructure finance vehicles and funding products; and (v) arrangement of funds from diversified sources, such as capital market, commercial banks, insurance companies, Islamic banks and infrastructure funds.

8. **Management Information System (MIS) Specialist** (one international, 4 PMs, intermittent). The specialist would be responsible in:

- (i) Developing a methodology and format for collecting and tracking data and information on a project basis.
- (ii) Developing a methodology for recording and sharing updated information with infrastructure business units on client exposure, payment performance, pricing, and compliance status.
- (iii) Identifying software and hardware required for enhancing resources management functionality.

- (iv) Developing and/or collating benchmarking standards and pricing tools and assisting application to particular projects.
- (v) Analyzing data for decision support systems including capital allocation models.
- (vi) Developing and maintaining an information system that can be used to track project management and pricing information.
- (vii) Ensuring online data connectivity to databases in other entities.
- (viii) Training other staff members on the use of the information system and on database search to aid in their work.

9. The MIS expert should have 10 years or more of professional experience in developing and managing MIS for organizations with complex mandates and national coverage or scope. The consultant should have an information systems management and information technology background, and experience in large and complex organizations and projects, preferably those involving complex resources management-related functions. Other requirements include (i) demonstrated experience in database development, (ii) use of MIS as an input to a decision support system, and (iii) ability to participate in imparting training. Familiarity with incorporating benchmarking information in monitoring protocols is also a plus, as is experience in using information systems in project management.

10. **Human Resource (HR) and Training Specialists** (one international, 4 PMs, intermittent; one national, 2 PMs, intermittent). The specialist would be responsible in

- (i) Assessing the organogram of IDCOL and suggest necessary modification, if any, with appropriate approval structure and HR requirements.
- (ii) Identifying training programs in resources management and project risk appraisal disciplines.
- (iii) Developing curriculum for in-house training program on above subjects.
- (iv) Working closely with other project team members in institutionalizing knowledge in the above functional areas within IDCOL.
- (v) Evaluating external training programs and impact on IDCOL's capacity enhancement program.
- (vi) Supervising conduct of in-house training programs.

11. The HR expert should have 10 years or more of professional experience in the area of knowledge development, management, and dissemination. The consultant should also have a resources management and information systems management background, and experience in large and complex organizations and projects, preferably those involving complex resources management-related functions. Other requirements include (i) demonstrated experience in institutionalizing training programs, and (ii) use of ability to develop in-house training programs by adopting a train-the-trainers approach.

12. **Environmental and Social Management System (ESMS) Specialist** (one national, 3 PMs, intermittent). The specialist would be responsible in:

- (i) Preparing an initial diagnostic review of the capacity shortfalls of IDCOL's existing ESMS.
- (ii) Updating the environmental and social safeguard framework for IDCOL by identifying constraints on and opportunities for mainstreaming social safeguard policies into infrastructure project development.

- (iii) Developing a manual to assist all IDCOL staff involved in project processing on how to conduct environmental and social analysis of the possible impacts of proposed infrastructure subprojects as part of IDCOL's due diligence process.
- (iv) Suggesting an alignment of international best practices with regulatory requirements.
- (v) Providing all necessary training to IDCOL staff as deemed necessary.
- (vi) Responding to IDCOL project requests for environmental and social safeguard analysis during the consultancy period.

13. The consultant should have 10 years or more of national professional experience in developing, implementing, and managing ESMS for infrastructure finance institutions and should have qualifications and expertise on (i) environmental and social impact assessments of infrastructure projects; (ii) operating procedures for addressing environmental and social issues associated with infrastructure projects planning, development, and operation; (iii) experience in working with investment professionals and policymakers at all levels; and (iv) in-depth knowledge of the applicable environmental and social policies, laws, and procedures in Bangladesh and that of the ADB.

14. **Social Development (GAD) Specialist** (one national, 3 PMs, intermittent). The specialist would be responsible to:

- (i) Assess IDCOL's organizational policies, structures, systems, and procedures to support gender equality principles based on relevant national, regional and/or subregional and global practices from comparable financial intermediaries. Particular emphasis will be put on business processes and practices related to all stages of subproject appraisal and approval, implementation, and completion. Strengths, weaknesses, and gaps will be assessed and viable options for improvement identified.
- (ii) Determine IDCOL staff (management, technical, and administrative) knowledge in terms of basic social development and gender concepts and practical applications to IDCOL's operations.
- (iii) Develop a training manual for better social and gender analysis of proposed infrastructure subprojects and for maximizing opportunities for gender mainstreaming and gender equality results.
- (iv) Assess the in-house project performance monitoring and evaluation systems and determine the feasibility of including collection and analysis of sex-disaggregated information and data on participation and benefits.

15. The consultant should have 10 years or more of national professional experience in developing, implementing, and managing social and gender and development tasks in areas directly or indirectly related to the financial sector, with some exposure to financial intermediaries. He/she should have qualifications and expertise on (i) gender analysis and social and/or gender impact assessments of infrastructure projects, (ii) operating procedures for addressing social and/or gender issues associated with infrastructure projects planning, development, and operation; (iii) experience in working with investment professionals and policymakers at all levels; and (iv) in-depth knowledge of the applicable social and gender-related policies, laws, and procedures in Bangladesh and that of the ADB.