



Technical Assistance Report

Project Number: 55328-001
Knowledge and Support Technical Assistance (KSTA)
December 2021

People's Republic of Bangladesh: Strengthening the Capacity of Infrastructure Development Company Limited

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 10 November 2021)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.11669
\$1.00	=	Tk85.69730

ABBREVIATIONS

ADB	–	Asian Development Bank
IDCOL	–	Infrastructure Development Company Limited
OP1–OP7	–	operational priorities 1–7
PPIDF	–	Public–Private Infrastructure Development Facility
PPP	–	public–private partnership
TA	–	technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 55328-001
Project Name	Strengthening the Capacity of Infrastructure Development Company Limited	Department/Division SARD/SAPF
Nature of Activity Modality	Capacity Development, Policy Advice Regular	Executing Agency Ministry of Finance
Country	Bangladesh	
2. Sector		ADB Financing (\$ million)
✓ Finance	Infrastructure finance and investment funds	0.75
Total		0.75
3. Operational Priorities		Climate Change Information
✓ Accelerating progress in gender equality		GHG Reductions (tons per annum) 0.000
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		Climate Change impact on the Project Low
✓ Strengthening governance and institutional capacity		
		ADB Financing
		Adaptation (\$ million) 0.06
		Mitigation (\$ million) 0.12
		Cofinancing
		Adaptation (\$ million) 0.00
		Mitigation (\$ million) 0.00
Sustainable Development Goals		Gender Equity and Mainstreaming
SDG 1.b		Some gender elements (SGE) ✓
SDG 5.5		
SDG 9.1		
SDG 13.a		
		Poverty Targeting
		General Intervention on Poverty ✓
4. Risk Categorization Low		
5. Safeguard Categorization Safeguard Policy Statement does not apply		
6. Financing		
Modality and Sources		Amount (\$ million)
ADB		0.75
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.75
Cofinancing		0.00
None		0.00
Counterpart		0.00
None		0.00
Total		0.75
Currency of ADB Financing: US Dollar		

I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will strengthen the knowledge and capacity of Infrastructure Development Company Limited (IDCOL), a public sector financing company mandated by the Government of Bangladesh to provide long-term financing for public-private partnership (PPP) projects. The TA will lay the groundwork for the transformation of IDCOL into a more market-oriented entity, particularly by helping it diversify its funding sources, reinforce its capital structure, and strengthen its operation control and management, business process automation, and portfolio diversification. It will also enable IDCOL to take a leadership role in facilitating climate finance in Bangladesh. The TA is included in the Bangladesh indicative country pipeline and monitoring report, 2022–2024.

2. The TA is closely aligned with ADB's Strategy 2030 and will contribute to achieving three of its seven operational priorities (OP1–OP7): gender equality and women's empowerment (OP2), by strengthening IDCOL's capacity for gender-inclusive project implementation; tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability (OP3), by exploring new areas for climate financing; and strengthening governance and institutional capacity (OP6), by reinforcing IDCOL's capital and financing structure, and improving risk management and operational capacities.¹

II. ISSUES

3. Rapid economic growth in Bangladesh has increased the demand for energy, transport, and urban development. However, supply could not keep up with demand, and infrastructure deficits prevent the economy from reaching its full potential. Public sector-driven infrastructure development is constrained by the limited availability of resources, evident in a rising budget deficit (5.6% in 2020). Moreover, the coronavirus disease (COVID-19) pandemic has increased the fiscal pressure. The government highlighted PPPs as an important tool to mobilize private sector resources for infrastructure investments to supplement public investment and to achieve better value for money.

4. As part of its efforts to mainstream PPPs, the government set up IDCOL in 1997 to help alleviate the long-term funding challenges typical of infrastructure projects, especially PPP projects. IDCOL has become the leading domestic financial institution to catalyze long-term funding and promote the private sector's participation in infrastructure investments. By December 2020, its outstanding loans and advances stood at Tk79.1 billion, up from Tk41.0 billion in 2016; and its shareholder equity had increased to Tk9.2 billion, from Tk6.0 billion in 2016. It is one of the few financial institutions that have the technical and managerial capacity to appraise, structure, and execute infrastructure project financing in Bangladesh.

5. The Asian Development Bank (ADB) has had a long-term engagement with IDCOL. Through its Public-Private Infrastructure Development Facility (PPIDF), PPDIF2, and tranche 1 of PPIDF3, ADB provided \$535 million in project financing.² With the support of two ADB TA projects, IDCOL set up a dedicated risk management team led by senior officers, established a recovery unit, formulated a corporate strategy with a focus on infrastructure investment and

¹ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila. The TA first appeared in the business opportunities section of ADB's website on 10 November 2021.

² ADB. 2008. [People's Republic of Bangladesh: Public-Private Infrastructure Development Facility](#). Manila; ADB. 2013. [Second Public-Private Infrastructure Development Facility](#). Manila; and ADB. 2017. [Third Public-Private Infrastructure Development Facility](#). Manila.

advisory services, strengthened information and communication technology capacity and compliance, and built a capable social and environmental safeguard team.³ IDCOL is led by a strong eight-person board, including independent directors, and is staffed with experienced executives and professionals. Given its rapid operational growth and strongly improved capacities, and with ADB's support, IDCOL is ready to make great strides toward achieving its mission.

6. First, IDCOL remains a state-owned institution, relying on multilateral loans guaranteed by the government. As of December 2019, the outstanding amount of multilateral loans stood at Tk75.5 billion (ADB's share is 39%). With its growing operations and stronger capacity, IDCOL is considering diversifying its funding sources gradually. Funds can be raised in the capital market, either through a combination of domestic and international bond issuances, including potentially a green bond issuance partially guaranteed by ADB, or through an offshore taka-linked bond. As experience has shown in the case of other state-owned enterprises in the region, tapping the capital markets will help IDCOL enhance its corporate governance, improve its long-term financial sustainability, and adopt good practices in project appraisal, risk management, and financial management.⁴ Moreover, in the process, IDCOL will be encouraged to adopt a global green bond framework for its investment activities.

7. Second, IDCOL needs to strengthen its capital base to ensure its long-term sustainability and to support its expanding operations. One of the options is to bring on board a strategic partner, possibly an international infrastructure financing company or a development finance institution. This will not only bolster IDCOL's capital base but also give it access to international project appraisal systems and processes, management know-how, improved risk management, and corporate governance practices. It will also set a good precedent for the reform of state-owned enterprises in Bangladesh.

8. Third, as a leading infrastructure finance company, IDCOL is expected to take the lead in supporting the country's agenda of achieving a low-carbon and climate-resilient economy, and in expanding PPP coverage to social infrastructure areas with its financing and advisory services. Bangladesh is highly susceptible to the impact of climate change, ranked seventh in the Global Climate Risk Index of countries most vulnerable to extreme weather conditions and climate change. The government has committed to reduce, by 2030, greenhouse gas emissions by 21.85% below the business-as-usual mark in its industrial sectors, of which 6.73% is targeted as unconditional using only domestic resources, while 15.12% is targeted as conditional on receiving sufficient and appropriate assistance from the global community.⁵ IDCOL shall play a bigger role in spearheading the use of emerging green technology to support climate change adaptation projects. Further, in light of heightened demand for more and better-quality social infrastructure in sectors such as education and health, and given the significant budgetary constraints, IDCOL shall also take the lead in broadening adoption of PPP modality and expanding its product offerings. Gender mainstreaming remains a challenge and is therefore a priority for infrastructure projects in Bangladesh. IDCOL has undertaken to strengthen gender equity in its operations. It also needs adequate staff capacity to carry out action plans that ensure (i) project selection reflective of women's priorities, (ii) women-friendly design of infrastructure, and (iii) gender equity in accessing employment opportunities in infrastructure projects.

³ ADB. 2008. [Capacity Development for Infrastructure Development Company Limited](#). Manila; and ADB. 2017. [Capacity Development in Infrastructure Development Company Limited](#). Manila.

⁴ ADB. 2021. [The Bankable SOE: Commercial Financing for State-Owned Enterprises](#). Manila.

⁵ Government of Bangladesh, Ministry of Environment, Forest, and Climate Change. 2021. [Nationally Determined Contributions](#). Dhaka.

9. Transformation in all these areas requires advanced expertise and the introduction of best practices. Experiences gained through the process will be beneficial not only for IDCOL but also for the country. The government requested TA covering these issues, and the outline of the TA was agreed to with the government.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

10. The TA is aligned with the following impact: financial institutions supporting PPP infrastructure and climate finance strengthened. The TA will have the following outcome: capacity of IDCOL to support infrastructure investments and climate financing enhanced.⁶

B. Outputs, Methods, and Activities

11. **Output 1: A medium-term resource diversification plan supporting the implementation of the corporate strategy developed.** The TA team will prepare a 5–7-year road map to diversify IDCOL’s sources of funding and strengthen its capital base. This road map will be aligned with IDCOL’s business plan and include a timebound action plan to address all gaps related to its operations. The resource plan will evaluate different options and sources for resource mobilization, and guide IDCOL on securing an international credit rating and bringing in strategic investors. The consultants will help IDCOL identify new areas for green finance, set up a green and sustainable bond framework, and conduct early exploratory studies on product diversifications.

12. **Output 2: IDCOL’s capacity for financing potential new areas of climate finance and social infrastructure expanded.** The TA team will study the feasibility of at least two potential new areas for investment, such as green transport (electric vehicles) and social infrastructure (particularly in education and health care). The team will develop a pipeline of projects and explore the use of PPPs to improve their bankability.

13. **Output 3: IDCOL’s operation control and management enhanced.** The TA will assist IDCOL to develop standard operating procedures that will help improve efficiency, compliance, and quality of outputs in all the departments in IDCOL. The document will cover all areas of IDCOL’s operations including loan origination, treasury operations, risk and control and internal audit, among others. The document will not only codify the incremental capacity enhancements achieved over the years but also identify and address gaps remaining. The standard operating procedures will be integrated with the business process automation being implemented in IDCOL to further enhance control of the process and uniformity of the outputs. To help mainstream gender equity, the TA will provide IDCOL staff with training on gender-inclusive project design and implementations.

C. Cost and Financing

14. The TA amounts to \$750,000 which will be financed on a grant basis by ADB’s Technical Assistance Special Fund (TASF 7). IDCOL will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, and other in-kind contributions. The TA’s support for climate mitigation totals \$120,000—and \$60,000 for climate adaptation—in the form

⁶ The design and monitoring framework is in Appendix 1.

of capacity enhancement, feasibility studies, and pipeline development. The key expenditure items are listed in Appendix 2.

D. Implementation Arrangements

15. ADB will administer the TA. ADB's South Asia Department will select, supervise, and evaluate the consultants; procure goods; organize workshops; and provide staff to act as resource persons in the workshop. The implementation arrangements are summarized in the table.

Implementation Arrangements			
Aspects	Arrangements		
Indicative implementation period	January 2022–June 2024		
Executing agency	Economic Relations Division, Ministry of Finance		
Implementing agencies	Infrastructure Development Company Limited		
Consultants	To be selected and engaged by ADB		
	Package title	Selection method	Amount
	Firm	QCBS; 90:10 5 international, 5 national	\$505,373
Procurement	To be procured by the Implementing Agency		
	Shopping	Up to two contracts	\$115,000
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		
Asset turnover or disposal arrangement upon TA completion	All assets and equipment procured under the TA will be handed over to the executing agency after completion of the TA activities		

ADB = Asian Development Bank; QCBS = quality- and cost-based selection; TA = technical assistance.

Source: Asian Development Bank.

16. **Consulting services.** The TA will require consulting services totaling 37.5 person-months (16 international and 21.5 national) to advise on (i) capital market strategies (including green bond issuance), (ii) corporate strategy (strategical investment), (iii) business process management, (iv) PPP investments (in green transportation, energy efficiency and social infrastructure), and (v) gender equity. ADB will recruit a consulting firm with international and national consultants. The firm will be engaged by ADB through quality- and cost-based selection, with a quality–cost ratio of 90:10 because of the highly specialized expertise needed, using a simplified technical proposal in accordance with the ADB Procurement Policy (2017, as amended from time to time). The TA-financed equipment will be procured following the ADB Procurement Policy (2017, as amended from time to time) and associated TA staff instructions. This project has implications for ADB's broader agenda of private sector development and PPP promotion. The TA will leverage experiences of ADB's Office of Public–Private Partnership and Private Sector Operations Department, particularly in the selection of PPP consultants in specialize areas.

IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$750,000 on a grant basis to the People's Republic of Bangladesh for Strengthening the Capacity of Infrastructure Development Company Limited, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with Financial institutions supporting PPP infrastructure and climate finance strengthened ^a			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
Outcome Capacity of IDCOL to support infrastructure investments and climate financing enhanced	By 2025: a. Medium-term resource plan to diversify funding source and/or strengthen the capital structure of IDCOL approved (2021 baseline: not applicable) (OP6.1.2) b. Financing of at least two projects in new areas of renewable energy, green technology, or energy efficiency approved by IDCOL (2021 baseline: 0) (OP3.1.5)	a.–b. TA report; IDCOL board document, IDCOL internal policies and training survey	R: Government commitment weakens because of management turnovers or COVID-19 impacts
Outputs 1. A medium-term resource diversification plan supporting the implementation of the corporate strategy developed 2. IDCOL's capacity for financing potential new areas of climate finance and social infrastructure expanded 3. IDCOL's operation control and management enhanced.	By 2024: 1a. A medium-term resource plan, including diversified funding and capital structure options, submitted to the board of IDCOL (2021 baseline: 0) (OP6.1.2) 2a. At least two feasibility studies of potential new areas supporting climate finance and social infrastructure completed (2021 baseline: 0) (OP6.12) 2b. Pipeline of projects in emerging areas of climate finance and social infrastructure developed (2021 baseline: 0) (OP6.12) By 2023: 3a. Standard operation procedure developed and approved by the board of IDCOL(2021 baseline: not applicable) (OP6.1.2) By 2024: 3b. Business automation systems for integrated resource management	1a. TA report; IDCOL board document 2a.–b. TA report 3a.–b. TA report; IDCOL internal policy documents	R: Government commitment weakens because of management turnovers or COVID-19 impacts

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
	<p>developed (2021 baseline: not applicable) (OP6.1.2)</p> <p>By 2023:</p> <p>3c. At least 90% of IDCOL staff in operations (including all female staff) report increased knowledge of gender-responsive infrastructure project design and implementation (2021 baseline: 0) (OP2.3.1)</p>	<p>3c. Post-training survey</p>	
<p>Key Activities with Milestones</p> <p>1. A medium-term resource diversification plan supporting the implementation of the corporate strategy developed</p> <p>1.1 IDCOL to develop the green bond framework (Q2 2023). 1.2 Complete market research into capital market and potential strategic investors (Q4 2023). 1.3 Complete the action plan for diversifying funding options, including market research (Q4 2023). 1.4 Present to IDCOL management a medium-term plan to introduce strategic investors (Q2 2024). 1.5 Complete preparation work to help IDCOL secure an international investment grade credit rating (Q2 2024).</p> <p>2. IDCOL’s capacity for financing potential new areas of climate finance and social infrastructure expanded</p> <p>2.1 Complete feasibility studies for at least two new areas of investments (Q2 2023). 2.2 Complete a pipeline of new projects in the new areas (Q4 2023).</p> <p>3. IDCOL’s operation control and management enhanced</p> <p>3.1 Complete training on gender-responsive infrastructure project design and implementation (Q2 2023). 3.2 Complete standard operation procedures (Q2 2024). 3.3 Identify a suitable management information system and develop a procurement plan (Q4 2023).</p> <p>TA Management Activities</p> <p>Hiring consultants, reporting, monitoring and evaluation, and accounting</p>			
<p>Inputs</p> <p>Asian Development Bank: \$750,000 from the Technical Assistance Special Fund (TASF 7)</p> <p>Note: IDCOL will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, and other in-kind contributions.</p>			

A = assumption, COVID-19 = coronavirus disease, IDCOL = Infrastructure Development Company Limited, NA = not applicable, OP = operational priority, Q = quarter, R = risk, TA = technical assistance.

^a Defined by the TA.

Contribution to Strategy 2030 Operational Priorities:

The expected values and methodological details for all OP indicators to which this TA will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 3). In addition to the OP indicators tagged in the DMF, this operation will contribute results for

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	393.1
ii. National consultants	112.2
b. Out-of-pocket expenditures	
i. International and local travel	39.4
ii. Reports and communications	5.0
iii. Miscellaneous administration and support costs ^b	5.0
2. Hardware and software ^c	115.0
3. Miscellaneous administration and support costs	5.0
4. Training, seminars, and conferences	20.0
5. Contingencies	55.3
Total	750.0

The technical assistance (TA) is estimated to cost \$850,000, of which contributions from the Asian Development Bank are presented in the table. IDCOL will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, and other in-kind contributions. The value of the government contribution is estimated to account for 12% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 7)

^b Visa, transportation to and from airport, and other cost related to travel.

^c All assets and equipment procured under the TA will be handed over to the implementing agency after completion of the TA activities.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=55328-001-TARreport>

1. Terms of Reference for Consultants
2. Contribution to Strategy 2030 Operational Priorities