

# Annual Report

## 2006-2007



*Financier with a vision*

**INFRASTRUCTURE DEVELOPMENT  
COMPANY LIMITED**

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## Notice of the 10th Annual General Meeting

The Tenth Annual General Meeting of the Shareholders of Infrastructure Development Company Limited will be held on Thursday, 6 December 2007, at 7:30 p.m. at Dhaka Sheraton Hotel, Dhaka.

Agenda for the meeting are :

1. To consider and adopt Board of Director's report of the Company and the Accounts of the Company with Auditor's Report thereon for the year ended on 30 June 2007.
2. To declare dividends of the Company for the FY 2006-2007.
3. To consider increase of Company's paid up capital to TK. 40 crore.
4. To elect Director(s) in place of those who retire in accordance with the regulations 79, 80 and are eligible for re-election in accordance with the regulation 81 of schedule I of the Companies Act, 1994.
5. To Appoint auditor(s) and fixing up their remuneration for the FY 2007-2008.
6. Any othe business.

You are requested to kindly attend the meeting.

By order of the Board of Directors

A handwritten signature in black ink, appearing to read 'S.M. Formanul Islam'.

(S.M. Formanul Islam)  
Company Secretary

Dated, Dhaka  
21 November 2007





Md. Aminul Islam Bhuiyan  
Chairman, IDCOL and  
Secretary, Economic Relations Division



Dr. M. Fouzul Kabir Khan  
Director, IDCOL and  
Secretary, Power Division



Kazi Aminul Islam  
Director, IDCOL and  
Secretary, Chief Advisors' Office



Dr. Mohammad Tareque  
Director, IDCOL and  
Secretary, Finance Division



Maj. Gen. Amjad Khan Chowdhury (Retd.)  
Director, IDCOL and  
CEO, PRAN Group



Latifur Rahman  
Director, IDCOL and  
President, MCCI



Rashed Maksud Khan  
Director, IDCOL and  
President, Thai-Bangladesh Chamber  
of Commerce and Industries



M. Ehsanul Haque  
Executive Director and CEO

M. Ehsanul Haque  
Executive Director and CEO

S. M. Formanul Islam  
Assistant Director (Legal) & Company Secretary

S. M. Monirul Islam  
Deputy General Manager (Accounts & Admin)

Md. Nazmul Haque  
Assistant Director (Investment)

Md. Ektedar Rahman  
Manager (Projects & Expenditure Control)

Md. Enamul Karim Pavel  
Sr. Loan Officer

Dider Mowla Chowdhury  
Sr. Accounts Officer

Mohammad Raihan Habib  
Sr. Investment Officer (Finance)

Md. Ashrafuzzaman  
Investment Officer (Technical)

Hirak Al Hammad  
Investment Officer (Technical)

Farzana Rahman  
Investment Officer (Finance)

Rashed Minhaz  
Investment Officer (Marketing)

Nusrat Rob  
Accounts Officer

Wahidur Rahman  
Consultant (Technical)

#### Registered Office

UTC Building, Level-16  
8 Panthapath, Kawranbazar  
Dhaka-1215, Bangladesh  
Tel : 9114385, 8111235  
8117526, 9143157  
Fax: 8116663

#### Legal Advisors

A. J. Mohammad Ali  
Huq & Company  
Juris Counsel  
Law Associates  
Lee, Khan & Partners  
Dr. M. Jahir  
Rokanuddin Mahmud & Associates

#### Business Hours

9:00 a.m. to 5:00 p.m  
Sunday to Thursday

#### Auditors

S. F. Ahmed & Co  
Chartered Accountants  
House-25, Road-13A, Block-D  
Banani, Dhaka-1213

**Bangladesh Bank**

Head Office, Dhaka-1000

**Janata Bank**

Sher-e-Bangla Nagar Branch, Dhaka-1207

Local Office, Dhaka-1000

**The City Bank Limited**

Kawranbazar Branch, Dhaka-1215

**Dhaka Bank Limited**

Kawranbazar Branch, Dhaka-1215

**Prime Bank Limited**

Kawranbazar Branch, Dhaka-1215

**Dutch Bangla Bank Limited**

Local Office, 1 Dilkusha C/A, Dhaka-1000

**Southeast Bank Limited**

Head Office, 1 Dilkusha C/A, Dhaka-1000

**Bank Asia Limited**

Corporate Office, Sonargoan Road, Dhaka-1205

**Bank Alfalah Limited**

Gulshan Branch, 168 Gulshan Avenue, Dhaka-1212

**Social Investment Bank Limited**

Panthapath Branch, Dhaka-1215



## Infrastructure Development Company Limited (IDCOL)

Directors Report to the Shareholders as required by section 184 of the Companies Act, 1994

Report of the Directors for the period 01 July 2006 to 30 June 2007

Dear Shareholders,

The Directors of your Company have the pleasure submitting their annual report together with the audited accounts of your Company for the year ended on 30 June 2007.

### Company activities and achievements

The Financial Year 2006-2007 is marked by IDCOL's exponential growth throughout the year. Its paid up capital was increased from Tk.260 million to Tk.360 million and loan portfolio diversified. During the reporting period Company's on-balance sheet loans stood at Tk.1,050 million. All these are positive aspects of the organisation becoming a sustainable Financial Institution.

During the reporting period, Company maintained the role of market leader in private sector energy, renewable energy and infrastructure financing in Bangladesh. Solar Home System (SHS) programme was extremely successful during the reporting period. Since March 2007, IDCOL's 15 Partner Organisations started to install more than 6,000 SHSs per month, which is steadily increasing. As a result, more and more people in the off-grid remote rural areas of the country are getting access to electricity through SHS.

Being impressed with the remarkable success of IDCOL in SHS dissemination, the World Bank increased its funding commitment by an additional US\$15.30 million. GTZ also showed willingness to provide additional EUR1.2 million for Small SHS. Government also provided additional equity contribution of Tk.100 million to IDCOL.

The major activities and achievements of the Company during this period are discussed below.

#### *Increase of Company's authorised and paid up capital*

Following additional equity contribution of Tk.100 million by the government, paid up capital of the Company was raised to Tk.360 million. The statutory requirement for a Non-bank Financial Institution is Tk.250 million. Given the vision of becoming national development finance institution operating in niche markets, IDCOL is committed to increase its capital structure to global standards as soon as practicable. Company is considering to further increase its paid-up capital from its retained earnings each year.

#### *Monitoring of Meghnaghat Power Limited (MPL) loan*

During the reporting period, the Company effectively monitored its loans to MPL. All principal repayments, interests and monitoring fees due under the loan agreements were received within due dates. IDCOL, on behalf of the government, received USD 7.04 million as interest, USD 1.06 million as principal repayment on its senior loan, and USD 0.2 million as monitoring fees. At the same time, the Company paid Tk. 50 million against IDA Credit No. 2995-BD under Private Sector Infrastructure Development Project.

#### *IDCOL solar energy program*

During this period fifteen POs of IDCOL installed about 52,173 SHS in the rural and remote areas of Bangladesh leading the total number of installation to about 128,813 since the programme commenced. Company disbursed Tk.668 million as refinancing and about Tk.188 million as grants to its fifteen POs in the same period. Till 15 March 2006, IDCOL, on behalf of the government, received a total of Tk. 31.3 million as principal repayment and Tk.572 million as interest and Tk.1.8 million as IDCOL fees under the program. IDCOL paid Tk. 26.4 million against IDA Credit No.3679-BD under Rural Electrification and Renewable Energy Development Project.





#### *Biogas programme*

With the assistance from SNV Netherlands Development Organisation, IDCOL envisages to install a total of 60,000 domestic sized biogas plants in the rural areas of the country by 2010. A total of 2,955 (Two thousand nine hundred fifty five) plants have already been awarded pre-approval of which 1,130 (one thousand one hundred thirty) have been completed in several districts of the country.

#### *Financing of PBTL Network Expansion Plan*

Earlier, IDCOL provided Tk.260 million as loan to PBTL Network Expansion Plan. The loan was current and IDCOL received Tk. 52 million as principal repayment, Tk. 20.8 million as interest on behalf of the government and Tk. 1.7 million as IDCOL management fee under PBTL loan during the reporting period. Later on, IDCOL along with Citibank N.A arranged US\$30 million for further expansion of PBTL network, in which IDCOL's participation was US\$10 million. From this loan, IDCOL received USD 0.5 million as principal repayment and USD 0.36 million as interest during the reporting period. IDCOL also disbursed additional Tk.100 million for the said network expansion of PBTL from which IDCOL received Tk. 5 million as principal repayment and Tk. 5.7 million as interest during the reporting period.

#### *Financing of 11.6 MW Shah Cement Power Ltd.*

IDCOL arranged loans of Tk.390 million for 11.6MW Shah Cement Power Ltd. (SCPL), in which IDCOL's share was Tk.120 million. During the reporting period, IDCOL received a total of Tk 14.3 million as interest, Tk. 17.8 million as principal repayment and Tk.1.2 million as IDCOL's various fees.

#### *Financing of Land Ports*

IDCOL arranged a total of Tk.260 million for two private sector land ports, namely, Panama Sonamasjid Port Link Ltd. and Panama Hilli Port Link Ltd. IDCOL's individual participation in these projects was Tk.80 million. IDCOL received Tk1.8 million as principal repayment, Tk.1.1 million as interest from Panama Hilli Port Link Ltd, and Tk.2.5 million as interest payment from Panama Sonamasjid Port Link Ltd.

#### *Financing of DNS SatComm Satellite Earth Station Project Loan*

IDCOL arranged a total of Tk. 128.3 million equity and term loan facility for DNS SatComm project of which IDCOL contributed Tk.48.7 million. During the reporting period, IDCOL was paid Tk.4.7 million as principal, Tk.4.7 million as interest and Tk. 82,000 as various fees.

#### *33.75 MW Summit Power Limited Expansion Project*

IDCOL provided Tk.155 million to 33.75MW power plant developed by Summit Power Ltd. at Savar. Company received Tk.2 million as interest payment from the loan during the reporting period.

#### *Others*

IDCOL has participated in a syndicated term loan facility of Tk.900 million to Ranks Telecom Limited in which IDCOL's contribution was Tk.50 million. The financial closing of the project was held on 15 February 2007.



33.75 MW Summit Power Limited Expansion Project

IDCOL has also signed a loan agreement with Grameen Phone Limited on 20 September 2007 for its cellular network expansion project. IDCOL has sanctioned BDT125 million to this project.

#### *Short-term deposit*

During the reporting period IDCOL earned an amount of Tk. 26.6 million from its Fixed Deposit investments and call money transactions.



## Contribution to exchequer

Since its inception in 1997, IDCOL had paid Tk.116.9 million as corporate income tax, and VAT to the national exchequer.

## Training programmes

The Company organised 10th course on Project Finance and 5th course on Financial Modeling. A total of 68 participants from government agencies, financial institutions and private sector attended the courses. IDCOL also arranged a 15-day training course for twelve officials from various agencies of Ethiopian Government on 'Off-grid Rural Electrification and Renewable Energy Program Implementation'.



10th course on Project Finance

## Other activities

IDCOL's solar programme and biogas programme led to the creation of about 2,700 jobs for diploma engineers, technicians, masons, local youths and other professionals under its 36 Partner Organisations. IDCOL staff donated Tk. 11,200 to the Dhaka Ahsania Mission Cancer and General Hospital (AMCH).

## Major Event

IDCOL was awarded AA1 rating in the long term, ST-1 rating in the short term by Credit Rating Agency of Bangladesh Ltd. (CRAB) and AA rating in the long term, ST-2 rating in the short term by Credit Rating Information and Services Limited (CRISL). IDCOL took two credit ratings simultaneously and these are among the very best ratings received by any financial institution in Bangladesh.

## Milestones

- Construction work of IDCOL-financed 250-KW power plant, the first biomass based power plant of the country, began in January 2007.
- IDCOL's solar program achieved its milestone of 100,000 SHS installation in February 2007.
- At the request of the Ethiopian Rural Energy and Promotion Centre and the World Bank, IDCOL arranged a 15-day training course running from 8 to 22 April for 12 officials from various agencies of Ethiopian Government on 'Off-grid Rural Electrification and Renewable Energy Program Implementation'.



250-KW biomass based power plant financed by IDCOL

## Personnel

Led by an Executive Director and CEO, the IDCOL team is comprised of a Company Secretary and Assistant Director (Legal), an Assistant Director (Investment), a Deputy General Manager (Accounts & Admin), one Manager (Projects and Expenditure Control), one Senior Investment Officer, one Senior Loan Officer, one Senior Accounts Officer, two Investment Officer (Technical), two Investment Officers, one Accounts Officer, one Consultant (Technical).

Mr. M. Ehsanul Haque has joined IDCOL on 11 September 2007 as the Executive Director and CEO in the place of Dr. M. Fouzul Kabir Khan.





## Accounts

Up to the reporting period the total revenue of the Company was Tk. 170.3 million. Out of this Tk. 20.5 million was received as fee income from the projects financed; Tk. 56.6 million as income from renewable energy projects; Tk. 65.0 million as interest from loans and advances; and Tk. 26.6 million as income from short-term investments i.e. FDR and call money transactions. During the same period the Company's operating expenses were Tk. 19.4 million. Overall, during the reporting period the Company has earned before tax and provision a profit of Tk. 150.8 million before tax and provision. Provision for loan and advances of Tk. 11.1 million and provision for tax of Tk. 64.4 million have been made in the Company's accounts. The retained earnings of the Company at the commencement of the reporting period were Tk. 2.7 million. Retained earnings at the end of the reporting period were Tk. 78.0 million. The Board has proposed payment of Tk. 30.0 million as dividends to the Government from this retained earnings leaving a balance of Tk. 48.0 million as retained earning to be carried forward to the Financial Year 2007-2008.

## Auditors

Shareholders had appointed M/s. S. F. Ahmed & Co. as auditors for the Company's accounts for the Financial Year 2006-2007.

## Significant events post-reporting period

- Asian Development Bank indicated its willingness to provide US\$165 million to IDCOL as OCR loan and ADF assistance.
- IDCOL signed Participation Agreement with 2 Lending Construction Partner Organisations (LCPOs) under NDBMP.
- Construction of 250-KW Dreams Power Private Limited, the first ever biomass-based power plant in Bangladesh, has been completed.
- IDCOL is working with the relevant unit of the World Bank to avail carbon finance for its renewable energy program.
- IDCOL signed Financing Agreement with Ranks Tel on 15 February 2007 to provide financing of Tk.50 million. Disbursements of the loan will be completed shortly.
- Disbursement of loans to Summit Power Limited for its 33.75 MW power plant expansion project has been completed.
- IDCOL provided a loan of Tk.125 million to Grameen Phone.
- IDCOL signed Financing Agreement with GTZ. Under this agreement GTZ will provide EUR 1.2 million to IDCOL for providing grant facility to 24,500 Small Solar Home Systems.

Finally, I would like to offer my sincere thanks to the members of the Board of Directors, officers and employees of the Company for their cooperation and hard work for smooth operation of the Company during the year 2006-2007. I also offer my thanks to the shareholders for their guidance and assistance in running the Company.

By order of the Board

Date : 6 December 2007



Chairman



Auditors' report to the shareholders  
of  
Infrastructure Development Company Limited

We have audited the accompanying Balance Sheet of Infrastructure Development Company Limited as of 30 June 2007 and the related Profit and Loss Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Notes thereto for the year then ended. The preparation of these financial statements and notes thereto is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements exhibit a true and fair view of the state of the Company's affairs as at 30 June 2007 and of the results of its operations and cash flows for the year then ended and have been drawn up in accordance with the requirements of Companies Act, 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the Balance Sheet and Profit and Loss Statement dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred and payments made thereof were for the purposes of the Company's business for the year.

House 25, Road 13A, Block D  
Banani, Dhaka-1213, Bangladesh  
Dated, 25 September 2007



S. F. AHMED & CO  
Chartered Accountants

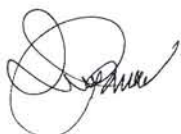
# Infrastructure Development Company Limited

## Balance sheet as at 30 June 2007

	Notes	2007 Taka	2006 Taka
Source of funds			
Shareholders' equity			
Share capital	3	360,000,000	260,000,000
Proposed dividend		30,000,000	20,000,000
Retained earnings		48,035,785	2,685,095
		<b>438,035,785</b>	<b>282,685,095</b>
Grant from the Donors	4	4,940,872	4,023,566
Interest suspense account	9	3,643,053	-
Long term liabilities			
Loan from Government of Bangladesh	5	900,708,989	156,917,583
Deferred liability - gratuity	6	56,986	295,655
		<b>909,349,900</b>	<b>161,236,804</b>
		<b>1,347,385,685</b>	<b>443,921,899</b>
Application of funds			
Fixed assets			
At cost less depreciation	7	17,392,478	17,863,550
Deferred expenses			
Capitalization of investment advisory service expenses	8	27,357,716	32,830,572
Loans and advances (non-current portion)	9	811,002,119	87,822,225
Current assets			
Loans and advances (current portion)	9	157,281,874	17,777,776
Advance and deposits	10	61,022,514	20,355,931
Other receivables	11	27,876,764	5,699,151
Short term investment	12	240,000,000	200,000,000
Investment in call money	13	-	60,000,000
Cash and bank balances	14	88,194,535	26,555,608
		<b>574,375,687</b>	<b>330,388,466</b>
Less: Current liabilities			
Accruals and creditors	15	2,174,724	1,600,815
Provision for corporate income tax	16	80,567,591	23,382,099
		<b>82,742,315</b>	<b>24,982,914</b>
Net current assets		<b>491,633,372</b>	<b>305,405,552</b>
		<b>1,347,385,685</b>	<b>443,921,899</b>

See annexed notes

for Infrastructure Development Company Limited



Chairman



Director



Director



Executive Director and CEO



Company Secretary

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D  
Banani, Dhaka-1213, Bangladesh  
Dated, 25 September 2007

  
S.F. AHMED & CO  
Chartered Accountants

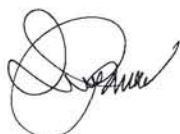


**Infrastructure Development Company Limited**  
**Profit and Loss Account**  
**for the year ended 30 June 2007**

	Notes	2007 Taka	2006 Taka
<b>Income:</b>			
Interest on loans and advances	17	64,997,617	11,670,648
Income from project finance	18	20,515,041	21,900,382
Income from renewable energy project	19	56,597,068	15,952,713
Income from short term investment	20	26,601,614	23,752,785
Other income	21	1,535,231	2,111,680
		<b>170,246,571</b>	<b>75,388,208</b>
<b>Less: Expenses</b>			
General and administration expenses	22	10,243,718	8,410,081
Financing expenses	23	-	1,444,221
IDCOL contribution under REREDP	24	1,065,046	1,887,480
Depreciation	7	2,640,863	2,585,165
Investment advisory service expenditure			
Written off		-	20,863,633
Amortisation	8	5,472,856	5,472,856
		<b>19,422,483</b>	<b>40,663,436</b>
Profit before provision		<b>150,824,088</b>	<b>34,724,772</b>
Provision for loans and advances	9	11,091,322	1,066,667
Profit before income tax		<b>139,732,766</b>	<b>33,658,105</b>
Less : Provision for corporate income tax		64,382,076	16,328,686
Profit after tax		<b>75,350,690</b>	<b>17,329,419</b>
Retained earnings, brought forward		2,685,095	5,355,676
Profit available for appropriation		<b>78,035,785</b>	<b>22,685,095</b>
Proposed dividend		30,000,000	20,000,000
Retained earnings, carried forward to Balance Sheet		<b>48,035,785</b>	<b>2,685,095</b>

See annexed notes

for Infrastructure Development Company Limited



Chairman



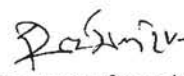
Director



Director



Executive Director and CEO



Company Secretary

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D  
 Banani, Dhaka-1213, Bangladesh  
 Dated, 25 September 2007

  
 S.F. AHMED & CO  
 Chartered Accountants

**Infrastructure Development Company Limited**  
Statement of changes in shareholders' equity  
for the year ended 30 June 2007

	Share capital	Proposed Dividend	Retained earnings	Total
Balance at 1 July 2005	100,000	-	15,255,676	15,355,676
Increase in share capital	250,000,000	-	-	250,000,000
Capitalized during the year	9,900,000	-	(9,900,000)	-
Profit after tax for the year 2005-2006	-	-	17,329,419	17,329,419
Proposed dividend	-	20,000,000	(20,000,000)	-
Balance at 30 June 2006	260,000,000	20,000,000	2,685,095	282,685,095
Increase in share capital	100,000,000	-	-	100,000,000
Capitalized during the year	-	-	-	-
Profit after tax for the year 2006-2007	-	-	75,350,690	75,350,690
Dividend paid	-	(20,000,000)	-	(20,000,000)
Proposed dividend	-	30,000,000	(30,000,000)	-
Balance at 30 June 2007	360,000,000	30,000,000	48,035,785	438,035,785

for Infrastructure Development Company Limited

  
Chairman

  
Director

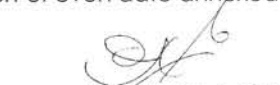
  
Director

  
Executive Director and CEO

  
Company Secretary

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D  
Banani, Dhaka-1213, Bangladesh  
Dated, 25 September 2007

  
S.F. AHMED & CO  
Chartered Accountants



**Infrastructure Development Company Limited**  
Cash Flow Statement  
for the year ended 30 June 2007

	2007 Taka	2006 Taka
<b>A. Cash flow from operating activities</b>		
Profit before tax and provision	150,824,088	34,724,772
Adjustment for non-cash items:		
Grant income	(1,252,483)	(1,041,370)
Depreciation	2,640,863	2,585,165
Gratuity, net payment	(238,669)	42,334
IA service no longer capitalised	-	20,863,633
Amortization of IA service expenses	5,472,856	5,472,856
	6,622,567	27,922,618
Income tax paid	(7,196,586)	-
	150,250,069	62,647,390
Change in working capital:		
(Increase) in loans and advances (current portion)	(139,504,098)	(17,777,776)
(Increase) in advances, deposits and prepayments	(40,666,583)	(16,464,474)
(Increase) in receivables	(22,177,613)	(1,490,668)
(Increase) in short term investment	(40,000,000)	(110,000,000)
(Increase)/decrease in Investment in call money	60,000,000	(60,000,000)
Increase in accruals and creditors	4,216,962	12,045
	(178,131,332)	(205,720,873)
Net cash used operating activities	(27,881,263)	(143,073,483)
<b>B. Cash flow from investing activities</b>		
Dividend paid	(20,000,000)	-
Net cash used in investing activities	(20,000,000)	-
<b>C. Cash flow from financing activities</b>		
Loan from Government of Bangladesh	743,791,406	-
Issue of share capital	100,000,000	250,000,000
Loans and advances	(734,271,216)	(88,888,892)
Net cash provided by financing activities	109,520,190	161,111,108
<b>Net increase in cash (A+B+C)</b>	61,638,927	18,037,625
Opening cash and bank balances	26,555,608	8,517,983
Closing cash and bank balances	88,194,535	26,555,608

for Infrastructure Development Company Limited



Chairman



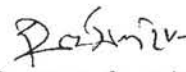
Director



Director



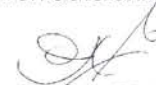
Executive Director and CEO



Company Secretary

Signed in terms of our report of even date annexed

House 25, Road 13A, Block D  
Banani, Dhaka-1213, Bangladesh  
Dated, 25 September 2007

  
**S.F. AHMED & CO**  
Chartered Accountants



## Infrastructure Development Company Limited

Notes to the financial statements  
for the year ended 30 June 2007

### 1. Background

The Infrastructure Development Company Limited (IDCOL), a non-bank financial institution, was incorporated in Bangladesh on 14 May 1997 as a government owned public limited company under the Companies Act 1994 with assistance from the World Bank under Private Sector Infrastructure Development Project (PSIDP). The primary objective of the company is to promote significant participation of the private sector in investment and operation, ownership and maintenance of new infrastructure facilities. IDCOL has access to resources provided by the World Bank, GTZ, KfW, SNV-Netherlands Development Organisation and the Government of Bangladesh to place in projects across a range of infrastructure sectors and has been mandated to provide long-term senior and subordinated debt financing to viable infrastructure projects in the private sector for power generation, gas and gas related infrastructure, toll roads and bridges, water supply, urban environmental services, ports, telecommunications, renewable energy and other similar projects for the development of infrastructure of the country.

It also channels grants and provides soft loans for the development of rural infrastructure i.e. renewable energy. Under PSIDP, IDCOL advanced US\$80 million as loan to 450 MW Meghnaghat Power Project, repayment receipt from which was used to finance a telecom and a satellite earth station projects. Since 2002 IDCOL is implementing part of the Rural Electrification and Renewable Energy Development Projects (REREDP). The project is being jointly funded by International Development Association (IDA) and Global Environment Facility (GEF), GTZ and KfW. Under the project, IDCOL has a target to finance 225,000 Solar Home Systems (SHS) and few wind, micro-hydro and biomass projects by 2009 through its participating Organisations (PO) working in rural areas.

In the year 2006, IDCOL undertook another project called National Domestic Biogas and Manure Programme (NDBMP) with assistance from SNV-Netherlands. Under this project IDCOL through its 19 PO's, intends to finance about 36,000 domestic size biogas plants in the remote rural areas of the country by the year 2010. In addition, IDCOL has financed several projects including two power plants, two telecom projects and two land ports from the amount realised from its earlier loans and government contribution.

The Board of Directors of IDCOL comprises senior government officials and prominent business personalities from the private sector with a full time Executive Director and Chief Executive Officer (CEO).

### 2. Significant accounting policies

#### 2.1 Basis of accounting

The financial statements of the Company under reporting period have been prepared under historical cost convention in accordance with generally accepted accounting principles as laid down in the International Accounting Standards (IAS) applicable to the Company so far as adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs).

#### 2.2 Fixed assets and depreciation

Fixed assets are stated at cost less depreciation. Depreciation on additions to fixed assets is charged in full for the year, irrespective of the date of acquisition, on reducing balance method. The rates of depreciation are as follows:



Category of assets	Rate of deprecation
Office space	10%
Furniture, fixture and decoration	10%
Computer and other office equipment	25%
Vehicle	20%

### 2.3 Accounting for grant

Accounting for grant has been made in accordance with Bangladesh Accounting Standards - 20 "Accounting for Government Grants and Disclosure of Government Assistance".

Grant has been recognized as income to the extent of depreciation on grant funded assets.

### 2.4 Exchange fluctuations and gains or losses thereon

Monetary assets and liabilities at the balance sheet date have been retranslated into Bangladesh Taka at the rate prevailing on that date. Gain/losses arising on fluctuations of exchange rate is credited/charged to profit and loss statement.

### 2.5 Investment advisory service expenses

According to the investment advisory (IA) service agreement entered into between IDCOL and PricewaterhouseCoopers Securities (PwC) LLC on 1 March 1999, it was agreed that PwC will provide certain advisory services to IDCOL and that expenses borne by PwC will be recovered by raising invoices at regular intervals. IA service expenses are meant to generate future economic benefits to the company and therefore, had been capitalized. These expenses are being amortized at a rate of 16.67% per year.

On adoption of International Accounting Standard (IAS) 38: Intangible Assets as Bangladesh Accounting Standard by The Institute of Chartered Accountants of Bangladesh, the company has written off in year ended 30 June 2006 all amounts not qualifying for capitalisation.

### 3. Share capital

	2007	2006
	Taka	Taka
Authorised:		
10,000,000 ordinary shares of Tk 100 each	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up:		
3,600,000 (2006: 2,600,000) ordinary shares of Tk 100 each	360,000,000	260,000,000

Name of nominee-shareholders	No. of shares	Value Taka	No. of shares	Value Taka
01 Economic Relations Division (ERD), Ministry of Finance, Government of the People's Republic of Bangladesh (GoB) Representatives of GOB	3,599,000	359,900,000	2,599,000	259,900,000
02 Mr. Md. Aminul Islam Bhuiyan	500	50,000	-	-

Name of the nominee-shareholders	No. of shares	Value Taka	No. of shares	Value Taka
03 Mr. Md. Ismail Zabihullah	-	-	500	50,000
04 Mr. Md. Shafiqul Islam	50	5,000	50	5,000
05 Mr. Kazi Aminul Islam	50	5,000	-	-
06 Mr. Khandaker Shahidul Islam	-	-	50	5,000
07 Mr. Md. Lutfar Rahman Talukdar	50	5,000	50	5,000
08 Mr. Md. Moazzam Hossain	50	5,000	50	5,000
09 Maj. General Amjad Khan Chowdhury (Retd.)	50	5,000	50	5,000
10 Mr. Tapan Chowdhury	50	5,000	50	5,000
11 Mr. Siddiqur Rahman Chowdhury	50	5,000	50	5,000
12 Dr. Mohammad Mahbubur Rahman	50	5,000	50	5,000
13 Md. Abdul Karim	50	5,000	50	5,000
14 Mr. Md. Shaheedul Haque	50	5,000	-	-
15 Dr. M. Fouzul Kabir Khan	-	-	50	5,000
	3,600,000	360,000,000	2,600,000	260,000,000

#### 4. Grant from the donors

This represents amount of non-refundable grants received from the World Bank and SNV-Netherlands Development Organisation during the year against PSIDP, REREDP and NDBMP projects for purchase of computer, furniture fixtures and vehicle which is arrived at as under:

	2007 Taka	2006 Taka
Opening balance	7,619,151	5,541,725
Add: Addition during the year	2,169,789	2,077,426
	9,788,940	7,619,151
Less: Adjustment for depreciation		
Opening balance of depreciation	3,595,585	2,554,215
Charge for the year	1,252,483	1,041,370
	4,848,068	3,595,585
Closing balance	4,940,872	4,023,566

#### 5. Loan from Government of Bangladesh

Opening balance	156,917,583	156,917,583
Add: on-lending from GoB's repayment account under PSIDP	743,791,406	-
Closing balance	900,708,989	156,917,583

As per Development Credit Agreement (DCA) signed between the Government of Bangladesh (GoB) and the International Development Association (IDA), IDA agreed to provide USD 225 million to GoB to implement Part-A of the project by IDCOL as an agent of GoB for which GoB will make available part of the proceeds of IDA Credit # 2995-BD to IDCOL. The borrower (GoB) is to repay the principal amount of the credit in semi-annual installments payable on each 1 May and 1 November, over a period of 30 years, commencing from 1 November 2007 and ending on 1 May 2037. IDCOL has on-lent to various infrastructure projects from the reflows of the PSIDP fund being deposited into the repayment accounts of GoB.



**6. Deferred liability - Gratuity**

Opening balance

Add: Provision made during the year

Less: Paid during the year

Closing balance

2007	2006
Taka	Taka
295,655	253,320
144,024	96,335
439,679	349,655
382,693	54,000
56,986	295,655

As per Section - 4.7 of IDCOL Administrative Manual, staff members are entitled to receive a gratuity equal to their last basic salary drawn for each year of completed service and is payable at the end of service contract.

## 7. Fixed assets

Asset Category	Cost		Total at 30 June 2007	Rate	Depreciation		Total to 30 June 2007	Net book value at 30 June 2007
	Balance at 1 July 2006	Addition during the year			To 1 July 2006	Charge for the year		
	Taka	Taka	Taka	%	Taka	Taka	Taka	Taka
Office space	19,412,311	-	19,412,311	10	6,670,310	1,274,200	7,944,510	11,467,801
Furniture, fixture and decoration	2,157,977	136,977	2,294,954	10	1,134,511	116,044	1,250,555	1,044,399
Interior decoration at UTC building	1,368,029	-	1,368,029	10	370,735	99,729	470,464	897,565
Furnishing for CEO/ED	200,000	-	200,000	10	123,951	7,605	131,556	68,444
Computer and other office equipment	4,117,906	472,812	4,590,718	25	1,955,229	658,872	2,614,101	1,976,617
Vehicle	1,346,976	1,560,000	2,906,976	20	484,911	484,413	969,324	1,937,652
Total at 30 June 2007	28,603,199	2,169,789	30,772,988		10,739,647	2,640,863	13,380,510	17,392,478
Total at 30 June 2006	26,525,771	2,077,426	28,603,197		8,154,482	2,585,165	10,739,647	17,863,550



## 8. Capitalization of investment advisory service expenses

	2007 Taka	2006 Taka
Opening balance	32,830,572	59,167,061
Less: Amortization	5,472,856	26,336,489
Closing balance	27,357,716	32,830,572

Amortization of capitalization of IA service expenses has been charged as expenses.

## 9. Loans and advances

IDCOL has financed two power projects, two land port projects and a telecom project as of 30 June, 2007, as detailed below:

Opening balance	106,666,668	-
Add: disbursement during the year	930,850,318	120,000,000
	1,037,516,986	120,000,000
Less: repayment made during the year	60,718,057	13,333,332
Add: Interest charged on special mention account	3,643,053	-
	980,441,982	106,666,668
Less: provision against loan (note 9.1)	12,157,989	1,066,667
	968,283,993	105,600,001
Less: current maturity	157,281,874	17,777,776
Closing balance	811,002,119	87,822,225

### 9.1 Provision against loans

As per Bangladesh Bank FID circular nos. 08 dated 03 August 2002, 11 dated 31 October 2005 and 03 dated 03 May 2006, provisions @ 1% and 5% are required to be made respectively on standard loans and special mention account based on the length of overdue of respective loans. Details of provision are given as under:

1% general provision on standard loans	9,767,989	1,066,667
5% specific provision for special mention account	2,390,000	-
Provision maintained at the end of year	12,157,989	1,066,667
Less: Provision made in earlier year	1,066,667	1,066,667
Provision made during the year	11,091,322	-

## 10. Advances and deposits

Advances to/for:		
Corporate income tax	59,847,477	20,151,693
NDBMP expenses	656,168	58,518
Training expenses	261,228	-
Book for project finance course	103,341	9,137
Cash fund for SHS Project	90,000	90,000
Salary	34,000	-
Directors' remuneration	19,000	17,500
	61,011,214	20,326,848

		2007 Taka	2006 Taka
Deposits:			
Internet/e-mail		8,800	9,083
Telephone		2,500	20,000
		11,300	29,083
		61,022,514	20,355,931
<b>11. Other receivables</b>			
Interest on loans and advances		13,160,814	77,037
Administration fees under renewable energy projects		7,253,305	-
Interest on fixed deposit		2,480,139	3,078,472
Monitoring & other fees		1,960,350	1,876,139
Principal due on loans and advances		1,788,889	
Interest on REREDP refinancing		898,170	526,869
Training fees		114,500	49,500
Interest on call money lending		-	35,417
Others		220,597	55,717
		27,876,764	5,699,151
<b>12. Short term investment</b>			
Fixed Deposit (three months' term) with:	Rate of Interest		
Dhaka Bank Ltd.	11.50 %	90,000,000	-
Bank Al Falah Ltd.	12.00 %	50,000,000	50,000,000
Bank Asia Ltd.	11.50 %	50,000,000	-
Prime Bank Ltd.	11.50 %	50,000,000	-
Dutch Bangla Bank Ltd.	13.00 %	-	50,000,000
Social Investment Bank Ltd	12.25 %	-	50,000,000
Southeast Bank Ltd	12.25 %	-	50,000,000
		240,000,000	200,000,000
<b>13. Investment in call money</b>			
Southeast Bank Ltd		-	40,000,000
BRAC Bank Ltd		-	20,000,000
		-	60,000,000
<b>14. Cash and bank balances</b>			
Cash in hand - petty cash		10,000	488
Cash at bank with:			
Janata Bank Sher-e-Bangla Nagar, Branch, Dhaka (Taka account)		12,701,126	16,947,729
Janata Bank Local Office, Dilkusha Branch, Dhaka (USD account)		66,171,452	6,360,258
Bangladesh Bank (Current account)		9,239,513	3,232,037
The City Bank Ltd, Kawran Bazar Branch, Dhaka		72,444	15,096
		88,194,535	26,555,608
<b>15. Accruals and creditors</b>			
Income tax on salary/others		254,491	285,006
Solar home systems project (GEF PDF-B Grant)		494,973	544,691
NDBMP expenses		-	111,052
Payable to promoters		45,035	45,035



	2007 Taka	2006 Taka
Audit fee	57,475	55,000
Office maintenance	30,715	30,715
Telephone	21,441	13,052
Electricity	17,222	13,406
VAT payable	-	10,351
Office supplies	5,910	9,110
Repair and maintenance	25,527	24,018
Due diligence review	199,052	454,502
Training expenses	955,222	4,120
Books, papers and periodicals	786	757
Payable to participating organisations (RERED Project)	66,875	-
	<b>2,174,724</b>	<b>1,600,815</b>
<b>16. Provision for corporate income tax</b>		
For the year ended 30 June		
2005	-	7,053,413
2006	16,328,686	16,328,686
2007	64,238,905	-
	<b>80,567,591</b>	<b>23,382,099</b>
<b>17. Interest on loans and advances</b>		
Pacific Bangladesh Telecom Ltd.	42,077,695	-
Shah Cement Power Ltd.	14,313,703	11,670,648
Hilli Port Link Ltd.	4,080,484	-
Sonamasjid Port Link Ltd.	2,519,946	-
Summit Power Ltd.	2,005,789	-
	<b>64,997,617</b>	<b>11,670,648</b>
<b>18. Income from project finance</b>		
Monitoring fees (note 18.1)	14,972,421	15,488,532
Arrangers fees	1,331,000	4,347,482
Loan application fees	655,000	700,000
Commitment fees	1,997,268	195,000
Agency fees on loans & advances	1,450,926	721,591
Extended maturity fees on loans & advances	108,426	447,777
	<b>20,515,041</b>	<b>21,900,382</b>

#### 18.1 Monitoring fees

This represents amount payable by the projects on disbursed and outstanding amounts of loans under terms of respective loans agreements on the following projects:

Meghnaghat Power Project (note 18.1.1)  
Pacific Bangladesh Telecom Ltd (note 18.1.2)  
DNS SatComm Ltd (note 18.1.3)

2007 Taka	2006 Taka
13,356,097	13,280,342
1,559,640	2,084,333
56,684	123,857
<b>14,972,421</b>	<b>15,488,532</b>

18.1.1 Fee @ 0.25% per annum on the loan amount of USD 80 million under Article II, Section 2.07 of IDCOL Senior Facility Agreement and IDCOL Subordinate Facility Agreement from 24 October 2001.

18.1.2 Fee @ 1% per annum on the loan amount of Tk 260 million under Section 11.1.2 of Agreement between IDCOL and Pacific Bangladesh Telecom Ltd from 31 January 2005.

18.1.3 Fee @ 0.25% per annum of the loan amount of Tk. 4.8 million under Section 6.5 of Agreement between IDCOL term loan facility and DNS SatComm Ltd from 14 March 2005.

#### 19. Income from renewable energy project

REREDP administration fees - GEF (note 19.1)  
Fees for administering SHS program - GTZ (note 19.2)  
Fees for administering SHS program - KfW (note 19.2)  
NDBMP administration fees (note 19.3)  
Interest on REREDP refinancing (note 19.4)

9,661,390	11,479,551
37,532,703	-
5,331,805	-
1,921,500	3,230,000
2,149,670	1,243,162
<b>56,597,068</b>	<b>15,952,713</b>

#### 19.1 REREDP administration fees (GEF)

This represents a fee of up to USD 736,000 or equivalent Taka for administering the REREDP over the 5-years project period. The fee is released based on actual expenses. Thus, the amount has been taken into account as Fees for administering REREDP up to 30 June 2007.

#### 19.2 Fees for administering SHS programme - (GTZ and KfW)

These represent fees of EUR13 or equivalent Taka per Solar Home System (SHS) for administering the SHS programme financed by both GTZ and KfW. Thus, the amounts have been taken into account as Fees for financing SHSs up to 30 June 2007.

#### 19.3 NDBMP administration fees

This represents fee for administering the National Domestic Biogas and Manure Programme (NDBMP) financed by SNV, Netherlands Development Organization. Thus, the amount has been taken into account as Fees for promotion, monitoring and financing biogas plants up to 30 June 2007.

#### 19.4 Interest on REREDP refinancing

As per project agreements, 97% of interest on REREDP refinancing, charged @ 6% per annum, extended to various Participating Organizations (POs) working under the project is deposited to GoB accounts. IDCOL receives 3% of the said interest for monitoring the refinancing activities.



## 20. Income from short term investment

Interest on fixed deposit  
Interest on call money

2007 Taka	2006 Taka
25,880,832	17,898,702
720,782	5,854,083
<b>26,601,614</b>	<b>23,752,785</b>

## 21. Other income

Grant income  
Bank interest  
Exchange gain  
Others

1,252,483	1,041,370
107,593	197,942
-	543,204
175,155	329,164
<b>1,535,231</b>	<b>2,111,680</b>

## 22. General and administrative expenses

Salary and allowances  
Credit rating expenses  
Advertisement  
Telephone, fax and e-mail  
Repair and maintenance  
Maintenance and utility of UTC building  
Directors remuneration  
Exchange loss  
Gratuity  
Electricity  
Meeting expenses  
Printing and stationers  
Entertainment  
Financial closing expenses  
Office expenses  
Office supplies and maintenance  
Bank charge  
Audit fees  
Insurance premium  
Books and periodicals  
Travelling and conveyance  
Postage and courier  
Professional and legal fees

6,413,547	5,999,266
701,756	-
647,778	-
357,389	342,898
291,686	446,116
283,382	309,182
242,650	265,650
205,555	-
144,024	96,335
133,923	107,778
124,579	29,518
121,084	67,922
110,840	45,315
104,365	16,083
87,715	324,006
80,157	61,340
58,221	54,594
57,475	55,000
51,167	16,039
9,297	68,039
7,249	-
5,212	-
4,667	105,000
<b>10,243,718</b>	<b>8,410,081</b>

## 23. Financial expenses

Short term borrowing cost

-	1,444,221
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## 24. IDCOL contribution to REREDP

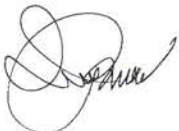
1,065,046	1,887,480
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This represents part of cost (15% for goods procured locally and 20% for consultants' services and training) of seminars, workshops and other promotional activities for REREDP incurred by IDCOL for the implementation, promotion, monitoring and evaluation of the REREDP as an implementing agency of REREDP.

## 25. General

- 25.1 Figures in these notes and the accompanying financial statements have been rounded off to the nearest Taka.
- 25.2 Figures relating to the previous year included in this report have been rearranged, wherever considered necessary, to make them comparable with those of the current year without however, creating any impact on the operating result and value of assets and liabilities as reported in the financial statements for the current year.

for Infrastructure Development Company Limited



Chairman



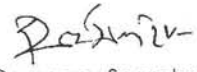
Director



Director



Executive Director and CEO



Company Secretary



## ABOUT IDCOL

Infrastructure Development Company Limited (IDCOL) was established on 14 May 1997 by the Government of Bangladesh (GOB). The Company was licensed by Bangladesh Bank as a non-bank financial institution (NBFI) on 5 January 1998. Since its inception, IDCOL is playing a major role in bridging the financing gap for developing medium and large-scale infrastructure and renewable energy projects in Bangladesh. In less than a decade, the company now stands as the market leader in private sector energy and infrastructure financing in Bangladesh.

## MANAGEMENT

IDCOL is managed by an eight-member independent Board of Directors comprising four senior government officials, three prominent entrepreneurs from the private sector and a full time Executive Director and Chief Executive Officer. It has a small and multi-skilled work force comprising economists, financial and market analysts, engineers, lawyers, IT experts and accountants. IDCOL's stakeholders include the government, private sector, NGOs, multilateral institutions, academics and the people of Bangladesh at large.

## MISSION AND VALUES

IDCOL's mission is to promote economic development in Bangladesh by encouraging private sector investment in energy and infrastructure projects. IDCOL's values include:

**Global standard and competence:** IDCOL is committed to deliver financial services to the clients maintaining global standards and competence;

**Transparency and integrity:** IDCOL believes in maintaining transparency and integrity in all activities performed by the Company; and

**Social responsibility:** IDCOL is dedicated to perform as a development financial institution that articulates social responsibility.

## RESOURCES

- BDT 360 million as equity.
- IDCOL is a multi-donor funded financing institution and currently manages:
  - Reflows from USD 80 million loan extended to 450 MW Meghnaghat Power Ltd. project;
  - USD 47 million received from IDA and Global Environment Facility (GEF) to provide grants and refinancing for the promotion of renewable energy under the Rural Electrification and Renewable Energy Development Project (REREDP);
  - EUR 18.22 million from KfW and GTZ for extension of IDCOL's Solar Energy Programme;
  - EUR 14.9 million from SNV and KfW for implementing a nationwide domestic biogas and manure program;
  - In addition, IDCOL is in the process of having access to USD 165 million as credit-line from Asian Development Bank (ADB) for financing infrastructure and industrial projects.

## PRODUCTS AND SERVICES

- Financing and arranging finance for large and medium sized infrastructure projects implemented by the private sector;
- Working as Facility agent and Security Trustee under projects;
- Refinancing of micro-credit provided by NGOs / MFIs and other private entities for promotion of renewable energy;

- Channelling grants and technical assistance for the promotion of rural infrastructure;
- Providing financial advisory services to both financial institutions and project sponsors; and
- Organizing training courses on project finance and financial modelling.

#### LENDING TERMS

- IDCOL's rates are generally market based. IDCOL matches lending terms of other commercial lenders; and
- IDCOL also offers concessional loans for rural infrastructure projects.

#### Large and Medium-Sized Infrastructure Projects

Under its mainstream programme, IDCOL provides long-term senior and subordinated debt financing to viable privately-owned and operated infrastructure projects. To be eligible for IDCOL funding, projects must meet the GOB's priority plan and use proven technology. Infrastructure sectors in the current priority list include:

- Power Generation,
- Telecommunications,
- Information and Communication Technology (ICT),
- Ports,
- Renewable energy,
- Gas and Gas related Infrastructure,
- Water Supply,
- Toll Roads and Bridges,
- Urban Environmental Services, and
- Other projects as may be approved by IDCOL Board.

#### Renewable Energy Program

Under Renewable Energy Program, IDCOL's current focus is on two major areas:

Solar Home Systems (SHS)

Domestic Biogas Plants

In addition to the above, IDCOL has financed a 250 KW biomass gasification-based power plant on a pilot basis.

#### IDCOL Solar Energy Program

IDCOL currently promotes SHSs in the remote rural areas of Bangladesh through its 15 partner organizations (POs), namely:

- Bangladesh Rural Integrated Development For Grub-Street Economy;
- BRAC Foundation;
- Centre For Mass Education in Science;
- COAST Trust;
- Grameen Shakti;



A Solar Home System Financed by IDCOL

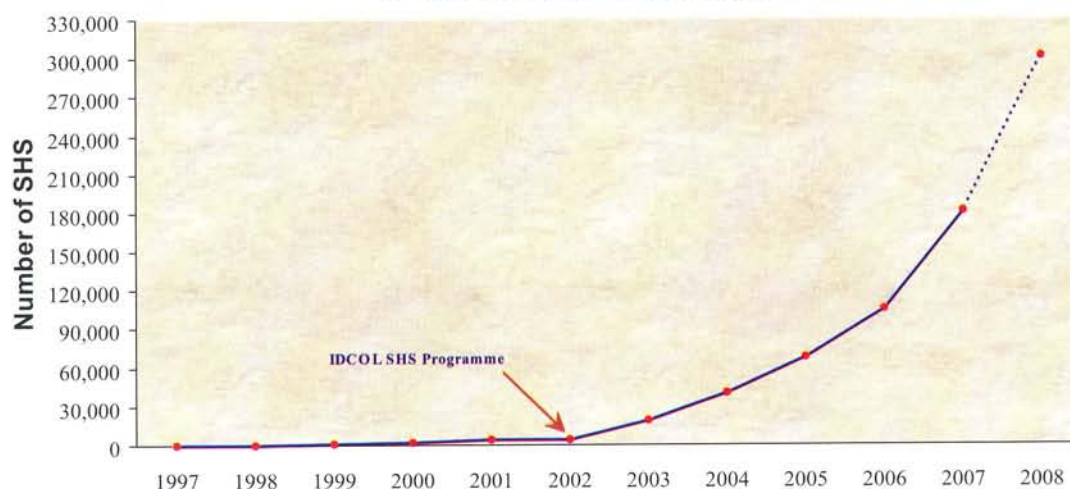


- vi. Hilful Fuzul Samaj Kalyan Sangstha;
- vii. Integrated Development Foundation;
- viii. Mukti Coxsbazar;
- ix. Padakhep Manbik Unnayan Kendra;
- x. Palli Daridra Bimochan Foundation;
- xi. Rural Services Foundation;
- xii. Shubashati;
- xiii. Srizon Bangladesh;
- xiv. Thengamara Mahila Shabuj Shangha;
- xv. Upokulio Bidyatayon O Mohila Unnayan Shamity;

SHSs are sold (mostly through micro-credit) by POs to the households and business entities in the remote rural areas of Bangladesh. IDCOL provides refinancing facility to the POs and channels grants to reduce the SHSs costs as well as support the institutional development of the POs. In addition, IDCOL also provides technical, logistics, promotional and training assistance to the POs.

IDCOL's initial target was to finance 50,000 SHSs with financial assistance from the World Bank and GEF by the end of June 2008. The target was achieved in September 2005, 3 years ahead of schedule and US \$ 2.0 million below estimated project cost. IDCOL now has a revised target of financing 225,000 SHSs by the year 2009 with additional assistance from the World Bank, KfW, GTZ and Government of Bangladesh (GOB). IDCOL's Solar Energy Programme is one of the fastest growing renewable energy programs in the world.

**Installation of SHS in Bangladesh**

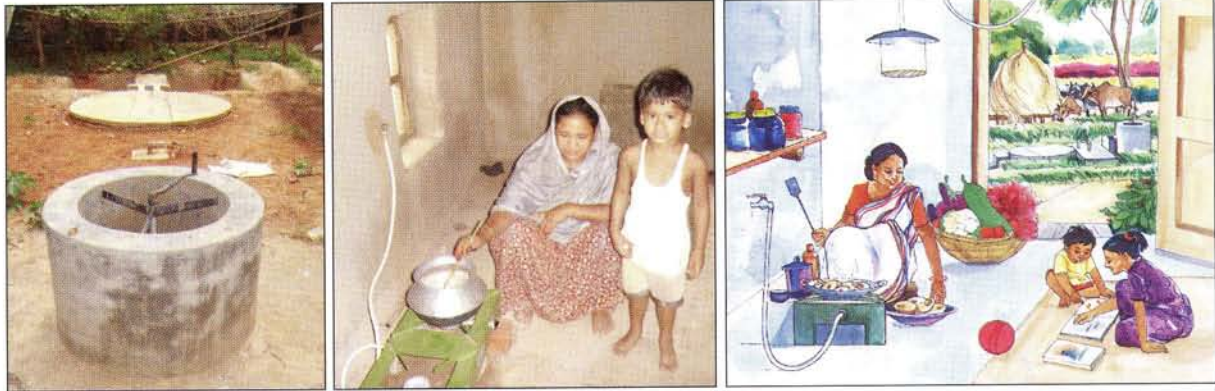


The Program brought about a significant change in lives in remote rural areas of Bangladesh through providing access to electricity.

#### National Domestic Biogas and Manure Program

With support from SNV, Netherlands Development Organization and KfW, Germany, IDCOL has undertaken another vital project titled 'National Domestic Biogas and Manure program (NDBMP)'. Under this program, 60,000 domestic size biogas plants will be installed in Bangladesh by the year 2010. Gas produced from these plants is used for cooking purposes in rural households and this is expected to have a positive impact on the environment by preventing deforestation and improving soil fertility. In addition, the slurry, by-product of biogas plants, being a very good organic fertilizer can also be used to improve soil fertility.





Biogas Plant and its uses

IDCOL is implementing the program through its 19 (nineteen) construction partner organizations (CPOs), lending partner organizations (LPOs), and Lending and Construction Partner organization (LCPO). Name of the parties working under NDBMP are:

#### CPOs

- RSF
- Subashati
- Hossain Biogas
- Rahman Biogas
- SAPNO
- KPUS
- Practical Action

#### LPOs

- SUF
- UDPS
- SDS
- PMUK
- DESHA
- SOUL
- Kamrul Biogas

#### LCPOs

- Grameen Shakti
- BRIDGE
- Srizony
- BASA
- SANGRAM

A national steering committee and an expert level technical committee provide guidelines for the project implementation. The latter has developed an improved model of biogas plant. A total of 4,000 (four thousand) plants have been awarded pre-approval of which 2,000 (two thousand) have been completed in several districts of the country.

IDCOL provides Tk. 7,000 as investment subsidy to each household for installing biogas plants as per the specifications and standards set by IDCOL / SNV. Total project cost is estimated as EUR 23.61 million and will be borne by individual households, SNV, KfW and GOB.

#### Training Courses

IDCOL organizes training courses on project finance and financial modeling. These courses are intended to improve the understanding of young bank professionals in regard to the techniques applied in cash flow lending as well as the principles used to make them successful.



Fifth Course on Financial Modeling



The courses are also designed for officials representing government organizations, project sponsors and development companies, international organizations and consulting firms.

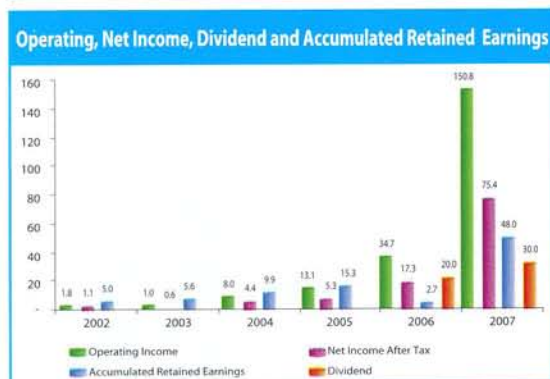
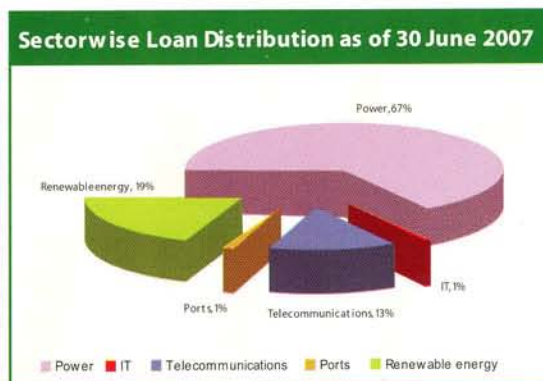
Project finance training course has about twenty modules, covering various subjects such as origin and development of modern project finance, bankability aspects of project agreements, loan agreements, interest rate swap, financial modeling and issues related to subordinated debt and design of security package.

Till date, IDCOL trained more than four hundred professionals in eleven training courses on project finance, five courses on financial modeling, and a special course for senior officials of Prime Minister's Office and Ministry of Finance on loan evaluation techniques. Moreover, at the request of the Ethiopian Rural Energy and Promotion Centre and the World Bank, IDCOL arranged a 15-day training course for 38 officials from various agencies of Ethiopian Government on 'Off-grid Rural Electrification and Renewable Energy Program Implementation'.



Off-grid Rural Electrification and Renewable Energy Development Program Implementation training for Ethiopian Government officials

## FINANCIAL PERFORMANCE



Up to year 2004-05 IDCOL had equity of Tk. 100,000 only

## MILESTONES ACHIEVED BY IDCOL

### Financed/Extended:

- USD 80 million as loan to Meghnaghat 450MW Combined Cycle Power Plant, the single largest loan provided by a Bangladeshi Financial Institution to the private sector.



- BDT 360 million and USD 10 million financing to Pacific Bangladesh Telecom Limited (PBTCL) cellular network expansion project.
- BDT 50 million as loan to DNS SatComm Satellite Earth Station.
- BDT 120 million as loan for Shah Cement Power Limited, an 11.6 MW Power Plant.
- BDT 80 million for two land port projects, namely Panama Hilli Port Link Limited and Panama Sonamasjid Port Link Limited
- BDT 153 million as loan to 33.75 MW expansion plant of Summit Power Limited.
- BDT 50 million to Ranks Telecom Limited PSTN Project
- BDT 125 million to Grameen Phone Limited cellular network expansion project
- BDT 5 million loan to Dreams' Power (Pvt.) Limited for the installation of biomass based power plant.



450 MW Meghnaghat Power Plant

#### Disbursed:

- BDT 2000 million refinancing and grants to its POs for the promotion of 119000 Solar Home Systems (approximately) in the remote rural areas of Bangladesh till August 2007.

#### Arranged:

- Syndicated Equity and Term Loan Facility of BDT 128.3 million for DNS SatComm Satellite Earth Station Project, the single largest ICT infrastructure project of the country in the private sector.
- Syndicated Term Loan Facility of BDT 390 million for Shah Cement Power Ltd.
- Syndicated Term Loan Facility of BDT 265 million for Panama Hilli and Panama Sonamasjid Land port projects.
- Co-arranged USD 30 million for Pacific Bangladesh Telecom Limited expansion project 2006.



11.6 MW Shah Cement Power Plant



Hilli Land Port

#### SPECIALTIES

IDCOL is a unique financial institution because it:

- arranges both debt and equity for infrastructure projects;
- is able to offer long term senior and subordinated loans;
- is able to tailor interest rates, loan tenor, and grace period as required by the project;
- provides financing in both local and foreign currency;
- advises borrower(s) regarding the structure of financing; and
- provides credit, grants and technical assistance for the promotion of renewable energy in the rural areas.



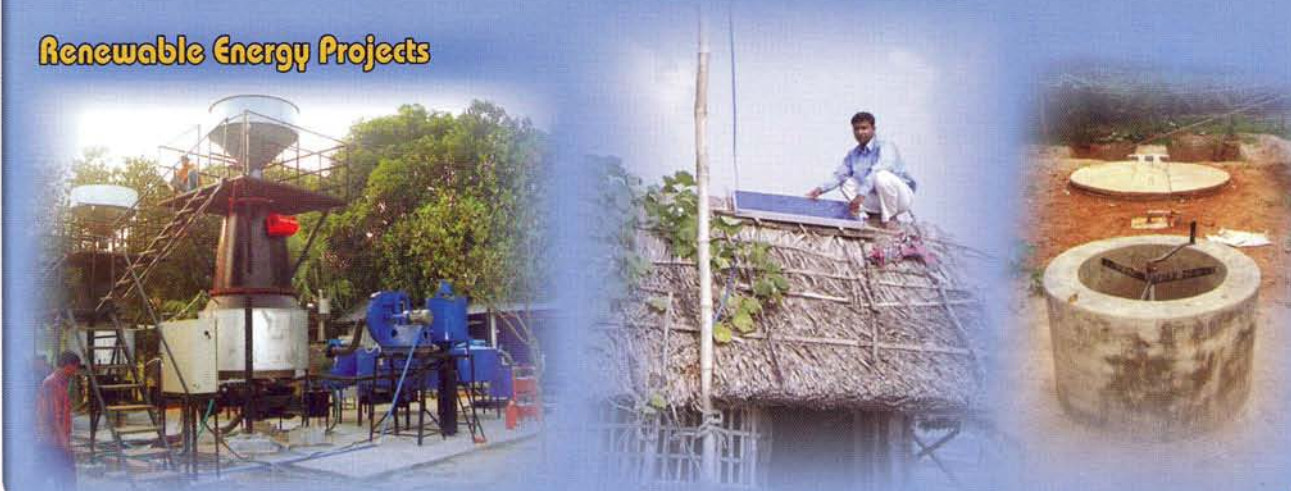
**Market Leader in Energy and  
Infrastructure Financing**



**Large and Medium Infrastructure Projects**



**Renewable Energy Projects**





## Power Sector in Bangladesh: At a Glance

In Bangladesh, inadequate electricity supply has been a major issue to economic growth and poverty reduction. The electrification ratio is still very low, as only one third of the population has access to electricity. At just about 158 kilowatt-hours (kWh) annually, per capita generation is among the lowest in the world. The country's current dependable generating capacity is about 4,120 megawatts (MW), while peak demand is about 4,700MW. The available generation capacity as of June 2005 was 5,025MW, out of which 3,735MW from BPDB and 1,290MW from independent power producer (IPP) and other entities.

High system losses are a major concern for the Bangladesh Power Sector. During the last 25 years, overall transmission and distribution losses varied between 27.2% and 40.2% of net generation. A high proportion of losses include non-technical losses (e.g. theft, pilferage, etc.). Transmission system losses declined from 3.8% in 2002 to 3.4% in 2005.

Given the high cost of generation, which is partly due to supply shortages that force BPDB to purchase power from all available generation units regardless of cost and operational efficiency, the GoB is now pursuing several less costly natural gas-fired IPP projects totaling about 1,400MW of new generation capacity.

### Tariff

Since the establishment of Bangladesh Energy Regulatory Commission (BERC) in April 2004 there has been no tariff adjustment despite significant fuel price hikes and local currency depreciations. Current tariff level is substantially below the long run marginal cost and is essentially inflexible to external price fluctuations like increases in fuel costs, local currency depreciation, and inflation. Tariff increases will be needed to restore the balance between tariffs and the underlying cost of service. The GoB has recently formulated a proposal to increase the wholesale tariff by about 10% and the retail tariff by about 5%.

### Institutional Framework and Reform Overview

Bangladesh Power Development Board (BPDB) was created in 1972 with the sole authority to generate, transmit and distribute electricity in Bangladesh. In 1977, the Rural Electrification Board (REB) was created to undertake electrification in rural areas of the country.

Since its inception, BPDB's commercial performance has been weak. To improve services to the consumers and to increase revenue collection by reducing the prevailing high system loss, the GoB created the Dhaka Electric Supply Authority (DESA) in March 1990, which took over the electrical distribution network in Greater Dhaka area. Recognizing the need to improve the sector's performance, the GoB, in consultation with the major development partners adopted a policy paper in 1994 entitled Power Sector Reforms in Bangladesh (PSRB). The PSRB outlined the reform process to gradually remove constraints in the sector through (i) separating sector regulation and operation; (ii) creating autonomy and commercial orientation among the sector entities; (iii) unbundling generation, transmission, and distribution; and (iv) increasing private sector participation. As part of the reform program, the Private Sector Power Generation Policy of Bangladesh was approved in October 1996 to facilitate the development of private sector Power projects. The policy includes fiscal incentives, tax and VAT exemptions, and tariff for bulk purchases.

Several new public sector entities have been established and made operational. These include the Power Grid Company of Bangladesh Limited (PGCB), the Dhaka Electric Supply Company Limited (DESCO), the West Zone Power Distribution Company Limited (WZPDC), the Ashuganj Power Station Company Limited (APSC), and the Electricity Generation Company of Bangladesh Limited (EGCB). The GoB, through the Power Division of the Ministry of Power, Energy and Mineral Resources (MPEMR), wholly owns and supervises BPDB, DESA, and REB.



### Generation

At present, about 85% of the power generation capacity in the country is gas based, 10% is based on imported fuel, and 5% is hydro. In terms of energy generation, about 90% of the total in FY2005 is from gas-fired power plants.

Over the last 10 years, consumption of electricity in Bangladesh grew at an average compound annual rate of 8.1% and it is expected that demand for electricity will grow at an annual rate of about 8.0% for the next 10 years. The power system master plan projected that a total capacity expansion of 17,900MW would be necessary through 2025, of which 3,500MW would be needed by 2010.

### Transmission

The transmission system is the responsibility of PGCB, which was established by separating BPDB's transmission assets and commenced operations in 1996. Currently, PGCB owns 1,436 circuit-km of 230kV transmission lines and 4,868 circuit-km of 132kV transmission lines, with transmission capacity of 3,925 mega volt-amperes (MVA). Additional transmission capacity of 4,875MVA will be required by 2010 and another 4,650MVA by 2015. PGCB has undertaken to mobilize investment capital through various measures, including issuing corporate bonds and off-loading stocks, as approved by the GoB.

### Distribution

Power distribution systems need to be expanded in tandem with the generation and transmission capacity expansions to enable delivery of power to end consumers. At present, several entities are involved in the power distribution business in Bangladesh. DESA and DESCO are covering Dhaka areas, while PBSs cover most rural areas and BPDB primarily covers urban areas outside Dhaka. WZPDC and NWZPDC, respectively, are taking over BPDB's distribution networks in the western and northwestern parts of the country.





## Prospects of Renewable Energy in Bangladesh

### What is Renewable Energy ?

Renewable energy effectively utilizes natural resources such as sunlight, wind, tides and geothermal heat, which are naturally and continuously replenished. About 13 percent of world's primary energy comes from renewables, with most of this coming from traditional biomass like wood-burning. Hydropower is the next largest source, providing about 2-3%, and modern technologies like geothermal, wind, solar, and marine energy together produce about 1% of total world energy demand. Bangladesh, geographically being closest to the equator, is recipient of immense amount of sunlight almost entire year. Solar energy thus presents an enormous potential for Bangladesh to be utilized as an alternative to fossil fuel for production of electricity.

### Potential of Renewable Energy in Bangladesh

Renewable energy is a relatively new concept in Bangladesh. However, successful implementation of renewable energy technology such as solar home system indicates that with mass promotion, public awareness, private sector participation, and necessary financial and government assistance, renewable energy sector is poised for long term sustainability in our country. Renewable energy sources presently used in Bangladesh include solar, wind, hydro, biogas and biomass. Of these solar has, so far, proven to be most popular and accessible.

### Solar Home System (SHS)

In rural areas of Bangladesh standalone solar home systems are being used for basic electrification purpose in absence of conventional grid electrification. About 175,000 households are using SHS in Bangladesh which amounts to about 0.60% of the country's entire population. Infrastructure Development Company Limited (IDCOL), with different local non government organizations (NGOs) and micro finance institutions (MFIs), has been instrumental in promotion and commercialization of SHS in Bangladesh. Since 2002, IDCOL has financed over 155,000 SHS all over Bangladesh under IDCOL Solar Energy Program. Under the program, 15 NGOs/MFIs, referred to as Participating Organizations (POs) install SHS in rural areas of Bangladesh. IDCOL provides various kinds of financial, logistic and technical support to its POs for implementing the program. The grants provided under the program are used by POs to lower the procurement cost of SHS to households and enhance their institutional capacity.

IDCOL initially received the grant and refinancing funds from Global Environment Facility (GEF) and the World Bank. Later on GTZ and KfW came forward with further financial assistance for the expansion of IDCOL Solar Energy Program. The program adopts the policy of phase-wise reduction in grant amount available per SHS with a view to commercialize and ensure long-term sustainability of SHS. The program annually reduces usage of about 30 million liters of kerosene and lowers country's foreign currency outage for import payment. In addition, estimated annual carbon emission reduction by the program is estimated to be more than 50,000 ton. By 2012, IDCOL plans to have 500,000 rural households of Bangladesh electrified by SHS with an electricity generation of 25MW. In addition to IDCOL Solar Energy Program, about 20,000 SHS has been installed in Bangladesh under different programs of development partners and the Government.

### Biomass

Biomass is the most widely used energy source in Bangladesh accounting for about 65% of total energy consumption. Biomass is mostly used for cooking in rural areas of Bangladesh. Main sources of biomass fuels are wood from trees, agricultural residues and livestock dung. About 12 million tons of coal equivalent biomass is consumed annually in Bangladesh for domestic purposes. Despite the mass use of biomass by rural households, efficiency factor of biomass is very low and environmental pollution caused by biomass is very high. Efficient biomass technology,



such as improved cooking stove (ICS) has been developed and is being popularized by various governmental and non-governmental organizations. IDCOL has recently financed a 250 KW biomass-based power plant at Gazipur on pilot basis which produces electricity from rice husk. It hopes to finance more of such projects in the future.

### Hydro

Potential of hydro as a reliable source of renewable energy has so far been quite limited in Bangladesh despite the country being a riverine one. At present only 230 MW of electricity is produced by the sole hydro-electric power plant of the country, Karnaphuli Hydro Power Station at Kaptai. A possible extension of the plant capacity by additional 100 MW is currently in consideration. Two additional sites for hydro power generation at rivers Sangu (capacity - 100MW) and Matamuhuri (capacity - 75MW) are under study by Bangladesh Power Development Board (BPDB).

### Wind

Overall wind speed in Bangladesh is not adequate to produce energy from wind. However, there is some potential for power generation using wind in coastal regions of Bangladesh such as Cox's bazar, Kutubdia, Chittagong etc.

### Conclusion

Given the government's vision of "Electricity for all by 2020", utilization of renewable energy technologies must play a pivotal role especially in off-grid electrification. Natural gas reserves, country's largest source of indigenous fossil fuel and electricity generation, are likely to be depleted by 2020. Present coal reserves may be used to produce 400-500 MW of electricity. As demand for electricity increases, initiatives must be taken immediately to conserve energy and to promote renewable energy usage to avert shortage of energy supply in future. Renewable energy technologies such as SHS, biomass power plant, hydro power station must be promoted and commercialized to ensure popularization and sustainability. The potentiality of renewable energy technologies have been recognized by the government and draft renewable energy policy has been prepared. Participation of government, private sector, external agencies and other participants of the sector must be ensured to promote renewable energy and make it a sustainable energy source for the future.

