

# ***PRIVATE AND CONFIDENTIAL***

**Auditor's Report & Financial Statements**

of

**Bangladesh Municipal Development Fund**

**(BMDF)**

For the year ended 30 June 2025



**G. KIBRIA & CO.**  
CHARTERED ACCOUNTANTS

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**Sadharan Bima Sadan (5th Floor), 24-25 Dilkusha  
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**Independent Auditor's Report**  
**To The Board of Directors**  
**Bangladesh Municipal Development Fund (BMDF)**  
**Report on the Audit of the Financial Statements**

**Qualified Opinion**

We have audited the financial statements of Bangladesh Municipal Development Fund ("the Company"), which comprise the statement of financial position as at June 30, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting Policy Information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at June 30, 2025 and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

**Basis for Qualified Opinion**

1. It is recommended that BMDF implement and comply with IFRS 16 requirements with immediate effect.
2. BMDF is non-profit and state-owned non-banking municipal financing company under company act 1994. Till date BMDF aren't exempted over income tax and nor the company calculate its tax liability since the company was incorporated. Advance income tax balance as on 30.06.2025 is TK. 29,26,87,515 in the financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company's or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

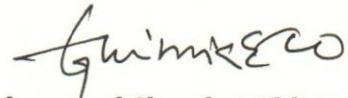


## Report on Other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, we also report the following:

- ▶ we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- ▶ 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; and
- ▶ the statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Place: Dhaka, Bangladesh  
Date: 14/12/2025  
Ref.: GKC/25-26/A/233



**Mohammad Showket Akber, FCA**  
Partner  
ICAB Enrol.No.970  
**G.KIBRIA & CO.**  
Chartered Accountants  
DVC: 2512140970AS567421



**Bangladesh Municipal Development Fund (BMDF)**  
**Statement of Financial Position**  
As at 30 June 2025

| Particulars                            | Notes | Amount in BDT        |                      |
|--|-------|----------------------|----------------------|
|  |       | 30 June 2025         | 30 June 2024         |
| <b>A. Application of Fund</b>          |       |                      |                      |
| <b>Non-Current Assets</b>              |       |                      |                      |
| Property, Plant and Equipment          | 4.00  | 627,812              | 650,782              |
| <b>Current Assets</b>                  |       |                      |                      |
| Loans, Advances & Others               | 5.00  | 1,199,786,879        | 1,286,711,208        |
| Accounts Receivables                   | 6.00  | 340,629,301          | 295,907,842          |
| Advance Income Tax                     | 7.00  | 292,687,515          | 221,997,977          |
| Investment in FDRs                     | 8.00  | 3,343,419,759        | 3,182,313,745        |
| Cash at Banks                          | 9.00  | 152,945,387          | 50,345,639           |
| <b>Total Asset</b>                     |       | <b>5,330,096,653</b> | <b>5,037,927,194</b> |
| <b>B. Source of Fund</b>               |       |                      |                      |
| <b>Capital Fund</b>                    |       |                      |                      |
| Endowment Fund                         | 10.00 | 2,477,236,153        | 2,215,219,660        |
| Seed Capital (MGSP)                    | 12.00 | 1,716,163,551        | 1,716,163,551        |
| <b>Non-Current Liability</b>           |       |                      |                      |
| Debt (DSL) under MSP                   | 13.00 | 183,204,992          | 212,467,382          |
| <b>Current Liabilities</b>             |       |                      |                      |
| Advance Received from Water.org        | 14.00 | 6,056,251            | -                    |
| Security Deposit                       | 15.00 | 48,327               | 48,327               |
| Other Liabilities                      | 16.00 | 73,000               | -                    |
| <b>Total Capital &amp; Liabilities</b> |       | <b>5,330,096,653</b> | <b>5,037,927,194</b> |

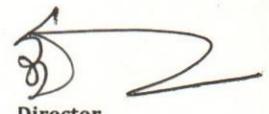
The annexed notes 1 to 25 and Annexure-A to R are form an integral part of these financial statements.



Finance Manager

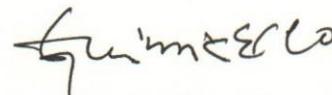


Managing Director



Director

Subject to our separate report of even date.



Mohammad Showket Akber, FCA  
Partner  
G. Kibria & Co.  
Chartered Accountants  
ICAB Enrollment No. 970  
DVC: 2512140970AS567421

Place: Dhaka, Bangladesh  
Date: 14/12/2025  
Ref. No: GKC/25-26/A/233



**Bangladesh Municipal Development Fund (BMDF)**  
**Statement of Profit or Loss and Other Comprehensive Income**  
For the year ended 30 June 2025

| Particulars                                | Notes | Amount in BDT      |                    |
|--|-------|--------------------|--------------------|
|  |       | 2024-2025          | 2023-2024          |
| <b>A. Income</b>                           |       | <b>353,675,632</b> | <b>285,970,214</b> |
| Interest Income                            | 17.00 | 353,072,535        | 284,466,453        |
| Penalty Received                           |       | 577,097            | 1,485,762          |
| Application Fee                            |       | 1,000              | 3,000              |
| Application Processing Fee                 |       | 25,000             | 15,000             |
| <b>Grants</b>                              |       | <b>29,927,000</b>  | <b>35,000,000</b>  |
| GoB Special Grant                          | 18.00 | 29,927,000         | 35,000,000         |
| Grant under Project                        | 19.00 | -                  | -                  |
| <b>Total Income</b>                        |       | <b>383,602,632</b> | <b>320,970,214</b> |
| <b>B. Expenditure</b>                      |       | <b>38,373,034</b>  | <b>26,517,783</b>  |
| Interest on GoB Loan                       | 20.00 | 13,169,200         | 2,725,926          |
| Operating Expenses (OSR)                   | 21.00 | 23,850,959         | 22,089,602         |
| Depreciation                               | 22.00 | 303,875            | 467,245            |
| Misc. Expenses                             |       | 1,049,000          | 1,235,010          |
| <b>Operating Expenses (GOB)</b>            |       | <b>29,927,000</b>  | <b>35,000,000</b>  |
| Officers Pay                               |       | 10,576,000         | 12,200,000         |
| Support Staff Pay                          |       | 4,784,000          | 5,800,000          |
| Allowances                                 | 23.00 | 14,567,000         | 16,600,000         |
| Administrative Expenses                    | 24.00 | -                  | 400,000            |
| <b>Project Expenses</b>                    |       | <b>-</b>           | <b>-</b>           |
| Works, goods & services at ULBs (Grants)   | 25.00 | -                  | -                  |
| Feasibility, Knowledge Exc., Workshop etc. |       | -                  | -                  |
| <b>Total Expenses</b>                      |       | <b>68,300,034</b>  | <b>61,517,783</b>  |
| <b>C. Surplus/(Deficit) (A - B)</b>        |       | <b>315,302,598</b> | <b>259,452,432</b> |
| Transferred to Endowment Fund              | 11.00 | 53,286,105         | 35,098,070         |
| Transferred to Capital Fund                | 10.00 | 262,016,492        | 224,354,362        |

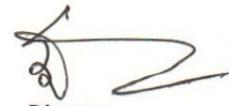
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Finance Manager



Managing Director



Director

Subject to our separate report of even date.

Place: Dhaka, Bangladesh  
Date: 14/12/2025  
Ref. No: GKC/25-26/A/233



*G. Kibria & Co.*  
**Mohammad Showket Akber, FCA**  
Partner  
**G. Kibria & Co.**  
Chartered Accountants  
ICAB Enrollment No. 970  
DVC: 2512140970AS567421

**Bangladesh Municipal Development Fund (BMDf)**  
**Statement of Changes in Equity**  
As at 30 June 2025

| Particulars                       | Amount in BDT           |                    |                      | Total                |
|-----------------------------------|-------------------------|--------------------|----------------------|----------------------|
|                                   | Capital                 | Endowment Fund     | Seed Capital         |                      |
| <i>From</i>                       | <i>Retained Surplus</i> | <i>GoB</i>         | <i>MGSP</i>          |                      |
| Balance as at 1 July 2023         | 1,990,865,298           | 858,930,204        | 1,716,163,551        | 4,565,959,053        |
| Received during the year          | -                       | -                  | -                    | -                    |
| Surplus for the year              | 224,354,362             | -                  | -                    | 224,354,362          |
| Transfer / Adjustment             | -                       | 35,098,070         | -                    | 35,098,070           |
| <b>Balance as at 30 June 2024</b> | <b>2,215,219,660</b>    | <b>894,028,274</b> | <b>1,716,163,551</b> | <b>4,825,411,485</b> |
| Balance as at 1 July 2024         | 2,215,219,660           | 894,028,274        | 1,716,163,551        | 4,825,411,484        |
| Received during the year          | -                       | -                  | -                    | -                    |
| Surplus for the year              | 262,016,492             | -                  | -                    | 262,074,989          |
| Transfer / Adjustment             | -                       | 53,286,105         | -                    | 53,286,105           |
| <b>Balance as at 30 June 2025</b> | <b>2,477,236,152</b>    | <b>947,314,379</b> | <b>1,716,163,551</b> | <b>5,140,772,579</b> |

The annexed notes form an integral part of these financial statements.



Finance Manager



Managing Director



Director

Subject to our separate report of even date.

Place: Dhaka, Bangladesh  
Date: 14/12/2025  
Ref. No: GKC/25-26/A/233



**Bangladesh Municipal Development Fund (BMDf)**  
Statement of Cash Flows  
For the year ended 30 June 2025

| Particulars   | Amount in BDT        |                      |
|---|----------------------|----------------------|
|   | 2024-2025            | 2023-2024            |
| <b>A. Cash Flows from Operating Activities:</b>     |                      |                      |
| Surplus of Income over Expenditure                  | 262,016,492          | 224,354,362          |
| Depreciation charged                                | 303,875              | 467,245              |
| Decrease in Loans and Advances                      | 86,924,329           | 117,706,926          |
| Increase in Accounts Receivables                    | (44,721,459)         | (41,600,948)         |
| Increase in Advance Income Tax                      | (70,689,537)         | (60,314,566)         |
| Increase in Advance Received from Water.org         | 6,056,251            | -                    |
| Increase in Other Liabilities                       | 73,000               | (6,616,940)          |
| <b>Net cash generated from operating activities</b> | <b>239,962,951</b>   | <b>233,996,078</b>   |
| <b>B. Cash Flows from Investing Activities:</b>     |                      |                      |
| Purchase of Fixed Assets                            | (280,905)            | (33,945)             |
| Increase in Investment in FDRs                      | (161,106,014)        | (198,603,334)        |
| <b>Net cash used in investing activities</b>        | <b>(161,386,919)</b> | <b>(198,637,279)</b> |
| <b>C. Cash Flows from Financing Activities:</b>     |                      |                      |
| Increase in Endowment Fund                          | 53,286,105           | 35,098,070           |
| Decrease in Debt (DSL)                              | (29,262,390)         | (68,302,892)         |
| <b>Net cash used in financing activities</b>        | <b>24,023,715</b>    | <b>(33,204,822)</b>  |
| <b>D. Net Increase/(Decrease) in Cash (A+B+C)</b>   | <b>102,599,747</b>   | <b>2,153,977</b>     |
| Cash and Cash Equivalent at beginning of the year   | 50,345,639           | 48,191,662           |
| <b>Cash and Cash Equivalent at end of the year</b>  | <b>152,945,387</b>   | <b>50,345,639</b>    |



Finance Manager



Managing Director



Director

Subject to our separate report of even date.

Place: Dhaka, Bangladesh  
Date: 14/12/2025  
Ref. No: GKC/25-26/A/233



**Bangladesh Municipal Development Fund (BMDF)**

Notes to the Financial Statements  
For the year ended 30 June 2025

**1.00 LEGAL STATUS, OBJECTIVE AND SOURCES OF FUND OF THE COMPANY:**

**1.01 Legal Status:**

Bangladesh Municipal Development Fund (BMDF) is a state owned non-banking municipal financing company, formed under the Companies Act, 1994 with a view to provide financial & technical support to Urban Local Bodies (ULBs) for urban infrastructure development.

The company was incorporated on 9 March 2002 vide Registration No. C-503 (16)/2002 as a Company Limited by Guarantee and not having a share capital. The administrative authority of BMDF is vested with the Financial Institutions Division under the Ministry of Finance.

**1.02 Address of Registered Office:**

The Registered Office of the Company is at LGED Bhaban, Level-6, Sher-e-Bangla Nagar, Dhaka-1207, Bangladesh. But subsequently it has been shifted to Grameen Bank Bhaban (Level-13), Mirpur-2, Dhaka-1216, Bangladesh.

**1.03 Objective:**

The main objective of the Fund is to provide financial support on rational basis to ULBs based on transparent and objective eligibility criteria in order to reduce urban poverty and improve the environmental conditions of urban communities. BMDF carries out its operations in all City Corporations and Municipalities (collectively known as ULBs) of the Country subject to fulfillment of eligible criteria.

**1.04 Sources of Funds:**

**Govt. of Bangladesh (GoB):**

The GoB have been providing an annual budgetary grant to BMDF since its inception. Additionally, BMDF receives financial support for implementing development and technical projects from development partners (DPs) through the government system, adhering to guidelines on financial management, procurement, social & environmental safeguards, monitoring & evaluation, and reporting. This process adheres to Development Credit Agreements (DCA)/Financing Agreements (FA) signed between the Economic Relations Division (ERD) and the respective DPs. Subsequently, these funds are formalized through Subsidiary Loan and Grant Agreements (SLGA) signed between the Finance Division (FD) and BMDF. Accordingly, all activities of BMDF are aligned with Sustainable Development Goals (SDGs): SDG 6: Clean Water and Sanitation; SDG 8: Decent Work and Economic Growth; SDG 11: Inclusive, Safe, Resilient, and Sustainable Cities & Communities; SDG 13: Climate Action and SDG 17: Global and Domestic Partnerships for Sustainable Development.

**World Bank (IDA):**

The International Development Association (IDA), the World Bank's concessional lending arm, has provided \$533 billion to 115 countries since 1960 to reduce poverty and promote growth. Bangladesh, with the largest IDA program globally, has received over \$39 billion in support, including \$16 billion for 57 active projects. BMDF was established by the GoB following the recommendation of the IDA to support the transformation of all ULBs into financially and technically self-sustainable entities, in alignment with the principles of the Local Government Acts. This initiative began under the DCA for the Municipal Services Project (MSP), supported by IDA Credit No. 3177-BD, signed between ERD and IDA on 26 April 1999. Subsequently, a Financing Agreement (FA) for additional financing of the MSP under IDA Credit No. 4761-BD was signed on 23 August 2010. The MSP, successfully implemented from 2004 to 2013 with a total funding of US\$ 104 million, laid the foundation for BMDF's next phase of growth. Building on this success, BMDF entered into a new credit line (IDA Credit No. 5339-BD) for SDR 105.80 million (equivalent to US\$ 163 million) provided by GoB and the World Bank as per the FA dated 10 February 2014, to implement the Municipal Governance & Services Project (MGSP). The Agreement was later revised on 10 March 2020, reallocating SDR 79.85 million (equivalent to US\$ 111 million) specifically for BMDF's component under the MGSP, with a project period spanning from April 2014 to May 2022.



## 2.00 BMDF MANAGEMENT, HR AND FINANCING ACITIVITIES:

### 2.01 Board of Directors (BoD):

The Board of Directors of BMDF consists of 12 Members. The Secretary, Local Government Division, Ministry of LGRD&C is the Chairman and other 4 Members from different Govt. Ministries (FID, LGD, IMED & Planning Commission), 3 Members from ULBs, 1 Member from Municipal Association of Bangladesh (MAB), 1 Member from Bangladesh Bank and 1 Member from NGO being selected by the respective authorities. The Managing Director (CEO) of BMDF is also a Director of the Board. The Board shall be responsible for the management and administration of the affairs of the Company in accordance with the Articles of Association. It shall have the responsibility to approve investment projects and make loans, investments, technical assistance grants or other financial assistance to ULBs as well as to approve and administer the annual and supplementary budgets. The Board shall hold at least 6 meetings in a year. It shall exercise all executive and financial powers of the Company. It shall have the powers to establish by-laws, service rule, operational policies and procedures for periodic auditing, reporting monitoring and evaluation of activities, prepare and execute detailed plans and programs, receive and to have custody of funds and resources, operate the fund and manage the properties of the Company.

The 'Operation Support and Capacity Building (OSCB)' Study commissioned by BMDF under MGSP outlines a 10-year modernization plan, endorsed by the World Bank in June 2021. Key proposals include governance reforms, workforce expansion, and business model diversification. Review Committee's proposal and collaborative efforts with the WB have refined BMDF's structure, enhancing its role in sustainable municipal development and aiming for self-sufficiency as a financial institution.

### 2.02 Human Resources (HR):

BMDF is equipped with 29 specialized professionals (15 Officers & 14 Support Staff) across various disciplines, led by the Managing Director (CEO). These personnel are distributed among three distinct sections: Finance & Accounts (7), Engineering (7) & Administration (13) and an attached officer (MIScMO) with MD. The Finance & Accounts section oversees loan disbursement and collection, in addition to maintaining records and providing financial reports to stakeholders. The Engineering section is tasked with procurement and ensuring the quality of civil works, while also fostering community engagement in ongoing projects. Meanwhile, the Administration section handles all administrative functions, including personnel recruitment, HRD, and communication with relevant authorities, both home and abroad.

### 2.03 Uses of Funds:

#### Govt. of Bangladesh (GoB):

BMDF expresses its gratitude to the GoB for its continued support through annual budgetary grants since its inception. All financial support from DPs for project implementation is channeled through the GoB system. This process is governed by Agreements (DCA/FA) signed between the ERD and the respective DPs. The funds are then formalized through SLGA signed between the FD and BMDF. In compliance with the Ministry of Finance's guidelines, BMDF manages the drawing and disbursement of funds using the Mid-term Budgetary Framework (MTBF) and the Integrated Budget and Accounting System (iBAS++). BMDF ensures transparency and accountability by periodically reporting to all stakeholders or as required. Its financial statements are audited annually by an external Corporate Auditor (CA firm), while the Government Auditor (Office of the Comptroller and Auditor General, C&AG) conducts audits at regular intervals. Additionally, for projects funded by DPs, an Operational Auditor is engaged to provide independent reports covering procurement, technical, and financial aspects of the projects. The Schedule of Projects and Other Revenue Expenditures has been shown in Annexure-Q.



**World Bank (IDA):**

The IDA provided three credits totaling US\$ 220 million to fund two key projects: the Municipal Services Project (MSP) and the Municipal Governance & Services Project (MGSP). These projects supported the development of critical urban infrastructure worth US\$ 232 million, including municipal markets, bus and truck terminals, community centers, slaughterhouses, public toilets, water supply systems, office buildings, roads, drains, box culverts, street lights, solar-powered LED lights, solid waste equipment, and garbage trucks in 11 city corporations and 158 municipalities.

The projects covered 58 out of 64 districts in Bangladesh, encompassing 55% of urban areas and benefiting a population of 32 million, with women accounting for 49%. An impact assessment of the MGSP highlighted its success, with ratings of Substantial for Overall Efficacy, Economic and Operational Efficiency, and M&E Quality, and a Satisfactory rating for the overall outcome. The financing activities of BMDF covered infrastructure development of following ULBs:

| IDA Credits No.                             | 3177-BD       | 4761-BD       | 5339-BD       | Total          |
|---|---------------|---------------|---------------|----------------|
| Projects                                    | MSP           |               | MGSP          |                |
| Period                                      | 2004-2012     | 2010-2013     | 2014-2022     |                |
| SLGA signed between FD & BMDF on            | 05 May 2004   | 22 Dec 2010   | 22 Jun 2014   | 3              |
| City Corporations                           | 2             | 10            | 3             | 11             |
| Municipalities                              | 113           | 56            | 60            | 158            |
| <b>Total ULBs Financed</b>                  | <b>115</b>    | <b>66</b>     | <b>63</b>     | <b>169</b>     |
| Agreements (SPA / SCA)                      | 129           | 66            | 74            | 269            |
| <b>Subprojects Developed</b>                | <b>454</b>    | <b>140</b>    | <b>122</b>    | <b>716</b>     |
| Grants (Crore Tk.)                          | 331.84        | 248.73        | 686.47        | 1267.04        |
| Loans (Crore Tk.)                           | 58.56         | 43.89         | 171.62        | 274.07         |
| <b>Total Financial Supports (Crore Tk.)</b> | <b>390.41</b> | <b>292.62</b> | <b>858.08</b> | <b>1541.11</b> |
| ULBs' Contribution - 10% (Crore Tk.)        | 43.38         | 32.51         | 95.34         | 171.23         |
| <b>Total Development Works (Crore Tk.)</b>  | <b>433.78</b> | <b>325.14</b> | <b>953.42</b> | <b>1712.35</b> |

**United Nations Capital Development Fund (UNCDF):**

The UNCDF, established in 1966, serves as a key UN platform for blended financing, leveraging grants, loans, and guarantees to support sustainable development, especially in least-developed countries. In Bangladesh, UNCDF has been active since 1982, advancing local economic development, inclusive digital economies, and decentralization. The Financing Institutions Division (FID), the sponsoring ministry approved the technical assistance (TA) for the pilot initiative proposed for establishment of municipal finance support and dedicated funding mechanism within BMDF and advised to implement the project through direct implementation modality (DIM) by UNCDF. The budgetary provision of the project was not reflected in national budget of Bangladesh. As a consequence, a tripartite Framework Document for Initial Phase of Municipal Investment Finance (MIF) Project in Bangladesh was signed on 07 July 2015 by UNCDF, ERD and BMDF. The TA project during 2015-2017 addressed urban investment needs by supporting municipal credit ratings, legal frameworks for bonds, and capacity-building activities. Following the DIM, UNCDF hired consultants and provided operational support. Collaborative efforts with BMDF and other stakeholders, including PPP workshops and technical assistance, strengthened municipal finance strategies. M/s. Aftab Ahmed & Co. (CA firm) provided the audit report on MIF giving a true and fair view. Through the project, UNCDF in partnership with the BMDF and the GoB designed municipal alternative funding mechanism to broaden the resources available to urban local governments for their infrastructure and environmental management needs.



## 2.04 Collaboration with DPs for Proposed Development & Technical Supports:

### i) French Development Agency (AFD):

BMDF is proud to collaborate with Agence Française de Développement (AFD), a leading institution in France's development policy focusing on climate, urban development, health, and governance which has committed over €1.8 billion in Bangladesh since 2013, supporting green and inclusive growth through subsidized loans and European grants. BMDF and AFD initiated discussions on the Sustainable Municipal Infrastructure Financing Project (SMIFP), aligning with SDG-11 and SDG-13. The PDPP worth Tk.758 crore was approved, followed by a €70 million financing request and an MoU was signed between the ERD and AFD in November 2022. A comprehensive feasibility study (conducted under grant support from AFD) reinforced BMDF's role as a financial intermediary for climate-resilient infrastructure in ULBs. AFD's letter on 23 July 2023 detailed the appraisal and monitoring mission for BMDF's proposed project (CBD 1061/1062). In response to AFD's letter regarding the SMIF Project, ERD provided feedback on project financing in November 2023 and February 2024. ERD sought AFD's financial and technical assistance for the FY 2024-25 project and expressed confidence in BMDF's capability to implement the project. In May 2024, BMDF and AFD explored potential alliances under a two-component framework: Investment Funding for ULBs and a Transformation Program. This strategic collaboration marks a key milestone in advancing sustainable urban development, with further discussions needed in coming days.

### ii) German Agency for International Cooperation (GIZ):

Deutsche Gesellschaft für International Zusammenarbeit (GIZ), a key German development agency, has been instrumental in improving global living conditions through over 1,700 projects across 120 countries, with a business volume of €4 billion last year. Active in Bangladesh since 1972, GIZ collaborates with BMDF to address urban and climate challenges as the country transitions to developing status. BMDF has been recognized as a viable partner for municipal PPPs, as highlighted in the LICA project report, and has shown interest in market-based financing for urban developments. Increased demand from ULBs for climate change projects has prompted BMDF to explore funds. BMDF supported a study on climate-resilient practices under the CRISC project and discussed innovative solutions, including smart city development, during a meeting on 30 July 2023 with GIZ led by Dr. Andreas Kuck. The €4 million Sustainable Livelihood for Climate Migrants (SLCM) Project, aligning with SDGs, aims to enhance infrastructure and services in 20 municipalities impacted by climate migration. Approved in principle, the project has been recommended by the ERD for GIZ's technical support, marking a step toward sustainable urban development in Bangladesh.

### iii) IDA - IBRD (World Bank):

The World Bank, has supported Bangladesh's transformation into a lower-middle-income country over the past 50 years, with a focus on sustainable growth and infrastructure investments. BMDF welcomed the World Bank team on 6 May 2024, for the 5th meeting under the Greater Dhaka Metro Region Development Initiative (GDMRDI), involving five key cities: Dhaka-North, Dhaka-South, Narayanganj, Gazipur, and Savar Municipality. Key discussions revolved around Bangladesh's transition to middle-income status, the need for BMDF's modernization, resource mobilization, and coordinated efforts with government entities and development partners. Mayoral dialogues and technical visits emphasized urban challenges, such as pollution, climate resilience, and mobility. A policy note of the World Bank outlined strategies for spatial, structural, and social transformation, focusing on sustainable urbanization, rural-urban integration, and decentralization. Next steps include strengthening BMDF's capacity with World Bank technical assistance, creating a bankable project pipeline, and addressing LDC graduation's impact. Current discussions with Mr. Zhiyu Jerry Chen, Sector Coordinator for Urban Infrastructure and Disaster Risk Management, include technical assistance (\$400k) under the City Climate Finance Gap Fund, which will contribute to the development of a Green and Resilient Economic Growth Corridor. This corridor encompasses key urban and industrial hubs such as Dhaka, Gazipur, Savar, Narayanganj, Narsingdi, Comilla, Feni, and Chattogram. The initiative aims to strengthen urban resilience, improve service delivery, and upgrade infrastructure in Bangladesh's most critical economic zones.



iv) **International Finance Corporation (IFC) and 2030 Water Resources Group (WRG):**

The IFC, a member of the World Bank Group, is the largest global institution dedicated to private sector development in developing countries. Established in 1956, IFC plans to double its investments in Bangladesh across various sectors, including infrastructure and economic zones, with a focus on green growth and job creation. BMDf has been engaged in discussions with IFC since 2023, focusing on potential technical and financial support for urban development, including public-private partnerships (PPPs) and innovative financing tools. Additionally, BMDf is in talks with the 2030 Water Resources Group for support on water-related projects. Moving forward, BMDf aims to launch sustainable urban projects with the support of IFC and other development partners, further driving urban development and infrastructure improvements in Bangladesh.

v) **Netherlands Development Organization (SNV):**

Stichting Nederlandse Vrijwilligers (SNV), founded in 1965 in the Netherlands, is a global development partner focused on building resilient systems for food security, water, sanitation, and sustainable energy. Across 20 countries in Africa and Asia, SNV has impacted 6 million people by promoting equitable outcomes and inclusive access to basic services. In Bangladesh, SNV began in 2006 with a renewable energy project and later expanded into urban sanitation and agriculture, supporting ULBs in 12 cities with technical assistance, innovative financing, and knowledge sharing. In 2023, SNV and BMDf initiated discussions on a partnership for urban sanitation, solid waste, and drainage management under the "Transitioning to Sustainable Urban Water Cycles in Bangladesh" project. A follow-up meeting later resulted in an agreement to establish a non-financing MoU and collaborate on project proposals. Signed in November 2023, the MoU focuses on joint efforts in urban development, capacity building, and policy advocacy. The next step includes a proposed collaborative sanitation project in Sylhet City Corporation, with both parties exploring funding opportunities.

vi) **United Cities and Local Governments (UCLG) - Asia Pacific (ASPAC):**

The UCLG is a global network representing cities and local governments, working to amplify their voices and ensure no one is left behind. Founded in 2004 and based in Barcelona, UCLG promotes collaboration, knowledge-sharing, and action to tackle global challenges. UCLG ASPAC, a regional section of UCLG located in Jakarta, represents over 7,000 cities across Asia-Pacific, serving as a key knowledge hub and promoting democratic local governance, capacity building, and advocacy for local governments. BMDf joined UCLG-ASPAC in November 2023, marking a significant milestone in expanding its global network. This membership opens new opportunities for collaboration and knowledge exchange, enhancing BMDf's role in sustainable urban development and good governance in the Asia-Pacific region.

vii) **UNCDF & UN Department of Economic and Social Affairs (UNDESA):**

UNCDF, in collaboration with the UNDESA, developed a training module on municipal infrastructure asset management. In response to BMDf's request for technical assistance, a two-day training was jointly organized by these UN agencies at BRAC CDM in Gazipur, with 60 participants from various entities, including one city corporation, nine municipalities, LGD, LGED, BMDf, MAB, DPHE, and NILG. The BMDf team later met with UNCDF's Country Relationship Manager to discuss on advancing sustainable finance for investment pipelines, PPPs, GCF accreditation, and potential technical assistance from UNCDF's bridge/guarantee facility. Ongoing collaborative efforts indicate a promising future for enhancing municipal investment finance in Bangladesh.



viii) **United Nations Development Programmed (UNDP):**

The UNDP, established in 1966, leads global efforts to eradicate poverty and reduce inequality, operating in 170 countries. In Bangladesh, UNDP has been active since 1972, focusing on sustainable outcomes in areas like climate change, disaster risk management, and social protection. Through initiatives like the Livelihoods Improvement of Urban Poor Communities Project (LIUPCP), UNDP works to improve climate resilience and promote inclusive development. BMDf's collaboration with UNDP, especially through the LIUPCP, emphasizes community-driven climate resilience and adaptive livelihood strategies. A workshop in 2024 highlighted the importance of local action and community-led development, with BMDf's Managing Director emphasizing the need for self-reliant ULBs and sustainable urban financing models. Moving forward, BMDf looks to strengthen its partnership with UNDP to advance urban resilience in Bangladesh.

ix) **Water.org:**

A shared commitment to solving the global water crisis led Gary White and Matt Damon to establish Water.org in the United States in 2009. Today, Water.org stands as a globally respected nonprofit organization, having empowered over 73 million people across 17 countries through innovative financing models such as Water Credit, which expands access to safe water and sanitation through market-based solutions. BMDf's collaboration with Water.org—formalized through a Memorandum of Understanding (MoU) signed on 27 February 2025—marks a strategic step toward strengthening urban WASH financing in Bangladesh. This partnership enables BMDf to leverage Water.org's international expertise in project design, capacity building, and resource mobilization tailored to municipal needs. Between 2025 and 2028, the collaboration is expected to mobilize US\$ 115,000 in grant support and technical assistance, enhancing BMDf's institutional capability to develop and deliver sustainable water and sanitation projects for Urban Local Bodies (ULBs). The partnership is anticipated to significantly benefit urban residents by improving access to safe water, strengthening utility systems, and

**3.00 ACCOUNTING PRINCIPLES:**

**3.01 Accounting Convention and Basis:**

These Financial Statements have been prepared under the historical cost convention, accrual and going concern basis in accordance with applicable International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) and other laws and rules applicable in Bangladesh.

**3.02 Financial Statements:**

Financial statements cover one year from 1 July 2024 to 30 June 2025 consistently and figures have been re-arranged where it is necessary keeping in consistency with IASs and in the format as presented by Companies Act, 1994.

These include the following components as per IAS-1 "Presentation of Financial Statements".

- i) Statement of Financial Position as at 30 June 2025;
- ii) Statement of Profit & Loss and Other Comprehensive Income for the year ended 30 June 2025;
- iii) Statement of Cash Flows for the year ended 30 June 2025;
- iv) Statement of Changes in Equity for the year ended 30 June 2025; and
- v) Notes to the Financial Statements.

Comparative information has been disclosed against each head showing figures of previous year.

**3.03 Current and Non-current Assets and Liabilities:**

The company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating circle held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months.

All other assets are classified as non-current.



A liability is current when it is:

- Expected to be settled in normal operating circle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement the liability for at least twelve months after the reporting periods.

The company classifies all other liabilities as non-current.

**3.04 Application of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs):**

We have complied the following IASs & IFRSs as applicable for the financial statements for the year under review:

|  |
|--|
| IAS-1 Presentation of Financial Statements: Complied with                            |
| IAS-7 Statement of Cash Flows: Complied with   |
| IAS-8 Accounting Policies, Changes in Accounting Estimates and errors: Complied with |
| IAS-10 Events after the Reporting Period: Complied with                              |
| IAS-12 Income Taxes: Non-Complied with   |
| IAS-16 Property, Plant and Equipment: Complied with                                  |
| IAS-36 Impairment of Assets: Complied with   |
| IAS-37 Provisions, Contingent Liabilities and Contingent Assets: Complied with       |
| IFRS-07 Financial Instruments: Disclosures: Complied with                            |
| IFRS-09 Financial Instruments: Complied with   |
| IFRS-15 Revenue from Contracts with Customers: Complied with                         |
| IFRS-16 Leases: Non-Complied with  |

**3.05 Compliance with Local Laws:**

The Financial Statements have been prepared in compliance with requirements of the Companies Act 1994, The Income Tax Act 2023 including Income Tax Ordinance & Rules 1984, The VAT & Supplementary Duty Act 2012, The VAT & Supplementary Duty Rule 2016 and other relevant local laws/rules/standards.

**3.06 Going Concern:**

The Company has adequate resources to continue in operation for foreseeable future and hence, the financial statements have been prepared on going concern basis. As per management assessment, there are no material uncertainties related to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

**3.07 Property, Plant and Equipment:**

**i. Recognition and Measurement:**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Buildings constructed by the Company on leasehold land are capitalized and included under the category of leasehold property.

**ii. Subsequent Costs:**

Subsequent to initial recognition, cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. All other repair and maintenance expenses are charged in the statement of profit or loss and other comprehensive income as they are incurred.

### iii. Depreciation:

Depreciation is calculated and charged under straight line method on all fixed assets other than land. Depreciation has been charged on additions made during the year from the month in which those assets are ready to use. The Company is following this policy consistently from past years. The rates of depreciation are as follows:

|                        |     |
|------------------------|-----|
| Computer & Accessories | 20% |
| Computer Software      | 20% |
| Furniture & Fixtures   | 10% |
| Other Equipment        | 20% |
| Vehicles               | 20% |

### 3.08 Cash and Cash Equivalents:

According to IAS-7 'Statement of Cash Flows' comprise of cash in hand and bank deposits in the currency of BDT & USD. Presentation of Financial Statements' provides that cash and cash equivalents are not restricted in use. Considering the provisions of IAS-7 and IAS- I, cash in hand and bank balances have been considered as cash and cash equivalents.

### 3.09 Statement of Cash Flows :

Statement of Cash Flows has been prepared in accordance with IAS 7 "Statement of Cash Flows" and the cash flows from the operating activities have been presented under indirect method as required and considering the provisions of paragraph 19 of IAS 7 which provides that "Entities are encouraged to report Cash Flows from Operating Activities using the indirect method".

### 3.10 Payables and Accrued Expenses:

Liabilities are recognized for amounts to be paid in the future for goods and services received, whether or not billed by the suppliers.

### 3.11 Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is probable that an outflow of resources embodying economic benefits are required to settle the obligation, the provisions are reversed.



**3.12 Materiality and Aggregation:**

Each material item as considered by management to be significant has been presented separately in financial statements. No amount has been set off unless the company has the legal right to set off the amounts and intends to settle on net basis. Income and expenditure are presented on a net off basis only when permitted by the relevant accounting standards.

**3.13 Events after the Reporting Period:**

Events after the reporting period that provide additional information about the company's position at the statement of financial position date are reflected in the financial statements as per International Accounting Standards IAS 10: Events after the Reporting Period.

All material events occurring after the balance sheet date have been considered and where necessary, adjusted for or disclosed.

**3.14 General:**

Auditors are paid only statutory audit fee approved by the shareholders in the last AGM. Figures appearing the financial statements have been rounded off to the nearest Taka. Figures have been restated whenever necessary to conform to the current year's presentation.

**3.15 Comparative Information:**

Comparative information have been disclosed in respect to the year 2020-21 for all numerical information of the financial statements and also the narrative and descriptive information when it is relevant for understanding of the current periods financial statements as per IAS 1, para 41.

**3.16 Reporting Currencies and Level of Precision:**

The figures in the financial statements represent Bangladeshi Taka currency and rounded off to the nearest Taka.

**3.17 Civil Works implemented in ULBs:**

Civil works implemented in ULBs has been allocated as follows:

|  |             |
|--|-------------|
| Contribution of ULBs (Matching Fund)   | 10%         |
| Contribution of BMDF (Financed by IDA) | 90%         |
| Total infrastructure development       | <u>100%</u> |

Under the Municipal Governance & Services Project (MGSP), BMDF funding covers 90% of the project cost, where 72% is considered as grant and 18% as loan. Period of recovery of loan is 10 years with 1 year grace period recoverable in 36 installments and 1 installment for grace period interest. Interest rate 5% is applicable for disbursed loan amount. In case of earlier Municipal Services Project (MSP), BMDF financing was 90% of the project cost, where 76.5% was considered as grant and 13.5% as loan.

**3.18 General Comments:**

- All funds have been used in accordance with conditions of the GoB and development partner, with due regard to economy and efficiency and only for the purpose of which the financing was provided;
- Goods, works and services have been procured in accordance with the Public Procurement Act 2006 and the Public Procurement Rules 2008 and the provisions of the GoB and development partner;
- All necessary supporting documents, records and accounts of the company to show that clear linkages exist between the books of accounts and reports presented to the development partner;
- The Statement of Expenditures (SoEs) support the related withdrawals;
- Relevant provision of Anti-money Laundering (AML) and Combatting the Financing of Terrorism (CFT) laws are complied;
- The Special Account has been operated/maintained in accordance with the provision of the GoB and development partner; and
- Internal control mechanisms are maintained enough for safeguard of sound financial management.

