

# Project Readiness Financing



The views expressed in this paper/presentation are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank (ADB), or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this paper/presentation and accepts no responsibility for any consequence of their use. Terminology used may not necessarily be consistent with ADB official terms.

# Program

## **Overview of Project Readiness Financing**

Allison Woodruff, Senior Planning and Policy Specialist, SPD

## **Preparing the Urban Water Supply and Sanitation Sector Project**

Steve Blaik, Principal Urban Development Specialist, PAUW

## **Khyber Pakhtunkhwa Cities Improvement Project**

Kiyoshi Nakamitsu, Principal Urban Development Specialist, CWUW

## **UCCRTF: Integrating climate resilience technologies into the PRF**

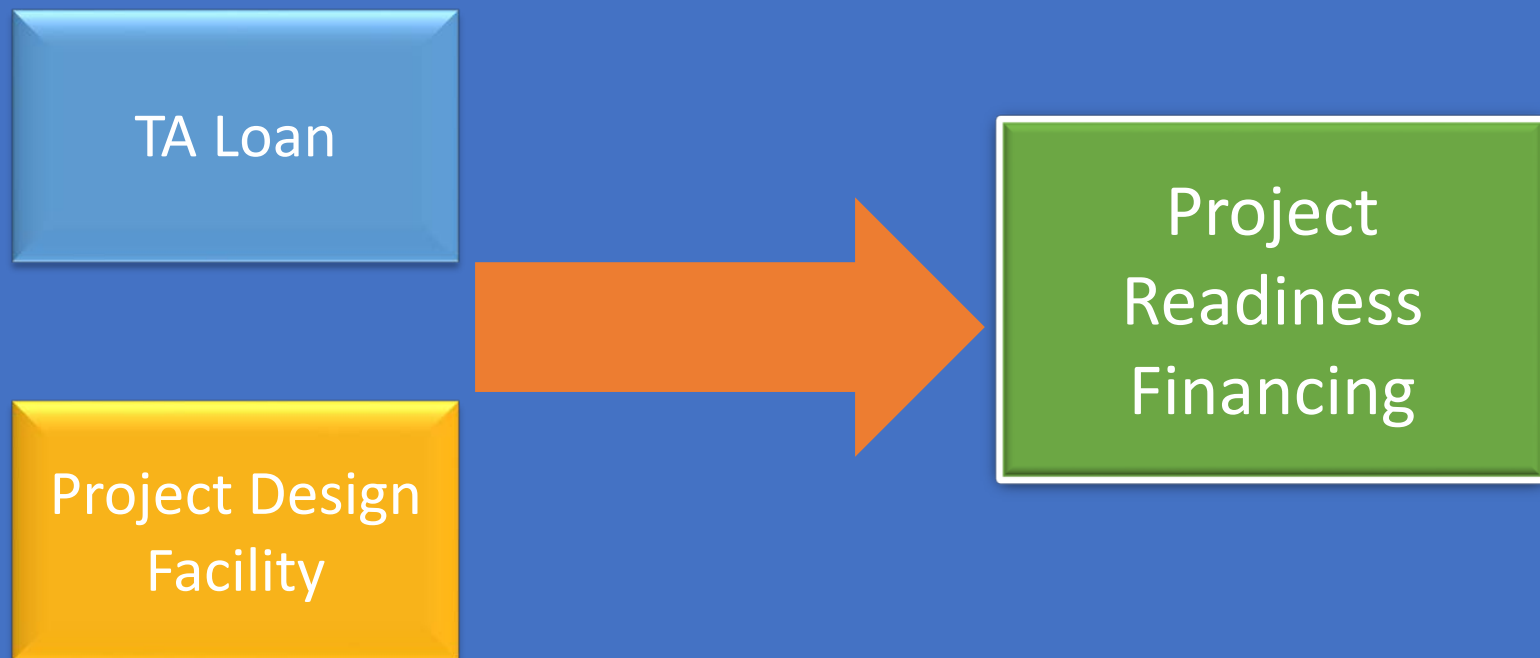
Virinder Sharma, Senior Urban Development Specialist, SDCC

Oesha Thakoerdin, Urban Climate Change Resilience Specialist, SDCC

## **Q&A**

# What is project readiness financing (PRF)?

Supports high implementation readiness for projects that are expected to be financed by ADB



# What can be financed by a PRF?

Feasibility studies  
and due diligence

Investment master  
plans

Detailed  
engineering design

Advance  
procurement  
actions

Safeguards pre-  
implementation  
work

Project pre-  
implementation  
capacity building

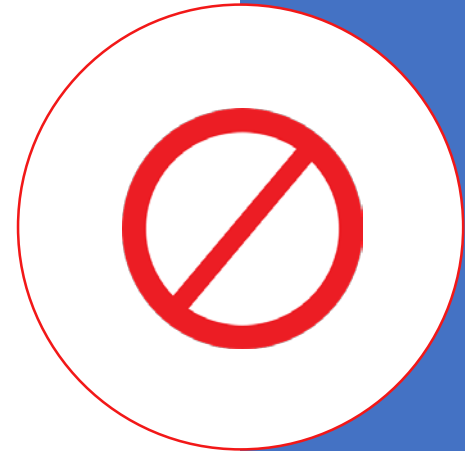
Pilot testing of project  
designs  
(up to \$5 million or  
50% of the PRF  
amount)

Transactions advisory  
services to prepare a  
PPP project

Limited project start-  
up activities for EAs  
that have weak  
capacity (up to  
\$500,000)

# What cannot be financed by a PRF?

- Project implementation costs
  - Construction supervision
  - Land acquisition
  - Project management for ensuing loan(s)
- These costs should be covered by the ensuing loan



# PRF supporting the preparation of multiple projects



Not all projects need to be identified at the time of PRF approval



Selection criteria) agreed between ADB and EA, as basis for choosing future projects to support under PRF

# Due Diligence



**TECHNICAL** – If applicable, when PRF will design a project with significant climate change risk, or will use high-level technologies



**FIDUCIARY**- Confirm EA's capacity to recruit and manage consultants; preparation of procurement plan. Assesses EA capacity to accept consultant deliverables, and determine financial reporting and accounting arrangements



**SAFEGUARDS** - If pilot-testing, screen and categorize assessed environmental, IR and IP impacts, assess EA's capacity to manage safeguards risks

# Documents



Small-scale PRF (\$15 million or less) requires PRF report



Larger scale PRF (above \$15 million) requires RRP



No DMF (PRF is input into ensuing project)



Linked documents:

- Legal agreement
- Selection criteria (if applicable)
- PAM
- Safeguards documents (if applicable)



# Approval Authority



SMALL-SCALE PRF APPROVED BY  
VICE PRESIDENT  
 $\leq$  \$15 MILLION



PRF APPROVED BY BOARD  
> \$15 MILLION

# Refinancing Option

- **Ensuing loan-** PRF loan must be closed, and is re-financed upon effectiveness of ensuing loan
- **Ongoing loan with savings-** change in scope to ongoing loan, and creation of new PRF cost category; refinancing once PRF loan is closed
- Outstanding PRF expenditures following PRF loan closure may be financed under the ensuing or ongoing loan, if eligible expenditure (e.g. audit report)
- Refinancing must take place before first principal repayment date as listed in the amortization schedule





**Questions?**