

*The views expressed in this presentation are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. The countries listed in this presentation do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.*

# Project and Knowledge Support Modalities

Project Readiness Financing

Small Expenditure Financing Facility

Technical Assistance

19-23 August 2024

ADB Headquarters, Philippines



ADB

# Sovereign lending and grant modalities



Project lending



Financial intermediation lending



Policy-based lending



Results-based lending



Sector lending



Emergency assistance lending



Contingent disaster financing



Project readiness financing



Credit enhancement products



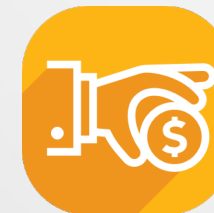
Multitranche financing facility



Sector development program



Special PBL & countercyclical support facility



Small expenditure financing facility



Technical assistance

# What is PRF?

Finances project preparation and design activities for investments to be financed under one or more ensuing ADB-financed projects

Can be small-scale if not exceeding \$15 million



# Scope and eligible expenditures



## ELIGIBLE EXPENDITURES

- Consulting services for project preparation
- Limited start-up activities where the executing agency has insufficient capacity
- Pilot testing of project designs



## INELIGIBLE EXPENDITURES

- Construction supervision services or other project implementation activities
- Capacity building activities unrelated to ADB ensuing projects
- Project preparation for projects not expected to be financed by ADB

# Examples of activities



Upstream project pipeline development, sector studies, and investment plans



Feasibility studies and due diligence assessments for ensuing project



Safeguards preparation work



Surveys to collect information for preparing detailed engineering designs



Procurement capacity and risk assessments, and advanced procurement actions



Detailed engineering designs



Project pre-implementation capacity-building activities



Transaction advisory services to develop an ensuing public-private partnership project



# Financing sources and terms



## MAY BE FINANCED BY

- Regular ordinary capital resources (OCR)
- Concessional ordinary capital resources (COL)
- Asian Development Fund (ADF) grants
- Cofinancing sources



## TERMS

- For regular OCR: 15-year amortization period, including a 3-year grace period, with no commitment charge
- Standard COL terms for COL loans
- Standard ADF grant terms for ADF grants



## MAY BE REFINANCED BY

- an ensuing ADB loan to the same borrower; or
- surplus loan proceeds from an ongoing ADB loan to the same borrower, in lieu of loan cancellation (but may not be refinanced under an ensuing or ongoing project that is financed by an ADF grant)

## SMALL EXPENDITURE FINANCING FACILITY

# What is SEFF?

Finances a series of small activities associated with one or more ADB-financed projects

Funds can be committed for activity subloans, up to an approved maximum facility amount, during the facility availability period (and has revolving feature)

An activity subloan cannot exceed \$15 million



# Scope and eligible expenditures



## ELIGIBLE EXPENDITURES

- Support low-risk activities across project cycle
- Consulting services to prepare or support the implementation of ADB-financed projects
- Nonconsulting services, works, and goods to support ADB-financed projects



## INELIGIBLE EXPENDITURES

- Activities unrelated to ADB ensuing or ongoing projects
- Large-scale investments



# Examples of activities



Small, low-risk activities associated with project preparation, implementation, and post completion



## PREPARATION ACTIVITIES

- Preparation of sector investment plans
- feasibility studies
- Safeguard assessments
- Advance procurement actions
- Capacity building
- Detailed engineering design
- Surveys

## IMPLEMENTATION AND POST-COMPLETION ACTIVITIES

- Pilot testing
- Rehabilitation and post-disaster early recovery
- Operation and maintenance services

# Financing sources and terms



## MAY BE FINANCED BY

- Regular ordinary capital resources (OCR)
- Concessional ordinary capital resources (COL)
- Asian Development Fund (ADF) grants
- Cofinancing sources



## TERMS

- For regular OCR: 5-year tenor from commitment of each activity subloan with a bullet repayment, Standard interest less 20 basis points, no commitment charge, front-end fee of 15 basis points on the facility amount
- Standard COL terms for COL loans
- Standard ADF grant terms for ADF grants



## MAY BE REFINANCED BY

- an ensuing ADB loan to the same borrower; or
- surplus loan proceeds from an ongoing ADB loan to the same borrower (but may not be refinanced under an ensuing or ongoing project that is financed by an ADF grant)

(Refinancing can be determined for each activity)

## TECHNICAL ASSISTANCE

# What is TA?

Helps countries improve their capacities and make better use of development resources

Provided either to a DMC or a group of DMCs (regional)

May be prepared as a cluster (package of TA subprojects)



# Scope and eligible expenditures



## SCOPE

- Capacity development, policy advice, project preparation and implementation support, research and development
- Goods related to conduct of consulting services
- Pilot testing of project designs (up to 30% of TA financing)



## ELIGIBLE EXPENDITURES

- Consulting services
- Equipment
- Training
- Surveys and studies
- Study tours for the recipient governments
- Miscellaneous TA administration and support costs

## TECHNICAL ASSISTANCE

# Examples of activities

Provide upstream capacity development, policy advice, research and development

- Economic, sector, and thematic work
- Pipeline development
- Inputs to project concept
- Flagship knowledge and innovative solutions
- High-level technologies

Prepare, enhance readiness, develop capacity, and provide policy advice for one or more ensuing projects

- Feasibility study, reform program, or project design
- Due diligence for a loan proposal
- Pre-implementation work for a specific project

Develop one or more specific public–private partnership project/s, including under transaction advisory services

- Feasibility study and other pre-implementation work
- ADB’s due diligence
- Structuring, tendering, and supporting contract negotiations

Help deliver outputs or mitigate risks under one or more ongoing projects

- Capacity strengthening of executing agency of specific ADB-financed projects
- Policy advice on reforms necessary to implement specific ADB-financed projects



# Financing sources and terms



## MAY BE FINANCED BY

- Technical Assistance Special Fund (TASF)
- other Special Funds
- Trust funds
- Project-specific cofinancing
- Cost sharing.



## COST RECOVERY MAY BE APPLIED FOR

- All TA expenditures financed by ADB's TASF in group C2, C3, and C4 DMCs subject to certain guidelines
- All or part of TA expenditures incurred by ADB as mutually agreed between ADB and the government or private sector client
- All TA expenditures incurred by ADB for TA provided to a graduated DMC
- All TA expenditures incurred by ADB for preparing private sector projects that result in financing from ADB or other sources

# Grant or loan negotiations



## PRF

Formal or through exchange of correspondence by electronic means



## SEFF

- Formal for the facility
- Agreements for specific activities subloans under the facility do not require formal negotiations
- Upon agreement to the draft Activity Report the borrower sends request for the Activity to ADB



## TA

TA letter for DMC-specific TA and regional TA (if there are specific DMC activities)

# ADB approval authority



## PRF

- Board approval for proposals above \$15 million
- VP approval for small-scale PRF, up to \$15 million (up to \$100 million total annual commitment authority)



## SEFF

- Board approval for facility proposal
- Regional director general approval for activity proposals



## TA

- Board approval for ADB Special Funds above \$5 (and for deviations in ADB policy)
- Management approval for all other TAs based on amount (President, VP, DG and directors)



<https://www.adb.org/what-we-do/public-sector-financing>

