

# **APPENDIXES**

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Appendix 1

**EXAMPLES OF ADB-FINANCED PRIVATE SECTOR PROJECTS**

Bangladesh	Power-Generating Plant Rural Mobile Telephone Network
Bhutan	Joint Venture Commercial Bank
China, People's Republic of	Commercial Bank Venture Capital Fund Power-Generating Plants Bulk Treated Water Supply
India	Venture Capital Company Power-Generating Plant Credit Rating Agency Mutual Fund
Indonesia	Leasing Company Development Bank Securities Company
Malaysia	Credit Rating Agency
Nepal	Hydropower Plant
Pakistan	Leasing Company Export Guarantee Agency Mutual Fund Port Complex
Philippines	Development Banks Venture Capital Companies Mutual Fund Expressway Rehabilitation and Expansion Power-Generating Projects Water and Sewerage Concession Airport Terminal
Samoa	Venture Capital Fund
Sri Lanka	Insurance Company Power-Generating Plant Venture Capital Company Development Banks Container Port Terminal
Thailand	Mutual Fund Credit Rating Agency Expressway
Viet Nam	Leasing Company Water Treatment Plant Tertiary Education Hospital and Healthcare
Regional	Equity Funds Venture Capital Funds Bond Insurance Company

Appendix 2  
**PRIVATE SECTOR LOAN TERMS**

	<b>LIBOR BASED LOAN PRODUCT</b>
<b>CURRENCIES</b>	<ul style="list-style-type: none"> <li>Euros, US dollars or Japanese Yen</li> </ul>
<b>LENDING RATE</b>	<ul style="list-style-type: none"> <li>All LIBOR – based loans will initially have a floating rate until borrower requests for a fixed rate. The lending rate will consist of a base rate plus a fixed spread.</li> <li><i>Cost Base Rate:</i> 6-month London Interbank offered rate (LIBOR) for the US dollar and Japanese Yen and 6-month euro interbank offered rate (EURIBOR) for the euro. At any time during the life of the loan, the borrower may request ADB to implement a series of interest rate fixing either by period or by amount.</li> <li><i>Fixed Spread:</i> To be determined on a case to case basis based on assessment of credit and project risks and set approximately one month prior to loan signing.</li> </ul>
<b>COMMITMENT FEE</b>	<ul style="list-style-type: none"> <li>0.5–0.75% per annum on progressive amount of undisbursed loan balance.</li> </ul>
<b>FRONT-END FEE</b>	<ul style="list-style-type: none"> <li>1.0–1.5% flat of the loan amount</li> </ul>
<b>MATURITY</b>	<ul style="list-style-type: none"> <li>As may be determined based on project needs and could comprise of a grace period and a repayment period with final maturity.</li> </ul>
<b>LOAN CONVERSION OPTIONS</b>	<p>Following conversion options would be available subject to ADB conversion procedures as may be applicable at the time of conversion.</p> <p>a) <b>Currency Conversion:</b></p> <p><i>Undisbursed Amounts:</i> The whole or part of the undisbursed balance of the loan may be converted into the three offered currencies.</p> <p><i>Disbursed Amounts:</i> The whole or part of the disbursed balance may be converted into the three offered currencies for the whole or part of the loan’s residual life. Maximum maturity will depend on market conditions, currently 10 years. Conversions will be executed at the then prevailing market rates.</p> <p>b) <b>Interest Rate Conversion:</b> The floating lending rate on the whole or part of the disbursed balance may be converted into a fixed-rate or vice versa for whole or part of the loan’s residual maturity. Conversions will be executed at the prevailing market rates. Borrower may exercise these options any time during the life of the loan subject to a minimum amount of the higher of \$ 3 million or 10% of the loan amount. In the case of floating-to-fixed rate conversion maximum maturity is 10 years, although longer maturities may be available on a case by case basis.</p> <p>c) <b>Interest Rate Caps and Collars:</b> A cap or collar on the floating lending rate may be purchased for up to the entire disbursed amount, for the whole or part of the residual maturity.</p>

Appendix 2

**PRIVATE SECTOR LOAN TERMS** (cont'd.)

<b>TRANSACTION FEES</b>	<ul style="list-style-type: none"> <li>• <i>Currency Conversion:</i> 0.125% of the transacted amount for the disbursed loan amounts and 0.0625% of the transacted amount for the undisbursed loan amounts.</li> <li>• <i>Interest Rate Conversion:</i> No fee for first series of conversion from floating rate to a fixed rate for up to full amount and maturity of the loan. 0.0625% of the transacted amount on the subsequent interest rate swaps.</li> <li>• <i>Interest Rate Caps and Collars:</i> 0.0625% of the transacted amount.</li> </ul>
<b>PREPAYMENT</b>	<ul style="list-style-type: none"> <li>• All or part of the disbursed and outstanding loans may be prepaid. Floating rate loans could be prepaid on an interest payment due date without a prepayment premium. Prepayment of floating rate loans on a date other than the interest payment due date will attract payment of a premium based on the difference, if any, between the rate at which the proceeds from the prepayment could be reinvested and ADB's funding cost for the prepaid amount. Prepayment of fixed rate loans or floating rate loans that involve conversion and a corresponding hedge requiring termination will attract payment of hedge unwinding costs, if any.</li> </ul>
<b>CANCELLATION</b>	Borrower may cancel all or a part of the undisbursed balance at any time.
<b>REPAYMENT</b>	<ul style="list-style-type: none"> <li>• Equal principal or annuity repayments.</li> </ul>
<b>LENDING RATE RESET/PAYMENT DATES</b>	<ul style="list-style-type: none"> <li>• Lending rate for floating rate loans will be reset every six months on an interest payment date.</li> <li>• Interest payment are due either on the 1<sup>st</sup> or 15<sup>th</sup> day of a calendar month and semiannually thereafter.</li> </ul>

### Appendix 3

#### **ADB's MEMBER COUNTRIES**

Afghanistan	Mongolia
Australia	Myanmar
Austria	Nauru
Azerbaijan	Nepal
Bangladesh	Netherlands
Belgium	New Zealand
Bhutan	Norway
Cambodia	Pakistan
Canada	Papua New Guinea
China, People's Republic of	Philippines
Cook Islands	Samoa
Denmark	Singapore
Fiji Islands	Solomon Islands
Finland	Spain
France	Sri Lanka
Germany	Sweden
Hong Kong, China	Switzerland
India	Taipei, China
Indonesia	Tajikistan
Italy	Thailand
Japan	Tonga
Kazakhstan	Turkey
Kiribati	Turkmenistan
Korea, Republic of	Tuvalu
Kyrgyz Republic	United Kingdom
Lao People's Democratic Republic	United States of America
Malaysia	Uzbekistan
Maldives	Vanuatu
Marshall Islands	Viet Nam
Micronesia, Federated States of	

## Appendix 4

**RISK PRINCIPLES FOR INVESTMENT FUNDS**

The following list of principles forms the basis for ADB's approach to the processing and administration of investment funds.

- Sound, Effective, and Documented Governance Systems at Fund and Portfolio Company Level
- Effective Board of Directors and Investment Committee
  - Independent
  - Accountable
  - Compliance with international standards for corporate decision making
- Transparent, Consistent, and Documented Guidelines for Managing Conflicts of Interest
  - Effectively communicated
  - Published list of disclosure requirements
- Transparent and Documented Guidelines for Fair Dealing in All Fund Business Activities
  - Commitment to adhere to internationally accepted code of ethics and conduct
- Defined and Acknowledged Fiduciary Responsibilities
- Independent Internal Audit Function
- Documented Guidelines for Fund Termination Set at Inception
- Effective Management Arrangements
  - Objective, documented, transparent and competitive management selection process
  - Set guidelines for terminating fund management
  - Emphasis on personal selection, roles, responsibility, and relevant expertise

- Compensation policies and incentive schemes, which encourage behavior that is consistent with the fund's objectives and shareholder value
- Defined and Documented Operations Policies and Procedures
  - Effectively communicated
  - Periodically and systematically monitored and updated
- Defined and Documented Investment Guidelines
  - Clear, consistent, detailing the degree of management discretion
  - Set at fund inception and modifiable only with unanimous consent of all shareholders
  - Defined and documented exit strategy for portfolio investments
- Effective and Documented Investment Due Diligence Process
  - Structured, consistently applied and documented
- Transparent and Documented Performance Target
  - Effectively communicated and monitored
  - Consistent use of benchmarks
- Transparent and Documented Portfolio Performance Measurement and Monitoring
  - Consistent use of internationally accepted valuation and performance measurement methods
  - Risk-adjusted performance measures
  - Mark-to-market valuation of investments, whenever possible
- Effective and Documented Risk Management Function
  - Set limits for credit, market, and settlement risks
  - Independent monitoring of fund operations and external events
  - Periodic evaluation of independence and overall effectiveness of fund's control and risk management infrastructure

## Appendix 4

**RISK PRINCIPLES FOR INVESTMENT FUNDS** *(cont'd.)*

- Compliance Function Independent of Investment Process
- Effective Management Information System
  - Effective monitoring of business performance
  - Enabling informed decision making
  - Consistent application of internationally accepted accounting standards
- Effective Treasury Function Independent of Investment, Trading, and Credits
- Corporate and Regulatory Reporting
  - Documented disclosure policies
  - Compliance with regulatory reporting requirements
- Communications with Investors
  - Complete, accurate and timely provisions of information that enables evaluation of performance
  - Decision-making "friendly"

## **APPLICATION INFORMATION REQUIREMENTS**

The application for assistance should be accompanied by, as much as possible, the information listed below.

### **The Proposal**

The role ADB is expected to play in the transaction, including equity, debt, and cofinancing arrangement.

### **Introduction**

General information on the Sponsor, how the Sponsor was selected to undertake the Project, description of the project including implementation and operation philosophy, level of support for the project from the various levels of government, lending institutions and investors, and perceived difficulty to implement without ADB support. A feasibility study establishing the technical, financial, economic, and environmental viability of the project, prepared by a reputable consultant.

### **A Brief History of the Sponsor**

Background of the Sponsor, including experience in project development in the home country and overseas, particularly in developing countries, the financial history including audited financial statements for the last three years, financial plans and projections, copies of any recent filings with securities commissions for issuance of debt and equity, and the ownership structure of the Sponsor.

### **The Project**

#### *Ownership and Management*

Proposed structure of the ownership and management of the project, including legal, tax, and other advantages of such a structure, responsibilities and accountability of the proposed management and cost and incentive structure for any contractual arrangements with any separate management company.

## Appendix 5

**APPLICATION INFORMATION REQUIREMENTS** *(cont'd.)**Project Description*

Project description, including location, major components, sources and quality of inputs for operation, and level of technology.

*Implementation Arrangements*

Implementation and contractual arrangements, including the construction and supervision methodology and a bar chart showing major scheduled achievements and completion for each of the major components of the project. Draft construction contracts and sources of possible cost increases and delays and sponsor support arrangements for such eventualities. Detailed description of liquidated damage provisions and performance bond requirements.

*Project Operation*

Operational arrangements for the project, including contractual agreements, availability and training of operational staff, expected efficiency levels of operation, and incentive and penalties for performance, maintenance plans, and reporting systems.

*The Market*

Market and marketing arrangements, including draft off-take concession and/or purchase agreements, creditworthiness of customer(s), current and projected markets (preferably from independent studies), price sensitivity, and market risks.

*Environmental Aspects*

A site-specific environmental impact assessment report, highlighting environmental impacts and mitigating measures, prepared by an acceptable consulting firm in accordance with ADB's guidelines.

### *Cost Estimates*

Project cost estimates broken down by (i) major cost category; and (ii) local and foreign currency cost, setting out taxes and duties, development expenses, working capital requirements, and interest during construction.

### *Financing Plan*

A summary of the proposed financing plan and security package including (i) source, amount, currency, and terms of the debt and equity investments; (ii) the source of finance for contingencies and cost overruns; (iii) description of escrow and retention arrangements; and (iv) information on the terms, security requirements, and status of the financing commitments of other lenders. The proposed arrangements for disposal of ADB's equity stake and dividend policy and proposed restrictions on their payment.

### *Expected Operational and Financial Performance*

Financial projections for the project covering the period from financial closing through final maturity of the proposed ADB financing, including balance sheet, profit and loss, and cash flow statements, and detailed assumptions used to prepare the projections. These data should be included in the financial model so that sensitivities for changed assumptions can be readily calculated.

### *Financial and Economic Evaluation*

A calculation of the economic and financial rates of return as well as return on the equity investment. These data also should be included in the financial model so that sensitivities for changed assumptions can be readily calculated.

## Appendix 5

**APPLICATION INFORMATION REQUIREMENTS** *(cont'd.)***Others***Risk Analysis*

An analysis of the risks in implementing and operating the project with the accompanying mitigating measures showing which party will bear the risk and/or pay for the mitigating measures. This should be accompanied by a list of proposed insurance coverages for both implementation and operation of the project.

*Financial Model*

The information submission should be accompanied by a copy of the project's financial model. This should be an integrated model that can provide for sensitivity analysis of critical elements of the project. It should be provided in hard copy and on a 3.5 inch floppy disk.

*Permitting and Licensing*

A list of all permits and clearances required for implementing and operating the project, the issuing authority, and the date of issue or expected issue.