

## COUNTRY COST-SHARING ARRANGEMENTS AND ELIGIBLE EXENDITURE FINANCING PARAMETERS<sup>1</sup>

Item	Parameter	Remarks/Explanation
Country Cost Sharing Ceiling <sup>2</sup> for the loan portfolio over the CPS period 2016-2020	Up to 85%	To encourage local ownership and commitment, lower percentages of financing are expected to be provided for income earning projects, particularly those that include private sector participation.
Country Cost Sharing Ceiling for the TA portfolio and other grants over the period 2016-2020	Up to 99%	Higher percentages of financing would be provided for projects and activities with strong evidence of ownership and commitment that address binding constraints to inclusive growth and development.
Cost-Sharing Ceiling for specific sectors	None	No sector specific variations have been proposed, energy and transport sub-sector (ports, civil aviation and roads) projects are expected to include higher percentages of country cost sharing.
Recurrent Cost Financing <sup>3</sup>	No country limits	At the project level, recurrent cost financing would be considered if consistent with project objectives, provided there is strong demonstration of arrangements to ensure sustainability after ADB financing concludes.  In the event recurrent cost financing took place, integration of ADB financing into budget and planning processes would be emphasized to help ensure increased recurrent costs from ADB projects avoid adverse impacts on fiscal sustainability.
Taxes and duties	None. Taxes and duties are eligible for ADB financing provided they are limited to a reasonable amount	Taxes and duties are at reasonable levels and have been declining over recent years under the government's Tariff Reduction Program.  At the project level, ADB would consider whether taxes and duties constitute an excessively high share of project costs. ADB would monitor local taxes for possible distortions and ensure these remain consistent with acceptable practices.

ADB = Asian Development Bank, CPS = Country Partnership Strategy, DMC = Developing Member Country, TA = Technical Assistance.

Financing parameters of PNG approved by the President on 30 April 2009.

<sup>1</sup> ADB policy on cost-sharing is governed by ADB. 2005. *Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach*. Manila.

<sup>2</sup> Country cost-sharing ceilings are financing parameters that indicate the maximum share of costs ADB will finance with respect to an aggregate portfolio of projects in a developing member country (DMC), over the country partnership strategy period for that DMC.

<sup>3</sup> Under the policy, recurrent costs of the borrower continue to be eligible for ADB financing. These are costs need to be regularly or periodically incurred, and could include salaries and operating costs. However, only recurrent costs during the implementation phase of projects will be eligible, and only up to an amount that would be in line with sound banking principles.