

OPERATIONS MANUAL POLICIES AND PROCEDURES

These policies and procedures were prepared for use by ADB staff and are not necessarily a complete treatment of the subject. This *Operations Manual* was prepared by the Procurement, Portfolio, and Financial Management Department (PPFD) and issued by the Strategy, Policy, and Partnerships Department with the approval of the President and is subject to compliance review. Questions may be directed to the director, Public Financial Management Division of PPFD.

FINANCING OF INTEREST AND OTHER CHARGES DURING IMPLEMENTATION

A. Introduction

1. Subject to the policy below, financial charges during implementation (FCDI), comprising interest during construction or implementation and other charges, are eligible for financing under sovereign loan and sovereign guaranteed loan operations (endnote i).¹

B. Definitions

2. FCDI comprise any interest, front-end fees, commitment charges, and premium on cap and collar on ADB loans or loans from cofinanciers to an ADB-financed project from loan effectiveness date to loan closing date.

C. The Policy

3. At a borrower's request, ADB may finance FCDI, and the ADB loan will include an amount in the allocation table as a separate category corresponding to the interest and other charges payable by the borrower to ADB and cofinanciers during the implementation of the project.²

D. Scope of the Policy

4. FCDI financing is available for all modalities except for policy-based lending.

E. Coverage

5. FCDI are payable by the borrower on ADB loans and/or loans from cofinanciers, both official and commercial, and from local sources. All FCDI are included in the estimated total cost of the project.

Basis

- i. ADB 2015. *Enhancing Operational Efficiency of the Asian Development Bank*. Manila (R167-15); and ADB. 2005. *Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach*. Manila (R193-05).

¹ The term "loans" includes grants for this purpose. ADB loans shall include fully administered cofinanced loans by ADB, as long as the cofinanciers' requirements do not restrict FCDI financing. For private sector operations, refer to ADB. 2016. Nonsovereign Operations. *Operations Manual*. OM D10/BP. Manila.

² Capitalized interest on ADB loans or loans from cofinanciers should be part of the loan allocation table at the time of loan approval.