

COUNTRY COST-SHARING ARRANGEMENTS AND ELIGIBLE EXPENDITURE FINANCING PARAMETERS^a

Item	Parameter	Remarks / Explanation
Country Cost-Sharing Ceiling^b for Loans	Up to 99%	The PRC government requested maximum flexibility in financing public sector loans. It indicated that cost sharing arrangement should not be an issue as long as ADB policy is the same for all developing member countries. The government will not request for any special treatment. For infrastructure projects, significant counterpart funding by provincial/municipal governments is expected to continue.
Country Cost-Sharing Ceiling^b for TA and other Grants	Up to 99%	ADB financing may go up to 99%. Current practice in the PRC is that ADB is expected to meet all consulting and other external input costs, while the government provides in-kind support in the form of counterpart staff, office accommodation, and facilities. The government does not normally make a separate budget (cash) contribution to TAs. Under this arrangement, ADB would be expected to continue financing no more than 80–85% of total TA costs.
Cost-Sharing Ceiling^b for Specific Sectors	None	No sector-specific variations are proposed.
Recurrent Cost Financing	No country limit other than the cost-sharing ceilings	<p>ADB will continue to monitor the fiscal situation and its implications for recurrent cost requirements. ADB financing of recurrent costs is expected to remain within a modest range throughout the new CPS period.</p> <p>In determining ADB financing of recurrent costs in individual projects, ADB will take into account sustainability issues at the sector and project levels.</p> <p>Continuing the existing policy, ADB will not finance in-kind support in the form of counterpart staff, office accommodations, or facilities. Other recurrent costs, including land acquisition expenses, will be eligible for ADB financing.</p>
Taxes and Duties	None	As taxes and duties are considered reasonable and nondiscriminatory, ADB may finance them. At the project and TA level, ADB would examine whether taxes and duties constitute an excessively high share of project costs.

ADB = Asian Development Bank, CS = country partnership strategy, PRC = People's Republic of China, TA = technical assistance.

^a ADB's policy on cost sharing is governed by ADB. 2005. *Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach*. Manila.

^b Country cost-sharing ceilings are financing parameters that indicate the maximum share of costs that 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.

Source: Asian Development Bank.