

# Examples of Good Practice

Cost Estimates and Financing  
Plans

February 2015

Financial Management Unit  
Operations Services and Financial Management Department

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## 1 Introduction

This document is an illustrative guide with examples of good practices in the preparation and presentation of cost estimates and financing plans in ADB's sovereign operations. The examples demonstrate the principles and key attributes of good cost estimates discussed in the Technical Guidance Note on Preparing and Presenting Cost Estimates for Projects and Programs Financed by the Asian Development Bank (2014).

These good practice examples illustrate the requirements of ADB's Operations Manual (OM) Section G2: *Financial Management, Cost Estimates, Financial Analysis, and Financial Performance Indicators* and are consistent with the recommended approaches in the *Report and Recommendation of the President to the Board of Directors (RRP)* and *Project [Facility] Administration Manual (PAM)* templates on E-Board.

These illustrations are not deemed to be all-embracing as nature and characteristics of projects differ. Exercise of judgment and reference to the guidance materials are invariably required.

Disclaimer: The examples presented have been updated to be consistent with ADB's policy requirements and guidance as of December 2014 and may differ from actual project documents.



## 2 Investment Project

### PRC: The Anhui Intermodal Sustainable Transport Project

<http://www.adb.org/sites/default/files/projdocs/2014/45021-002-rrp.pdf>

<http://www.adb.org/sites/default/files/projdocs/2014/45021-002-pam.pdf>

**Description:** The project will (i) upgrade sections of provincial and national highways in Anhui Province and improve the safety features on these roads; (ii) develop new highway sections designed to support public and non-motorized transport; (iii) improve the capacity of the province's inland waterway network, (iv) construct an intermodal inland river port on the upgraded inland water channel, and (v) strengthen institutional capacity for road and inland water transport.

### 2.1 Summary Cost Estimates

**Table 1: Summary Cost Estimates**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost <sup>b</sup></b>	
1. Road network and safety improvement	224.1
2. Highways and public transport improvement	215.2
3. Inland waterway network improvement	66.5
4. Intermodal transport	29.0
5. Institutional strengthening and capacity building	1.5
<b>Subtotal (A)</b>	<b>536.3</b>
<b>B. Contingencies <sup>c</sup></b>	<b>80.6</b>
<b>C. Financial Charges During Implementation <sup>d</sup></b>	<b>17.2</b>
<b>Total (A+B+C)</b>	<b>634.1</b>

<sup>a</sup> Includes taxes and duties of \$18 million to be partly financed by the Asian Development Bank (ADB) loan.

<sup>b</sup> In mid-2013 prices as at January 2014.

<sup>c</sup> Physical contingencies computed at 5% for civil works, filed research and development, training, surveys and studies. Price contingencies computed at 8.1% on foreign exchange costs and 10.4% on local currency costs; includes a provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>d</sup> Includes interest and commitment charges. Interest during construction for the ADB loan has been computed at the 5-year US dollar fixed swap rate corresponding to the implementation period plus an effective contractual spread of 0.4% and a maturity premium of 0.1%. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

**A** – The cost estimates are classified into three groups: base costs, contingencies, and financial charges during implementation. This includes all project costs, regardless of financier.

**B** – The footnote indicates the price basis of the cost estimates. Cost estimates prepared within the last six months prior to board approval are considered acceptable and relevant measurements of the costs of the project.

**C** – Base cost estimates are presented by component or output. This presentation provides the cost of the tangible results of the project and its linkage to the scope, activities, and development objectives presented in the RRP, PAM, and the design and monitoring framework (DMF).

**D** – Taxes and duties are included in the project costs and disclosed in a footnote. The source of funding is stated.

**E** – Financial charges include interest during construction (IDC) on the domestic and ADB loans, as well as commitment charges on the ADB loan. The IDC for the ADB loan was calculated using the 5-year US dollar fixed swap rate and the applicable terms for the ordinary capital resources (OCR)-funded loan.

## 2.2 Financing Plan

**Table 2: Financing Plan**

Source	Amount (\$million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (loan)	200.0	31.5
Government <sup>a</sup>	393.1	62.0
Bank of Communications	41.0	6.5
<b>Total</b>	<b>634.1</b>	<b>100.0</b>

<sup>a</sup> Includes domestic loans for the inland waterway component.  
Source: Asian Development Bank estimates.

**F** – The financing plan reflects the resources that are required to implement the project. The total financing is consistent with the project costs in the Summary Cost Estimates.

## 2.3 Detailed Cost Estimates by Expenditure Category

Table 6: Detailed Cost Estimates by Expenditure Category

Item	(CNY million)			(\$ million)			% of Total Base Cost
	Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost	
<b>A. Investment Costs</b>							
1. Civil Works	393.0	2,226.9	2,619.9	64.5	365.6	430.1	80.2
2. Mechanical and Equipment	13.4	20.1	33.6	2.2	3.3	5.5	1.0
3. Environment and Social Mitigation	19.7	373.6	393.3	3.2	61.3	64.6	12.0
4. Consultants							
a. Project Management	30.0	185.2	215.3	4.9	30.4	35.3	6.6
b. Capacity Development	2.1	3.1	5.2	0.3	0.5	0.9	0.2
<b>Subtotal (A)</b>	<b>458.2</b>	<b>2,809.0</b>	<b>3,267.2</b>	<b>75.2</b>	<b>461.1</b>	<b>536.3</b>	<b>100.0</b>
<b>B. Contingencies</b>							
1. Physical	22.9	139.8	162.7	3.8	22.9	26.7	5.0
2. Price	37.5	290.7	328.2	6.2	47.7	53.9	10.1
<b>Subtotal (B)</b>	<b>60.4</b>	<b>430.4</b>	<b>490.8</b>	<b>9.9</b>	<b>70.7</b>	<b>80.6</b>	<b>15.0</b>
<b>C. Financial Charges During Implementation</b>							
1. Interest During Construction	54.9	45.8	100.7	9.0	7.5	16.5	3.1
2. Commitment Charges	4.1	0.0	4.1	0.7	0.0	0.7	0.1
<b>Subtotal (C)</b>	<b>59.0</b>	<b>45.8</b>	<b>104.8</b>	<b>9.7</b>	<b>7.5</b>	<b>17.2</b>	<b>3.2</b>
<b>Total Project Cost (A+B+C)</b>	<b>577.6</b>	<b>3,285.2</b>	<b>3,862.9</b>	<b>94.8</b>	<b>539.3</b>	<b>634.1</b>	<b>118.2</b>

**G** – Base costs are presented by expenditure category consistent with the executing agency’s chart of accounts. This facilitates preparation of project financial statements and monitoring of project expenditures against budget.

**H** – Cost estimates are presented in local currency units (CNY) and USD equivalent; and are further grouped into local and foreign financing components. This enables calculation of price contingencies.

**I** – Safeguards-related costs such as costs of environmental and social mitigation are included in the cost estimates.

**J** – The detailed cost estimates sum up correctly and are consistent with the Summary Cost Estimates.

**K** – The provision for contingencies is reasonable. Physical contingencies are calculated by component and by expenditure. Price contingencies are calculated on both the foreign and local currency components and are higher for local currency expenditures.

**L** – IDC and commitment charges are calculated for both the ADB loan and the domestic bank loan, and are within typical ranges, i.e., 2–10% and 0.1–0.4% of base costs, respectively.

### 3 Multitranche Financing Facility



#### SRI: The Green Power Development and Energy Efficiency Improvement Investment Program

<http://www.adb.org/sites/default/files/projdocs/2014/47037-003-rrp.pdf>  
<http://www.adb.org/sites/default/files/projdocs/2014/47037-003-fam.pdf>

**Description:** The investment program includes (i) construction of a 30-megawatt, run-of-river hydropower plant; (ii) transmission infrastructure enhancement for absorption of intermittent renewable energy and network efficiency improvements; (iii) demand-side management interventions; and (iv) project management and institutional capacity development in Central, Eastern, Northern, North Central, North Western, and Western provinces.

#### 3.1 Summary Cost Estimates

**Table 1: Investment Program**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost <sup>b</sup></b>	
1. Construction of Moragolla hydropower plant	113.2
2. Transmission infrastructure development and medium-voltage network efficiency improvement	242.6
3. Energy efficiency pilot subprojects	14.0
4. Project management and capacity building <sup>c</sup>	12.3
<b>Subtotal (A)</b>	<b>382.1</b>
<b>B. Contingencies <sup>d</sup></b>	<b>44.2</b>
<b>C. Financial Charges During Implementation <sup>e</sup></b>	<b>13.7</b>
<b>Total (A+B+C)</b>	<b>440.0</b>

<sup>a</sup> Includes taxes and duties of \$ 18.57 million and incremental (e.g. land, environmental, and social mitigation) costs of \$ 3.54 million to be financed by government funds.

<sup>b</sup> In first quarter 2014 prices as at May 2014.

<sup>c</sup> Includes overhead costs associated with project management, implementation and monitoring.

<sup>d</sup> Physical contingencies are computed at 5% of base costs. Price contingencies are computed using ADB's forecasts of international and domestic inflation; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>e</sup> Financial charges during implementation include interest from all financing resources. For ADB financing, interest during construction has been computed at the 5-year USD fixed swap rate (corresponding to the implementation period) plus an effective contractual spread of 50 basis points for ordinary capital resources (OCR) loan components and at a base rate of 2.0% for the Asian Development Fund loan components. Commitment charges for the OCR loan are computed at 0.15% per year to be charged on the undisbursed loan amount.

Sources: Ceylon Electricity Board and Asian Development Bank estimates.

**A** – The cost estimates are classified into three groups: base costs, contingencies, and financial charges during implementation.

**B** – Taxes and duties are included in the project costs and disclosed in a footnote. The source of funding is stated.

**C** – Base cost estimates are presented by component or output. This presentation provides the cost of the tangible results of the project and its linkage to the scope, activities, and development objectives presented in the RRP, PAM, and DMF.

**D** – The footnote indicates the price basis of the cost estimates. Cost estimates prepared within the last six months prior to board approval are considered acceptable and relevant measurements of the costs of the project.

**E** – Physical contingency estimate is within the typical 5–10% range of base cost. Price contingencies are calculated using the cost escalation factors maintained by ADB.

**F** – Financial charges include IDC and commitment charges from all sources of financing (as applicable). The IDC for the OCR-funded loan was calculated using the 5-year US dollar fixed swap rate and the applicable terms. The IDC for the Asian Development Fund (ADF)-funded component used the applicable terms for ADF-funded loan.

### 3.2 Financing Plan

**Table 2: Financing Plan**

(\$ million)

Source	Project 1	Project 2	Projects 1 and 2	Share of Total (%)
<b>Asian Development Bank</b>				
Ordinary capital resources (loan)	121.0	95.0	216.0	49.1
Special Funds resources (loan)	29.0	55.0	84.0	19.1
<b>Subtotal</b>	<b>150.0</b>	<b>150.0</b>	<b>300.0</b>	<b>68.2</b>
<b>Cofinancier</b>				
Agence Francaise de Developpement loan <sup>a</sup>	30.0	30.0	60.0	13.6
<b>Government</b>	40.0	40.0	80.0	18.2
<b>Total</b>	<b>220.0</b>	<b>220.0</b>	<b>440.0</b>	<b>100.0</b>

<sup>a</sup> Agence Francaise de Developpement (AFD) confirmed that it will cofinance project 1 and expressed interest in cofinancing project 2 subject to AFD management's decision at a later stage.

Source: Asian Development Bank estimates.

**G** – The financing plan identifies the financiers with total financing structure consistent with the total project costs.

**H** – The financing plan reflects the planned distribution of costs by tranches that make up the multitranche financing (MFF) program.



### 3.3 Detailed Cost Estimates by Financier

Item	Total Cost USD million	ADB				AFD		Counterpart	
		OCR	% of cost category	ADF	% of cost category	AFD	% of cost category	Amount	% of cost category
<b>A. Investment Costs</b>									
1. Civil works and erection	129.2	96.4	74.6	15.3	11.9	17.4	13.5	-	0.0
2. Equipment	213.3	119.6	56.1	51.2	24.0	42.6	20.0	-	0.0
3. Consultancy	-	-	0.0	-	0.0	-	0.0	-	0.0
a. Project management design and supervision	15.6	-	0.0	15.6	100.0	-	0.0	-	0.0
b. capacity development	1.9	-	0.0	1.9	100.0	-	0.0	-	0.0
<b>Sub Total (A)</b>	<b>360.0</b>	<b>216.0</b>		<b>84.0</b>		<b>60.0</b>		-	
<b>Base Cost</b>	<b>360.0</b>	<b>216.0</b>		<b>84.0</b>		<b>60.0</b>		-	
<b>B. Other Costs</b>									
1. Taxes and duties	18.6	-	0.0	-	0.0	-	0.0	18.6	100.0
2. Consultancy	-	-	0.0	-	0.0	-	0.0	-	0.0
3. Environmental and Social Mitigation	3.5	-	0.0	-	0.0	-	0.0	3.5	100.0
<b>Sub Total (B)</b>	<b>22.1</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>22.1</b>	<b>100.0</b>
<b>Total Base Cost (A + B)</b>	<b>382.1</b>	<b>216.0</b>	<b>56.5</b>	<b>84.0</b>	<b>22.0</b>	<b>60.0</b>	<b>15.7</b>	<b>22.1</b>	<b>5.8</b>
<b>C. Contingencies</b>									
1. Physical	18.5	-	0.0	-	0.0	-	0.0	18.5	100.0
2. Price	25.7	-	0.0	-	0.0	-	0.0	25.7	100.0
<b>Sub Total (C)</b>	<b>44.2</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>44.2</b>	<b>100.0</b>
<b>D. Financial Charges During Implementation</b>									
1. Interest during construction	12.8	-	0.0	-	0.0	-	0.0	12.8	
2. Commitment charges	0.9	-	0.0	-	0.0	-	0.0	0.9	
<b>Sub Total (D)</b>	<b>13.7</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>13.7</b>	<b>100.0</b>
<b>Total Project Cost (A+B+C+D)</b>	<b>440.0</b>	<b>216.0</b>		<b>84.0</b>		<b>60.0</b>		<b>80.0</b>	
<b>% Total Project Cost</b>		<b>49.1%</b>		<b>19.1%</b>		<b>13.6%</b>		<b>18.2%</b>	

**I** – Base costs are presented by expenditure category consistent with the executing agency’s chart of accounts. This facilitates preparation of project financial statements and monitoring of project expenditures against budget.

**J** – Safeguards-related costs such as costs of environmental and social mitigation are included in the cost estimates.

**K** – The detailed cost estimates sum up correctly and are consistent with the Summary Cost Estimates.

**L** – The financiers are identified and the totals consistent with the financing plan.

**M** – Taxes and duties are presented as a separate line when the government will finance all taxes and duties in the form of tax exemption.

**N** – Contingencies and financial charges are planned to be financed by the counterpart funds and are reflected in the detailed cost estimates accordingly. In the event that interest is capitalized in the ADB loan, the IDC should be reflected under ADB.



## 4 Additional Financing

### CAM: The Flood Damage Emergency Reconstruction Project

<http://www.adb.org/sites/default/files/projdocs/2014/46009-003-rrp.pdf>  
<http://www.adb.org/sites/default/files/projdocs/2014/46009-003-pam.pdf>

**Description:** The additional financing to the project includes four outputs to restore key infrastructure damaged by the 2013 floods that affected 20 of Cambodia’s 24 provinces: (i) national and provincial roads rehabilitation, (ii) rural roads rehabilitation, (iii) irrigation rehabilitation and flood management, and (iv) project management and facilitation. The project covers six severely flood-affected provinces: Banteay Meanchey, Battambang, Kampong Cham, Kampong Thom, Oddar Meanchey, and Siem Reap.

#### 4.1 Summary Cost Estimates

**Table 1: Summary Cost Estimates**  
(\$ million)

Item	Current Amount <sup>a</sup>	Additional Financing <sup>b</sup>	Total
<b>A. Base Cost <sup>c</sup></b>			
1. National and provincial roads	29.0	29.9	58.9
2. Rural roads	17.8	25.5	43.3
3. Irrigation and flood management	11.8	23.8	35.7
4. Project management and facilitation	1.2	1.6	2.8
<b>Subtotal (A)</b>	<b>59.8</b>	<b>80.8</b>	<b>140.6</b>
<b>B. Contingencies <sup>d</sup></b>	<b>6.2</b>	<b>8.7</b>	<b>14.9</b>
<b>C. Financial Charges During Implementation <sup>e</sup></b>	<b>1.1</b>	<b>1.2</b>	<b>2.3</b>
<b>Total (A+B+C)</b>	<b>67.2</b>	<b>90.7</b>	<b>157.9</b>

ADB = Asian Development Bank

<sup>a</sup> Refers to the original amount and any previous additional financing.

<sup>b</sup> Includes taxes and duties of \$7.08 million to be financed by the government through tax exemption.

<sup>c</sup> In end-2013 prices as at April 2014.

<sup>d</sup> Physical contingencies are computed at 5% for all goods and services except for the subproject allocation. Price contingencies are computed at 2.60% for the 3 years of implementation on foreign exchange costs and 4.25% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>e</sup> Includes interest during construction for the Asian Development Fund (ADF) loan at 1% per annum during implementation period to be capitalized in the ADF loan.

Source: Asian Development Bank estimates.

**A** – The cost estimates are classified into three groups: base costs, contingencies, and financial charges during implementation.

**B** – Taxes and duties are included in the project costs and disclosed in a footnote. The footnote describes the financier and the method through which the contribution will be provided.

**C** – Base cost estimates are presented by component or output. This presentation provides the cost of the tangible results of the project and its linkage to the scope, activities, and development objectives. This presentation is consistent with the PAM and DMF.

**D** – The cost estimates for the current and additional financing are presented for comparability and in line with the RRP template.

**E** – The footnote indicates the price basis of the cost estimates. Cost estimates prepared within the last six months prior to board approval are considered acceptable and relevant measurements of the costs of the project.

**F** – Contingency provision is presented as a single line item comprising physical and price contingencies. Physical contingencies are within the typical 5-10% range of base cost. The basis for calculating price contingencies is presented in the footnote.

**G** – Financial charges include IDC using applicable terms for an ADF-funded loan.

## 4.2 Financing Plan

**Table 2: Summary Financing Plan**

Source	Current <sup>a</sup>		Additional Financing		Total	
	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)
Asian Development Bank Special Funds resources (loan)	55.0	82.0	75.0	83.0	130.0	82.0
Government of Australia	5.3	8.0	6.7	7.0	11.9	8.0
Government of Cambodia	6.9	10.0	9.0	10.0	15.9	10.0
<b>Total</b>	<b>67.2</b>	<b>100.0</b>	<b>90.7</b>	<b>100.0</b>	<b>157.9</b>	<b>100.0</b>

<sup>a</sup> Refers to the original amount and any previous additional financing.  
Source: Asian Development Bank estimates.

**H** – The financing plan presents a comparison of the current and additional financing components. The financiers are identified with totals consistent with the total project costs.

### 4.3 Detailed Cost Estimates by Component/Output

Cost Estimates by Outputs (\$ million)									
Outputs	Total Cost	National & Provincial Roads	% of Cost Category	Rural Roads	% of Cost Category	Irrigation	% of Cost Category	Project Management	% of Cost Category
<b>A. Investment Costs</b>									
1. Civil Works	70.4	26.9	38.2	23.0	32.7	20.5	29.1	-	-
2. Equipment and Vehicles	0.8	0.0	1.4	0.0	1.4	0.8	95.8	0.0	1.4
3. Consulting Services	7.8	2.5	32.1	2.0	25.6	2.0	25.6	1.3	16.1
	<b>79.0</b>	<b>29.4</b>		<b>25.0</b>		<b>23.3</b>		<b>1.3</b>	
<b>Recurrent Costs</b>									
4. Incremental Costs	1.8	0.5	27.8	0.5	27.8	0.5	27.8	0.3	16.7
	<b>1.8</b>	<b>0.5</b>		<b>0.5</b>		<b>0.5</b>		<b>0.3</b>	
<b>Total Base Cost (A)</b>	<b>80.8</b>								
<b>B. Contingencies</b>									
1. Physical Contingency	6.2								
2. Price Contingency	2.5								
<b>Subtotal (B)</b>	<b>8.7</b>								
<b>C. Interest During Construction (C)</b>	<b>1.2</b>								
<b>TOTAL Project Cost (A+B+C)</b>	<b>90.7</b>	<b>29.9</b>		<b>25.5</b>		<b>23.8</b>		<b>1.6</b>	

**I** – Cost estimates are presented by component with totals consistent with the Summary Cost Estimates.

**J** – Base costs are presented by expenditure category consistent with the executing agency’s chart of accounts. This facilitates preparation of project financial statements and monitoring of project expenditures against budget.

**K** – Incremental recurrent costs are presented as a separate line item and discussed in more detail in the PAM.

**L** – The detailed cost estimates sum up correctly and are consistent with the Summary Cost Estimates.

## 5 Sector Development Loan



### PRC: Liaoning Small Cities and Towns Development Demonstration Sector Project

<http://www.adb.org/sites/default/files/project-document/64872/42382-prc-rrp.pdf>

<http://www.adb.org/sites/default/files/project-document/63899/42382-01-prc-pam.pdf>

**Description:** The Project aims to help promote balanced and environmentally sustainable urbanization; narrow the urban–rural gap; and improve production, employment, and living conditions in small cities and towns in Liaoning Province. It will support the development of selected small cities and towns in the province. The Project includes about seven subprojects, including three core subprojects—Donggang City, Kazuo Mongolian Autonomous County, and Linghai City. The Donggang City core subproject has three components: (i) roads and bridge, and associated services; (ii) drainage and wastewater treatment; and (iii) river improvement and area upgrading. The Kazuo Mongolian Autonomous County core subproject has one water supply component. The Linghai City core subproject has one component for construction and upgrading of roads, and associated services.

### 5.1 Summary Cost Estimates

**Table 1. Summary Cost Estimates**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost <sup>b</sup></b>	
1. Donggang subproject	56.2
2. Kazuo subproject	11.2
3. Linghai subproject	24.9
4. Subsequent subprojects	82.5
5. Institutional strengthening	2.1
<b>Subtotal (A)</b>	<b>176.9</b>
<b>B. Contingencies <sup>c</sup></b>	<b>48.2</b>
<b>C. Financial Charges During Implementation <sup>d</sup></b>	<b>11.4</b>
<b>Total (A+B+C)</b>	<b>236.5</b>

<sup>a</sup> Includes taxes and duties of \$ 16.0 million to be partly financed by the Asian Development Bank (ADB) loan. → **D**

<sup>b</sup> In mid-2008 prices as at August 2009.

<sup>c</sup> Physical contingencies are computed by year and expenditure type based on cumulative domestic and foreign price inflation. Exchange rate fluctuations are estimated using a purchasing power parity adjustment model. → **E**

<sup>d</sup> Includes interest and commitment charges. Interest during construction for the ADB loan is computed at the 5-year USD fixed swap rate corresponding to the implementation period plus a spread of 0.2% and commitment charges at 0.15%.

Source: Asian Development Bank estimates.

**A** – The cost estimates are classified into three groups: base costs, contingencies, and financial charges during implementation.

**B** – The footnote indicates the price basis of the cost estimates. Cost estimates prepared within six to twelve months of board approval should be revised by indexation using a simple escalation factor, reflecting actual price changes since the date of cost estimates, applied to the base costs.

**C** – Base cost estimates are presented by component or output. This presentation provides the cost of the tangible results of the project and its linkage to the scope, activities, and development objectives. This presentation is consistent with the PAM and DMF.

**D** – Taxes and duties are included in the project costs and disclosed in a footnote. The source of financing is stated.

**E** – Price contingencies include a provision for potential exchange rate fluctuation under the assumption of purchasing power parity.

## 5.2 Financing Plan

**Table 2: Financing Plan**

<b>Source</b>	<b>Amount (\$ million)</b>	<b>Share of Total (%)</b>
Asian Development Bank		
Ordinary capital resources (loan) <sup>a</sup>	100.0	42.3
Multi-Donor Trust Fund under Water Financing Partnership Facility <sup>b</sup>	0.3	0.0
Donggang City Government (Donggang subproject)	49.7	21.0
Kazuo Mongolian Autonomous Country Government (Kazuo subproject)	7.6	3.2
Linghai City Government (Linghai subproject)	17.2	7.3
Other City and County Governments (subsequent subprojects)	61.7	26.2
<b>Total</b>	<b>236.5</b>	<b>100.0</b>

<sup>a</sup> The Asian Development Bank (ADB) loan will include bank charges, taxes, and duties on items financed by ADB.

<sup>b</sup> Contributors: the governments of Australia, Austria, Norway. Actual amount is \$250,000.

Source: Asian Development Bank estimates.

**F** – The financing plan identifies the financiers with total financing structure consistent with the total project costs.

### 5.3 Detailed Cost Estimates by Expenditure Category

**G** – Base costs are presented by expenditure category consistent with the executing agency’s chart of accounts. This facilitates preparation of project financial statements and monitoring of project expenditures against budget.

**H** – Civil works estimates are largely in local currency units as designed.

**I** – Land acquisition and resettlement costs as well as other safeguards-related costs such as costs of environmental management are included in the cost estimates.

Item	CNY Million			\$ Million			Percentage of Base Costs
	Foreign Exchange Costs	Local Currency Costs	Total Costs	Foreign Exchange Costs	Local Currency Costs	Total Costs	
<b>A Base Costs <sup>a</sup></b>							
<b>1. Construction</b>							
a. Civil Works	263.8	615.5	879.3	38.8	90.5	129.3	74.9
b. Capital Goods	39.5	92.4	131.9	5.8	13.6	19.4	11.2
c. Land Acquisition and Resettlement	0.0	90.5	90.5	0.0	13.3	13.3	7.7
d. Survey, Research, Design and Consulting Services	0.0	65.3	65.3	0.0	9.6	9.6	5.6
e. Environmental Management	1.6	5.8	7.4	0.2	0.8	1.1	0.6
Subtotal (A1)	305.0	869.5	1,174.5	44.8	127.8	172.7	100.0
<b>2. Institutional Strengthening</b>							
a. Consulting Services and Training	9.3	-	9.3	-	-	-	-
b. Capacity Building (grant) <sup>b</sup>	2.0	3.1	5.1	1.6	0.5	2.1	1.2
Subtotal (A2)	11.3	3.1	14.4	1.6	0.5	2.1	1.2
<b>3. Recurrent Costs</b>							
Implementing Agency Management	0.0	14.4	14.4	0.0	2.1	2.1	1.2
Subtotal (A3)	0.0	14.4	14.4	0.0	2.1	2.1	1.2
<b>Total Base Cost (A)</b>	<b>316.3</b>	<b>887.0</b>	<b>1,203.3</b>	<b>46.4</b>	<b>130.4</b>	<b>176.9</b>	<b>102.4</b>
<b>B Contingencies</b>							
1. Physical Contingency <sup>c</sup>	26.9	95.5	122.4	4.0	14.0	18.0	10.4
2. Price Contingency <sup>d</sup>	25.3	179.9	205.2	3.7	26.5	30.2	17.5
Subtotal (B)	52.2	275.4	327.6	7.7	40.5	48.2	27.9
<b>C Financial Charges During Implementation <sup>e</sup></b>							
Interest During Construction	77.6	0.0	77.6	11.4	0.0	11.4	6.6
<b>Total Financial Charges During Construction</b>	77.6	0.0	77.6	11.4	0.0	11.4	6.6
<b>Total Project Cost (A+B+C)</b>	<b>446.0</b>	<b>1,162.4</b>	<b>1,608.4</b>	<b>65.6</b>	<b>170.9</b>	<b>236.5</b>	<b>136.9</b>

<sup>a</sup> In mid-2008 prices as at August 2009.

<sup>b</sup> Actual amount is \$250,000.

<sup>c</sup> Physical contingencies are computed at 10% of base costs.

<sup>d</sup> Price contingencies are computed by year-end expenditure type based on cumulative domestic and foreign inflation.

<sup>e</sup> Interest during construction are computed at 4.5% per annum during the implementation period.

Exchange rate used CNY6.8=\$1.

Source: Asian Development Bank estimates.

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**J** – Recurrent costs pertaining to project implementation is presented as a separate line item in the detailed cost estimates.

**K** – Physical contingency is within the typical 5–10% range of base cost. Price contingencies are calculated on both the foreign and local currency components of the base costs plus physical contingencies, using the cumulative domestic and foreign escalation rates.