guaranteed loan, and is charged on the sum of the guaranteed percentage of the principal outstanding and the amount of interest to be paid for an agreed interest period. The standby fee is applied to the amount of any guaranteed principal that has not yet been disbursed. In some cases, a standby fee may also be charged for accumulated interest that has not accrued, but that would be at risk for non-payment due to a covered peril.

Generally, the fees applied by ADB are market-based for comparable guarantee operations, and take into consideration, among other things, the project, sector, and country risks, as well as the specific terms of the contract of guarantee. However, for guarantees that benefit from a sovereign counter-indemnity, ADB’s policy-based pricing will apply.

Syndication of Guarantees

ADB will, if possible, mobilize additional amounts of guarantee through partnership arrangements with private and public political risk guarantors and insurers. The arrangements can take the form of reinsurance participations, where ADB assumes responsibility for the entire amount of the guarantee, and syndicates a portion of the risk to a guarantor or reinsurer; or a “guarantee-of-record” structure, where the guarantee is in ADB’s name, but where the guarantee holder assumes the credit risk of the third-party guarantor or insurer.

Due Diligence

ADB will also carry out due diligence on the financial, technical, and economic viability of the project as well as the project sponsor(s) and prospective guarantee holder(s).

Compliance with ADB Safeguard Policies and Procurement Guidelines

The terms of ADB guarantees will require that the guaranteed lender ensure, to the extent reasonably possible, that the borrower of the guaranteed loan complies with ADB’s policies, including those related to environment and social safeguards; procurement; the prevention of corruption, money laundering, and the financing of terrorism.

Further Information about ADB’s Guarantee Products

For inquiries and clarification about ADB’s guarantee products (political risk guarantee and partial risk guarantee), please contact:

Guarantees and Syndications Unit
Private Sector Operations Department

Christophe Bellinger
Lead Guarantees and Syndications Specialist
Tel +63 2 632 6273
cbellinger@adb.org

Bart Raemaekers
Senior Guarantees and Syndications Specialist
Tel +63 2 632 6852
braemaekers@adb.org

For inquiries and clarifications about the other products offered by ADB’s Private Sector Operations Department, please visit http://beta.adb.org/site/private-sector-financing/main or contact newbusiness@adb.org.

This brochure is issued purely for information purposes and does not constitute an offer to provide a guarantee either generally or on specific terms. Insofar as there are any discrepancies or inconsistencies between the contents of this brochure and the terms of any executed ADB guarantee, the terms of the ADB guarantee will prevail.

Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
www.adb.org

Printed on recycled paper
Publication Stock No. ARM114224
December 2011
Introduction

The Asian Development Bank (ADB) was established in 1966. It is owned by 67 member countries. ADB is headquartered in Manila, Philippines.

ADB’s corporate vision is “an Asia and Pacific region free of poverty.” The development of the private sector, private sector operations, and partnerships are some of the priority areas that will help ADB realize the vision.¹

ADB’s financing instruments include loans; guarantees against various risks, including political risks and credit risks (i.e., covering both political and commercial risks); equity investments; and grants. ADB also offers technical assistance and specialist advisory services for project and program preparation, implementation, development-related research, and policy reform.

ADB enjoys an AAA credit rating from leading rating agencies.

Guarantees against Political Risks

This brochure summarizes ADB’s political risk guarantee product for nonsovereign and sovereign² operations.

Eligible Debt Instruments

ADB provides political risk guarantees to lenders of most forms of debt. These include commercial bank loans, loans made by shareholders, loans guaranteed by shareholders or third parties, capital market debt instruments, bonds, financial leases, letters of credit, promissory notes, and bills of exchange.

Type of Risks Guaranteed

ADB may guarantee various political risks, including the following:

- **Transfer Restriction**—protects a lender against a borrower’s and/or a lender’s inability to convert local currency proceeds into foreign exchange, or from transferring the foreign exchange out of the developing member country (DMC), to service the guaranteed debt.

- **Expropriation**—protects a lender against expropriatory measures, including nationalization, deprivation, confiscation, that prevent a borrower from servicing guaranteed debt. The guarantee also protects a lender in the event of an inability to service debt arising from a series of measures that constitute a “creeping expropriation.”

- **Political Violence**—protects a lender against a borrower’s inability to service guaranteed debt as a result of physical damage to a project’s assets, or an interruption in a borrower’s business activities, as a result of war, revolution, insurrection, terrorism, or other politically motivated acts.

- **Contract Disputes**—protects a lender against a default by a borrower of a guaranteed loan as a result of a frustration of an arbitral process (“Denial of Justice”) and/or the inability to enforce an award against relevant governmental parties to a project agreement (“Arbitration Award Default”).

Eligible Sectors

ADB’s guarantee product is principally applied in financial services and capital markets (e.g., banking, leasing, insurance, and funds); and infrastructure (e.g., power, transportation, water supply and waste treatment, and telecommunications).

ADB may consider other sectors on a case-by-case basis.

Guarantee Holders

A guarantee holder is typically a private financial institution or an investor providing debt financing to a project that is eligible for ADB financing. Public institutions may also benefit from an ADB political risk guarantee provided they operate on a commercial basis.

Participation Requirement

ADB may provide a guarantee to a project provided that it has “participated” in the project or the sector. Any ADB financing instrument can satisfy the participation requirement, provided that both it and the guarantee share the same development objective and relate to the same sector or project.

Developing Member Countries

Guarantees may be issued for projects located in any ADB DMC.³

Guaranteed Percentage

ADB is not restricted by its policies from guaranteeing up to 100% of a guarantee holder’s exposure to loss under the guaranteed debt instrument. However, in practice, and to both offset the risk of moral hazard and leverage its financing capability, ADB will set the guaranteed percentage at the lowest level required to mobilize the necessary financing.

The Term of the Guarantee

ADB guarantees usually match the term of the guaranteed debt instrument.

Guarantee Currency

A guarantee may be issued in any currency in which ADB can efficiently intermediate, including the currencies of some of its DMCs.

Fees⁴

The cost of a guarantee typically consists of three components: a front-end fee, a guarantee fee, and a standby fee.

The **front-end fee** is a one-time payment that covers due diligence, processing of the guarantee, and other up-front costs. The **guarantee fee** covers ADB’s exposure risks in relation to the outstanding principal and interest of the

---


² A sovereign operation is defined as one in which the government has provided a sovereign counter-guarantee to ADB. Sovereign operations are processed by ADB’s regional departments.

³ A current list of ADB’s DMCs is available on www.adb.org.

⁴ Different terms and conditions may apply to the guarantee if ADB obtains a sovereign counter-guarantee.
guaranteed loan, and is charged on the sum of the guaranteed percentage of the principal outstanding and the amount of interest to be paid for an agreed interest period. The standby fee is applied to the amount of any guaranteed principal that has not yet been disbursed. In some cases, a standby fee may also be charged for accumulated interest that has not accrued, but that would be at risk for non-payment due to a covered peril.

Generally, the fees applied by ADB are market-based for comparable guarantee operations, and take into consideration, among other things, the project, sector, and country risks, as well as the specific terms of the contract of guarantee. However, for guarantees that benefit from a sovereign counter-indemnity, ADB’s policy-based pricing will apply.

Syndication of Guarantees

ADB will, if possible, mobilize additional amounts of guarantee through partnership arrangements with private and public political risk guarantors and insurers. The arrangements can take the form of reinsurance participations, where ADB assumes responsibility for the entire amount of the guarantee, and syndicates a portion of the risk to a guarantor or reinsurer; or a “guarantee-of-record” structure, where the guarantee is in ADB’s name, but where the guarantee holder assumes the credit risk of the third-party guarantor or insurer.

Due Diligence

ADB will also carry out due diligence on the financial, technical, and economic viability of the project as well as the project sponsor(s) and prospective guarantee holder(s).

Compliance with ADB Safeguard Policies and Procurement Guidelines

The terms of ADB guarantees will require that the guaranteed lender ensure, to the extent reasonably possible, that the borrower of the guaranteed loan complies with ADB’s policies, including those related to environment and social safeguards; procurement; the prevention of corruption, money laundering, and the financing of terrorism.

For inquiries and clarification about ADB’s guarantee products (political risk guarantee and partial risk guarantee), please contact:

Guarantees and Syndications Unit
Private Sector Operations Department

Christophe Bellinger
Lead Guarantees and Syndications Specialist
Tel +63 2 632 6273
cbellinger@adb.org

Bart Raemaekers
Senior Guarantees and Syndications Specialist
Tel +63 2 632 6852
braemaekers@adb.org

For inquiries and clarifications about the other products offered by ADB’s Private Sector Operations Department, please visit http://beta.adb.org/site/private-sector-financing/main or contact newbusiness@adb.org.

This brochure is issued purely for information purposes and does not constitute an offer to provide a guarantee either generally or on specific terms. Insofar as there are any discrepancies or inconsistencies between the contents of this brochure and the terms of any executed ADB guarantee, the terms of the ADB guarantee will prevail.

Further Information about ADB’s Guarantee Products

ADB also provides various loan syndication products (e.g., “B” loan) to help mobilize additional project financing.
guaranteed loan, and is charged on the sum of the guaranteed percentage of the principal outstanding and the amount of interest to be paid for an agreed interest period. The standby fee is applied to the amount of any guaranteed principal that has not yet been disbursed. In some cases, a standby fee may also be charged for accumulated interest that has not accrued, but that would be at risk for non-payment due to a covered peril.

Generally, the fees applied by ADB are market-based for comparable guarantee operations, and take into consideration, among other things, the project, sector, and country risks, as well as the specific terms of the contract of guarantee. However, for guarantees that benefit from a sovereign counter-indemnity, ADB’s policy-based pricing will apply.

Syndication of Guarantees

ADB will, if possible, mobilize additional amounts of guarantee through partnership arrangements with private and public political risk guarantors and insurers. The arrangements can take the form of reinsurance participations, where ADB assumes responsibility for the entire amount of the guarantee, and syndicates a portion of the risk to a guarantor or reinsurer; or a “guarantee-of-record” structure, where the guarantee is in ADB’s name, but where the guarantee holder assumes the credit risk of the third-party guarantor or insurer.

Due Diligence

ADB will also carry out due diligence on the financial, technical, and economic viability of the project as well as the project sponsor(s) and prospective guarantee holder(s).

Compliance with ADB Safeguard Policies and Procurement Guidelines

The terms of ADB guarantees will require that the guaranteed lender ensure, to the extent reasonably possible, that the borrower of the guaranteed loan complies with ADB’s policies, including those related to environment and social safeguards; procurement; the prevention of corruption, money laundering, and the financing of terrorism.

Further Information about ADB’s Guarantee Products

For inquiries and clarification about ADB’s guarantee products (political risk guarantee and partial risk guarantee), please contact:

Guarantees and Syndications Unit
Private Sector Operations Department

Christophe Bellinger
Lead Guarantees and Syndications Specialist
Tel +63 2 632 6273
cbellinger@adb.org

Bart Raemaekers
Senior Guarantees and Syndications Specialist
Tel +63 2 632 6852
braemaekers@adb.org

For inquiries and clarifications about the other products offered by ADB’s Private Sector Operations Department, please visit http://beta.adb.org/site/private-sector-financing/main or contact newbusiness@adb.org.

This brochure is issued purely for information purposes and does not constitute an offer to provide a guarantee either generally or on specific terms. Insofar as there are any discrepancies or inconsistencies between the contents of this brochure and the terms of any executed ADB guarantee, the terms of the ADB guarantee will prevail.

ADB also provides various loan syndication products (e.g., “B” loan) to help mobilize additional project financing.