ADB

Commercial Cofinancing and Guarantees

Asian Development Bank

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Office of Cofinancing Operations

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Asian Development Bank

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ABOUT ADB

The Asian Development Bank (ADB) is a multilateral development finance institution established in 1966 to foster the economic and social progress of its developing member countries (DMCs) in Asia and the Pacific (the "Region"). ADB's mission is to help its DMCs substantially reduce poverty and improve the quality of life of their people. Despite many success stories, the Region remains home to two-thirds of the world's poor. Nearly 1.9 billion people in the Region live on $2 or less a day. ADB is committed to reducing poverty through inclusive economic and environmentally sustainable growth and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the Region and 19 from other parts of the globe. It has 27 offices around the world and more than 2,000 employees from over 50 countries. ADB's main financing instruments include loans, guarantees covering a range of risks, equity investments, and grants. ADB also offers technical assistance and special advisory services for project and program preparation, implementation, development-related research, and policy reform. In 2008, it approved $10.5 billion of loans, $811.4 million of grant projects, and technical assistance amounting to $274.5 million.

The financial resources ADB uses to fund its lending operations include (i) ordinary capital resources (OCR), comprising subscribed capital, reserves, and funds raised from international financial markets; and (ii) the Asian Development Fund (ADF), comprising contributions made by members, accumulated net income, and amounts previously set aside from paid-in capital. Loans from ADB's OCR are made to countries that have attained a more advanced level of economic development. Loans from ADF resources are offered on highly concessional terms, mainly to low-income countries.

As markets evolve, ADB has, in turn, evolved to meet the changing needs of its DMCs. In recent years, ADB has revised its policies and launched new products to facilitate new initiatives, including the provision of financing to selected sub-sovereign, quasi-sovereign, and nonsovereign public sector entities without a government guarantee, as well as private sector entities; the provision of local currency financing; and the refinancing of existing debt.

Moving forward, ADB will help build the new Asia and the Pacific by increasingly focusing its operations on the key areas identified in its long-term strategic framework, such as infrastructure and financial sector development, environment, regional cooperation and integration, and education, all of which are expected to make up 80% of the overall annual project approvals by 2012. Moreover, half of ADB's assistance will support private sector development in the Region by 2020. ADB will also progressively increase its assistance for environmentally sustainable development, including efforts to address carbon dioxide emissions and climate change. To encourage regional cooperation and integration, ADB will raise its aggregate public and private sector lending at the regional and subregional level, until such lending reaches at least 30% of overall operations by 2020. ADB stands ready to support its member countries as they step up to meet the new challenges of growing disparities, increasing infrastructure needs, environmental concerns, and climate change.

CONTENTS

ABBREVIATIONS

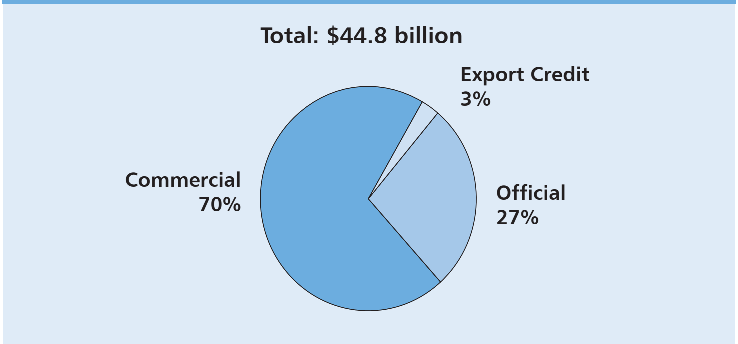
ADB	Asian Development Bank
DMC	developing member country
GOR	guarantor-of-record
PCG	partial credit guarantee
PRC	People's Republic of China
PRG	political risk guarantee
PRI	political risk insurance

INTRODUCTION

This booklet describes the strategy, policies, and financial instruments that form the basis of the commercial cofinancing operations of the Asian Development Bank (ADB).[1] Its objective is to inform project lenders, project proponents, financial advisors, brokers, and any other related market institutions interested in participating in such operations.

Traditionally, cofinancing from official sources has accounted for the largest share of ADB's overall cofinancing portfolio. In recent years, cofinancing from commercial sources has grown significantly. Over the last decade, commercial cofinancing amounted to $32.1 billion for 113 projects—70% of total cofinancing mobilized by ADB during the same period (see chart below).

Cumulative ADB Cofinancing by Source, 1999–2008



Note: Figures are net of cancellations.
Source: ADB.

[1] This publication is issued purely for information purposes and does not constitute an offer to provide finance 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 has modified and updated its commercial cofinancing policies and products to enhance their effectiveness for developing member country (DMC) borrowers, commercial lenders, and project proponents.[2] This is in line with ADB's commitment to improve resource mobilization, and to increase the role of private capital in ADB-assisted projects and programs in line with ADB's long-term strategic framework for 2008–2020.

Bridging the Financing Gap

For nearly all DMCs, achieving and sustaining an acceptable level of economic development require large investments in key economic sectors. In most cases, the funding requirements of such investments exceed the aggregate financing capacity of the government, official development assistance (ODA) providers (including ADB), and local capital markets. ADB seeks to bridge the development-financing gap in its DMCs by partnering with both the public and private sectors and by combining direct and indirect assistance. In the case of ADB's *public sector* projects and programs (for DMC governments and government-owned entities), direct assistance comprises loans and grants, while indirect assistance is mobilized by cofinancing from both official and commercial sources. As necessary, ADB uses its guarantees to facilitate commercial cofinancing of its public sector projects.

In *private sector* projects, ADB assistance consists of direct loans and equity investments, and the use of cofinancing products to mobilize commercial cofinancing. Commercial cofinancing is thus an integral part of ADB's resource mobilization strategy, for both its public sector and private sector operations.

ADB's Commercial Cofinancing Operations

The primary objective of ADB's commercial cofinancing operations is to assist DMC governments and other public sector borrowers as well as private sector borrowers, in securing commercial funds on suitable terms for ADB-assisted development projects. This is facilitated by the use of ADB's commercial cofinancing products, which are primarily comprised

2 For example, ADB undertook a major review of its credit enhancement policies and products in 2006, resulting in products that are more accessible and consistent with best industry practices.

of syndicated loans and guarantees, that enable public and private sector borrowers to obtain financing they would normally not have access to in the absence of these products. Some of these products are also designed to address capacity gaps in different types of credit insurance products offered by the industry. Key focus areas include guarantees of local currency bond issues, credit enhancements aimed at matching financing tenors and project life, the use of guarantees to credit-enhance securitization transactions, and project and trade finance.

Commercial cofinancing is sourced from both domestic and international financial markets and is supported by ADB's commercial cofinancing products as necessary.[3] The policies that guide ADB's commercial cofinancing operations have the objective of meeting the overall financing requirements of DMC governments and other public sector borrowers as well as that of commercial borrowers. These policies also seek to address the risk mitigation requirements of the commercial financiers of these borrowers. These policies are designed such that they can be applied in the context of the specific requirements of individual projects.

ADB's Office of Cofinancing Operations welcomes inquiries regarding cofinancing and related matters for consideration with a view to providing financial solutions to potential commercial financiers and their DMC borrowers (see *Contact Information* at the inside back cover).

3 In addition to debt, ADB's commercial cofinancing operations can be used to mobilize other types of funding as required (such as equity capital from institutional investors and grants from private sources).

1 COMMERCIAL COFINANCING: CONCEPTS AND STRATEGIES

Commercial Cofinancing Defined

From ADB's perspective, cofinancing is defined as any project or transaction financing other than any direct financing provided by ADB, the developing member country (DMC), and/or the project proponents.

Cofinancing is mobilized from both official and commercial sources. The main sources of commercial or "market" cofinancing are commercial banks, insurance and reinsurance companies, and export credit agencies.

Commercial cofinancing may also take the form of equity capital depending on the financing needs of the project. ADB's commercial cofinancing products can be used to complement the whole financing package. However, ADB's commercial cofinancing products are used exclusively to mobilize debt financing, not third–party equity investments.

Benefits of ADB's Commercial Cofinancing Operations

The main benefits of ADB's commercial cofinancing operations are summarized below.

For borrowers,

- their priority development projects are realized through the availability of additional financial resources at the most competitive terms; and
- they are able to secure other types of financing (e.g., export credits, project financing, trade financing, or bond issues), due to the additional confidence from ADB's participation in a project.

For cofinanciers and co-guarantors,

- they benefit from ADB's role as lender-of-record under its syndicated loans or guarantor-of-record structure under its guarantees,[4] including:
  - mitigation of sovereign risk through ADB's political risk guarantee,
  - mitigation of sovereign and commercial risk through ADB's partial credit guarantee,
  - access to ADB research and studies to help assess the scope for private sector participation in host countries, including commercial cofinancing and direct investments, and
  - additional confidence from ADB's participation in a project.

Cofinancing Arranged to Date

During 1970–2008, ADB mobilized a total of $40.3 billion in commercial cofinancing for 226 projects, averaging $1.1 billion per year. However, commercial cofinancing (including export credits) for both public and private sector projects has averaged $5.1 billion per year since 2004. This growth trend is expected to continue in the near term. (See Appendix 1 for summaries of commercial cofinancing, commercial and export credit cofinancing by recipient country and sector, and cofinanced projects receiving ADB guarantee support.)

Since 2004, 13 DMCs have received commercial cofinancing totaling about $24.7 billion for 62 projects. The People's Republic of China (PRC) tops the list of recipients with about 65% of commercial cofinancing, followed by India and Indonesia (Table 1).

During 2004–2008, ADB obtained funding from private sector institutions in 26 countries, with additional commercial and export credit cofinancing sourced from bilateral and multilateral institutions (Table 2).

[4] Each of these commercial cofinancing products is explained in more detail in subsequent sections of this publication.

Table 1: Leading Recipients of Commercial Cofinancing, by Country, 2004–2008[a]

Recipient Country	Total[b] $ million	%	No. of Projects
People's Republic of China	15,937	65	37
India	4,552	18	5
Indonesia	2,189	9	3
Lao People's Democratic Republic	806	3	1
Philippines	586	2	3
Kazakhstan	200	1	2
Afghanistan	173	1	4
Pakistan	134	1	2
Bhutan	55	0	1
Cambodia	12	0	1
Fiji Islands	9	0	1
Tajikistan	2	0	1
Mongolia	1	0	1
Total	**24,655**	**100**	**62**

[a] Includes cofinancing mobilized from domestic and foreign sources.
[b] Comprising direct value-added cofinancing (i.e., cofinancing under administrative or collaborative arrangements with ADB) and discrete cofinancing.

Note: Figures are net of cancellations.
Source: ADB.

ADB's Role in Commercial Cofinancing

ADB plays an active role in identifying and arranging commercial cofinancing for its projects or programs. Examples of such assistance include

- formulating credit enhancement and risk mitigation structures to attract public and private sector participation;
- preparing invitations and soliciting financing offers from public and private market sources;
- evaluating offers received; and
- mandating, negotiating, executing, documenting, and monitoring of cofinancing instruments.

Table 2: Commercial and Export Credit Cofinancing for ADB-Assisted Projects, by Country of Origin, 2004–2008[a]
($ million)

Country of Origin and/or Institution	Amount
Australia	6
Austria	55
Belgium	28
Cambodia	5
People's Republic of China	15,790
Canada	5
Fiji Islands	9
France	286
Germany	122
Hong Kong, China	7
India	1,828
Ireland	6
Italy	14
Japan	38
Republic of Korea	328
Malaysia	4
Mongolia	1
Netherlands	26
Pakistan	5
Philippines	210
Portugal	3
Taipei,China	59
Thailand	480
United Kingdom	37
United States	110
Other commercial lenders[b]	5,198
Total	**24,655**

[a] For lenders in developing member countries, cofinancing is primarily in the form of local currency debt.
[b] Including cofinancing from unidentified domestic banks arranged directly by the borrowers on a parallel basis, and from unidentified commercial banks using ADB's guarantee products (political risk guarantee or partial credit guarantee).

Note: Figures are net of cancellations.
Source: ADB.

ADB's Commercial Cofinancing Products

ADB currently uses the following commercial cofinancing products to support commercial cofinancing:

- Syndicated loans (B Loans)
- Political risk guarantee (PRG)
- Partial credit guarantee (PCG)
- Guarantor-of-record (GOR) structure

These products, explained in more detail in subsequent sections, are primarily used to attract cofinanciers and bridge financing gaps in projects. These products are also used when necessary to mitigate risks associated with ADB-assisted projects or programs (i.e., risks that the commercial market is unwilling or unable to undertake).

ADB's Direct Participation Requirement

ADB's commercial cofinancing products are, in general, only used to support projects or sectors in which ADB has some direct participation. Any ADB financing instrument can be used to fulfill this requirement. Such instruments include project loans, program loans, multitranche facilities, sector loans, sector development programs, equity investments (for private sector projects), project grants, and technical assistance grants. For ADB's B Loan, a direct ADB loan is required in the project to fulfill ADB's direct participation requirement.

ADB, in principle, seeks to achieve an additionality for its direct assistance provided to a project, whereby additional financing can be obtained due to ADB's participation. For example, in the Philippines, the Power Sector Restructuring Program (a public sector operation approved in 1996), ADB initially provided a $300 million direct loan. This was augmented by an additional $500 million, yen-denominated commercial bond issue, supported by an ADB PCG, approved in 2002. Another example is the Meghnaghat Power Project in Bangladesh (a private sector project approved in 2000), for which ADB's debt financing package consisted of a $50 million loan from ADB's own resources, a $70 million loan from a syndicate of commercial banks under an ADB PRG, and another $20 million loan funded by the same syndicate of commercial banks under ADB's B Loan structure.

Table 3: Recent Commercial Cofinancing and Guarantee Transactions by Year of Board Approval, 2004–2008
($ million)

Country	Project	Direct Loan	Equity Investment	B Loan	PRG	PCG
2004						
Afghanistan	Afghanistan Investment Guarantee Facility	5.0	–	–	10.0	–
2005						
Lao People's Democratic Republic	Nam Theun 2 Power Co. Ltd.	50.0	–	–	50.0	–
Philippines	Small and Medium Enterprise Development Support	25.0	1.0	–	–	18.4
2006						
Afghanistan	Roshan Phase II Expansion Project	40.0	–	30.0	15.0	–
India	NTPC Capacity Expansion Financing Facility	75.0	–	225.0	–	–
Indonesia	Acquisition and Securitization of Motor Loan Portfolios by Deutsche Bank	–	0.2	–	–	9.8
Kazakhstan	Guarantee for DPR Securitization by Alliance Bank	50.0	–	–	–	100.0
People's Republic of China	Municipal Natural Gas Infrastructure Development	50.0	24.1	75.0	–	–
2007						
Kazakhstan	JSC Kazkommertsbank	–	–	–	–	100.0
Pakistan	Daharki Power	–	2.8	–	–	44.0
Pakistan	Pioneer Cement Limited	11.5	–	17.7	–	–
People's Republic of China	Central and Western Airports Development	160.0	50.0	200.0	–	–
People's Republic of China	Energy Efficiency Multi-project Financing Program	–	–	–	–	107.0
2008						
Indonesia	P.T. Mandiri (Persero) Tbk	75.0	–	225.0	–	–
People's Republic of China	Municipal District Energy Infrastructure Development Project	200.0	–	200.0	–	–

– = no data, DPR = diversified payment rights, JSC = joint stock company, NTPC = National Thermal Power Corporation Limited or NTPC Limited, PCG = partial credit guarantee, PRG = political risk guarantee.

Note: Figures are net of cancellations.

Source: ADB.

A list of recent ADB projects with commercial cofinancing supported by ADB's commercial cofinancing products is provided in Table 3. Detailed information and illustrative examples of ADB's commercial cofinancing products are provided in subsequent sections of this publication.

Eligible Sectors

ADB's commercial cofinancing products may be used for projects in the infrastructure, financial services and capital markets sectors, or in other sectors that are consistent with the Long-Term Strategic Framework of ADB. ADB may also syndicate its loan or guarantees in the same sectors.

Compliance with ADB Safeguard Policies and Procurement Guidelines

Projects benefiting from ADB's commercial cofinancing products will comply with ADB's environment and social safeguard policies and other policies, including those related to procurement, the prevention of corruption, money laundering, and the financing of terrorism.

Cofinancing Strategies

ADB uses different strategies to mobilize private capital for ADB projects and programs to achieve the most cost-effective means of financing and risk mitigation, including the best possible terms and conditions for the borrower. ADB encourages the borrower and/or sponsor to discuss cofinancing and structuring options at an early stage in the project cycle. The strategy ultimately agreed on is one that best balances the needs of the borrower with the requirements of the market.

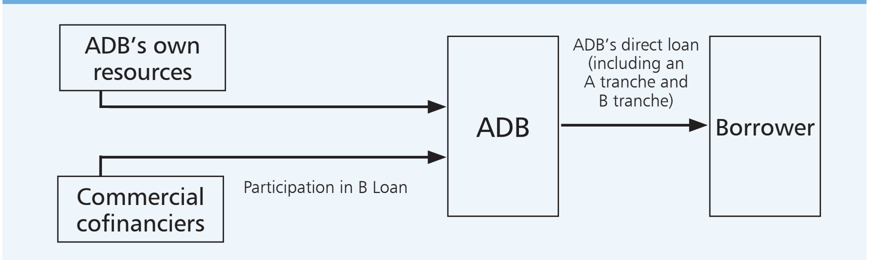
For public sector projects and programs, a transparent, competitive process is used to select the underwriters and/or arrangers of commercial cofinancing. Financial institutions that have expressed interest in a particular transaction are invited to submit a commercial cofinancing proposal. ADB then assists and advises the borrower in evaluating such proposals. While pricing is an important criterion for selection, other criteria may also be considered, depending on the structure of the transaction.

For underwritten transactions, lead underwriters are chosen, and general syndication or sell-down is normally arranged under their management, in consultation with the borrower and with assistance from ADB. For small transactions, ADB may act as the arranger.

2 SYNDICATED LOANS

ADB's syndicated loans or B Loan scheme is a commercial cofinancing product that involves the prearranged sale to commercial lenders of a funded participation in an ADB loan. The B Loan is used solely to facilitate commercial cofinancing of ADB-assisted public or private sector projects to which ADB will provide debt financing from its own resources. ADB, as the lender-of-record, enters into a direct loan agreement covering both "A" and "B" loan tranches as depicted in Figure 1. (See Box 1 for an illustrative example of an ADB-assisted project that features B Loan-supported commercial cofinancing.)

Figure 1: The B Loan Structure



Source: ADB.

Benefits to Participants Under the B Loan Structure

Participants in ADB's B Loan structure may benefit from

- sharing ADB's de facto preferred creditor status, since ADB acts as the lender-of-record, and therefore benefiting from exemption from any restrictions on currency conversion and on the remittance of interest and repatriation of principal that may subsequently be imposed by the country of the borrower;
- exemption from taxes on fees and interest, including withholding tax;

- for public sector projects, reduced likelihood of rescheduling in the event of an external debt crisis in the borrowing country; and
- exemption from special debt provisioning requirements in some countries.

Cofinanciers providing B Loans also benefit from ADB's supervision and loan administration services. Under the B Loan structure, all payments of interest, principal, fees, and disbursements are coursed through ADB. Under a B Loan, all financing participants are required to undertake their own risk assessments.

B Loan Fees

For B Loans, ADB charges market-based fees for its own account. The fees are based on the estimated costs of arranging and administering the B Loan, and on standard market practice. The *arrangement fee* is a one-time front-end fee and may not apply if B Loans are arranged by international commercial banks. The *annual administration fee* covers the cost of B Loan administration expenses.

Participating B Loan lenders normally also charge an arrangement fee (or front-end fee) and an annual agency fee. These fees, which are market-based, are charged to the borrower.

Eligibility

Any reputable international financial institution can participate as a B Loan lender, provided it operates commercially (i.e., it finances its loans from the market without government credit support or budgetary allocation) and sources the financing from a country other than the borrower's country. Such institutions must be internationally recognized and have experience within the particular sector being financed, allowing them to make appropriate risk assessments, and who may be considering developing their own long-term lending activities within a particular country. These institutions must also be able to lend to a project on a cross-border basis as eligible B Loan lenders must be domiciled outside the host country.

Box 1: B Loan—Example 1
Roshan Phase II Expansion Project (Afghanistan)

Type	Syndicated loans scheme (B Loan)	
Borrower	Telecom Development Company Afghanistan Limited (Roshan)	
Cofinanced amount	$30 million	
Project financing	ADB direct loan	$40 million
	ADB B Loan	$30 million
	Total debt	$70 million
Use of proceeds	The project helped accelerate the expansion of mobile telecommunications services in Afghanistan and built on the success of the first-phase expansion of Roshan in the country, which was partly financed by an ADB loan of $35 million. Roshan had significantly exceeded subscriber and traffic growth targets, and the company has had to accelerate its capital expenditure program to meet strong demand.	
Project sponsors	Alcatel N.V.	
	Monaco Telecom International	
	Aga Khan Fund for Economic Development	
	Telecom Development Company	
Comments	Afghanistan continues to suffer from a critical lack of communications infrastructure, and cellular phones are seen as the only viable method of providing countrywide communications services. The project will provide near countrywide coverage on an accelerated basis, additional network redundancy, and a network upgrade. ADB's direct loan was made without a government guarantee. ADB's B Loan of up to $30 million was provided in two tranches, one of which was covered by an ADB political risk guarantee of up to $15 million.	

Source: ADB.

Documentation

B Loan documentation comprises:

- a direct loan agreement between ADB and the borrower[5], and
- a participation agreement between ADB and the participating B Loan lenders.

The relationship between a B Loan lender and the borrower is indirect, although the borrower is typically informed of the identities of such lenders.

Administration

ADB administers B Loans on behalf of the participating B Loan lenders with the same standard of care it exercises in loans for its own account. In certain matters of critical importance to B Loan participants, ADB does not act unilaterally, but instead seeks the lenders' views and consent prior to taking action, as specified in the participation agreement.

ADB Track Record

During 1970–2008, ADB arranged 35 B Loans for 35 projects in 10 developing member countries for a total of $1.63 billion.

[5] The direct ("anchor") loan fulfills ADB's direct participation requirement, making it possible to use the B Loan to support commercial cofinancing.

3 GUARANTEES

Guarantees Against Political and Credit Risks

The Asian Development Bank (ADB) provides guarantees that can be used to cover political risks and, more comprehensively, both political and credit risks. These forms of guarantee, the political risk guarantee (PRG) and partial credit guarantee (PCG), are discussed in more detail below.

Political Risk Guarantee

ADB's PRG facilitates commercial cofinancing of ADB-assisted projects by guaranteeing payment of all or part of the project's debt service against specific political (or sovereign) risks. PRG coverage can include any combination of the following:

- **Transfer Restriction.** Protects the lender against the borrower and/or 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 the lender against any number of expropriatory measures, including nationalization, deprivation, confiscation, that prevents the borrower from servicing the guaranteed debt. The guarantee also protects the lender in the event of an inability to service debt arising from a series of measures that constitute a "creeping expropriation."
- **Political Violence.** Protects the lender against its borrower's inability to service the guaranteed debt as a result of physical damage to the project's assets, or an interruption in the borrower's business activities, as a result of war, revolution, insurrection, terrorism, or other politically motivated acts.
- **Contract Disputes.** Protects the lender against a default by the borrower of the 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").

- **Non-Honoring of Sovereign Obligation or Guarantee.** Protects the lender against nonpayment by a sovereign obligor or guarantor of guaranteed debt service.

PRGs are primarily designed to facilitate foreign investment in the development of the nonsovereign[6] sector in ADB's DMCs. (See Boxes 2 and 3 for examples of projects with PRG support.) They are well-suited to cases in which foreign commercial lenders are prepared to take on the commercial (or credit) risks of a project, but require assistance from a multilateral institution or private insurer in mitigating political risks in the project's host country.

Box 2: Parallel Political Risk Guarantee Coverage—Example 1
Nam Theun 2 Hydroelectric Project (Lao PDR)

Type	Syndicated loan supported by ADB Political Risk Guarantee (PRG)
Borrower	Nam Theun 2 Power Company Limited (NTPC)
Cofinanced amount	$50 million
Syndicate	Comprised of 27 public and private sector international institutions
Project financing	Total cost of $1,250 million including:
	ADB direct loan: $50 million
	Cofinanced loan under ADB PRG: $50 million
Use of proceeds	Construction and operation of a 1,070 megawatt transbasin diversion power plant
Project sponsors	Electricité de France International, Electricity Generating Public Company of Thailand, Italian-Thai Development Public Company, Government of Lao People's Democratic Republic (Lao PDR)

continued on next page

[6] ADB defines the "nonsovereign" sector as one involving recipients of ADB financing that are majority owned by the private sector (i.e., where more than 50% of the recipient's capital is held privately); or, in the case of a recipient that is owned or controlled by the sovereign, the recipient must be a local government or other sub-sovereign entity or a state-owned enterprise that can borrow independently from the related sovereign.

Box 2 continued

Remarks	The project is the largest foreign investment in the Lao PDR, which will, upon completion, export up to 5,345 gigawatt-hour of electricity annually to Thailand and will generate approximately $1.9 billion in revenues for the Lao PDR government over the 25-year operating period. ADB is providing debt financing of up to $50 million without government guarantee to NTPC and is also providing a $20 million direct loan to the Lao PDR government to help fund its equity investment in NTPC. ADB is also providing a political risk guarantee of $50 million to support loans extended by commercial lenders to NTPC. ADB's participation has helped mobilize financing from 27 international institutions from both public and private sectors, to fund the construction of the project with an estimated base cost of $1.25 billion. Other institutions that provided financial assistance to the Lao PDR government and/or to NTPC include the International Development Association, the European Investment Bank, Agence Francaise de Developpement, Export-Import Bank of Thailand, Nordic Investment Bank, and Societe de Promotion et de Participation Pour la Cooperation Economique. The Multilateral Investment Guarantee Agency also extended a political risk guarantee.

Source: ADB.

Since the political risks covered by a PRG relate to outcomes normally under the direct or indirect control of the host government, under certain circumstances, the DMC government may provide a guarantee in respect of obligations undertaken by DMC government agencies to the project and/or a direct counter-indemnity to ADB. This provides further assurance to cofinanciers and ADB of the host government's commitment to the project.

ADB's PRG is compatible with the political risk insurance (PRI) products offered by other agencies, including the Multilateral Investment Guarantee Agency of the World Bank Group, private sector PRI providers, and Export Credit Agencies. Because of the size of some projects requiring PRI cover (particularly large infrastructure projects), and in recognition of the importance of risk sharing and collaboration, ADB can offer its PRG either on a stand–alone basis (subject to ADB's direct participation requirement) or in parallel with other interested PRI providers, as described next page.

Box 3: Political Risk Guarantee and Guarantor-of-Record Structure—Example 2
Phu My 2.2 Power Project (Viet Nam)

Type	Political risk guarantee (PRG) under the guarantor-of-record structure
Borrower	Mekong Energy Company Ltd. (MECO)
Cofinanced amount	$25 million, under ADB's PRG coverage
Guarantee coverage	PRG provides against confiscation, expropriation and nationalization; currency inconvertibility and nontransferability; political violence; and breach of contract.
Project financing	ADB assistance ADB direct loan: $50 million Cofinanced loan under ADB PRG: $25 million
Use of proceeds	Construction and operation of a 163-megawatt auto diesel-based combined-cycle power station.
Use of proceeds	Construction and operation of a 1,070 MW transbasin diversion power plant.
Project sponsors	Electricité de France International, Sumitomo Corporation, and Tokyo Electric Power Company International BV.
Comments	This was the first PRG in which ADB acted as guarantor-of-record on behalf of a private political risk insurance (PRI) provider. The PRG was provided without the host government's counter-guarantee. The transaction was awarded "Project Finance Deal of the Year" by *Finance Asia* and *AsiaMoney*, and "Asian Power Deal of the Year" by *Project Finance*.

Source: ADB.

Partial Credit Guarantee

ADB's PCG provides comprehensive nonpayment cover to cofinanciers against all commercial and political risks for a specified portion of a borrower's debt service obligation. PCGs can be used to support commercial cofinancing of both public and private sector projects. Depending on the requirements of the project, the PCG can be used to guarantee various debt instruments. For example, it can be used to guarantee part of the debt service under a syndicated loan, or under a floating rate note or bond, provided these are issued for financing the ADB-assisted project. (Boxes 4 and 5 at the end of this chapter illustrate the PCG coverage.)

PCGs are often used to guarantee debt service during the later maturities of a commercial cofinancing. This may be appropriate when lenders are not willing or able to provide a financing term long enough to match the cash flow of a project. Alternatively, PCGs can guarantee a portion of principal and interest payments payable throughout the term of a borrowing.

Consistent with ADB's policy of risk-sharing with cofinanciers, the PCG is designed to cover that portion of the debt service that the cofinanciers are not prepared to take, leaving the remaining portion to the cofinanciers on an uncovered basis.

Box 4: Partial Credit Guarantee—Example 1
Power Sector Restructuring Program (Philippines)

Type	Fixed Rate Yen Bond Cofinancing supported by ADB Partial Credit Guarantee (PCG)
Borrower	Power Sector Assets and Liabilities Management Corporation (PSALM)
Cofinanced amount	Up to $500 million equivalent in Japanese yen bonds
Guarantee structure	ADB PCG will cover 100% of the repayment of the principal at final maturities, plus partial coverage of up to 10 years of the back-end interest coupons. The Republic of the Philippines guarantee will cover 100% of the repayment and interest payments of the bond through direct guarantee.
Counter-guarantee	Republic of the Philippines (ROP)
Use of proceeds	To meet the cash flow requirements during the initial stage of privatization.
Comments	ADB's PCG was vital for the successful execution of the PSALM bond issue at the end of 2002, when world capital markets were very volatile. With the PCG, PSALM was able to borrow at significantly more favorable terms to extend the term by 11–13 years over an ROP stand–alone bond issue. This transaction was the largest-ever bond issue assisted by an ADB PCG.

Source: ADB.

Box 5: Partial Credit Guarantee—Example 2
Daharki Power Project (Pakistan)

Type	Loans supported by ADB Partial Credit Guarantee (PCG)
Borrower	Holding company of Foundation Power Company Daharki Limited
Cofinanced amount	$44 million
Guarantee coverage	The PCG covers principal and interest in favor of the lenders to the holding company
Project sponsor and counter-guarantor	Fauji Foundation
Use of proceeds	Construction of a 175-megawatt low-British Thermal Unit gas-fired combined cycle power plant
Comments	The project entails the construction of a power plant that will help meet a growing energy deficit in Pakistan and provide higher energy efficiency in the country's electricity generation mix. ADB's assistance consists of an equity investment into the holding company of the borrower and a guarantee in favor of the lenders of the holding company. ADB's guarantee will be counter-guaranteed by the project sponsor. The financing to the holding company will then be injected to the borrower, which will own the power plant. By providing the guarantee, ADB is helping set a precedent for future power sector financings in Pakistan, highlighting the need for an adequate risk–reward structure. This may lead either to (i) replications of leveraged holding company structures, and/or (ii) a realization among policy makers that the balance between risks and rewards needs to be adequately addressed. ADB's financing of the holding company will complement rather than compete with the commercial market, which provides loans at the project level.

Source: ADB.

Given the Asia and Pacific region's evolving financial needs and changing risk perceptions, ADB has increased emphasis on using the PCG to support *local currency* cofinancing. This is consistent with ADB's strategy of developing local capital markets and helping project sponsors reduce foreign exchange risks.

Eligibility

Any form of eligible debt instrument may be guaranteed. These include, but are not limited to (i) senior, subordinated, mezzanine, and convertible debt; (ii) project or limited recourse debt finance; (iii) tier 2 capital raised by banks; (iv) shareholder loans; (v) capital market debt instruments, including synthetic or structured securities, and related underwriting and liquidity support arrangements; (vi) performance, bid, advance payment, and other payment bonds and forms of bond issuances; (vii) letters of credit, promissory notes, bills of exchange, or other forms of trade finance instruments; and (viii) other forms of scheduled or contingent liabilities that constitute debt.

An eligible guarantee holder is typically either a private financial institution or a shareholder of a project borrower providing one of the above forms of debt financing to an eligible project. Public institutions are also eligible guarantee holders provided they operate on a commercial basis.

Guarantees may be issued for projects that are eligible for ADB financing and are located in any DMC. In addition, ADB's guarantee product is principally applied in two sectors: (i) financial services and capital markets (e.g., banking, leasing, insurance, and funds); and (ii) infrastructure (e.g., power, transport, water supply and waste treatment, and telecommunications).

Amount of Guarantee

The amount that ADB will guarantee in relation to any one project or transaction will vary depending on a wide variety of factors, including ADB's assessment of risk and applicable country exposure limitations. At the upper limit, however, ADB may consider guarantees in an amount up to the lesser of (i) 40% of the total project cost and (ii) $400 million for a PRG; and an amount up to the lesser of (i) 25% of the total project cost[7] (in project finance transactions), (ii) 25% of total assets (in corporate transactions), (iii) 50% of net worth (in bank transactions), and (iv) $250 million for a PCG.[8] These upper limits will not apply if ADB is protected in the relevant transaction by a counter-indemnity given by the sovereign of the relevant DMC. Lower limits than those set out above will apply where ADB has exposure to the project or transaction under another ADB parallel instrument (e.g., loan, equity, or another guarantee).[9]

ADB may be able to mobilize additional amounts of guarantee depending on the risk profile of the project, and/or by syndicating guarantees given by private and public political risk insurers and guarantors (see section on "Guarantor of Record").

Guaranteed Percentage

ADB is not prevented by its policies from guaranteeing in certain circumstances 100% of a guarantee holder's exposure to loss under the guaranteed debt instrument. However, 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.

Term of the Guarantee

ADB may provide guarantees of debt obligations of up to 15 years, or even longer in exceptional cases. The guarantee period usually matches 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 certain of its DMCs.

7 Or 50% of the total project cost provided total project costs are less than $50 million.

8 The actual amount of the ADB guarantee is dependent on ADB's internal risk rating of the project and could be lower.

9 For more information about ADB's sovereign operations, please contact the Office of Cofinancing Operations.

Fees

ADB's guarantee fee structure typically has three components: (i) a front-end fee, (ii) a standby fee, and (iii) a guarantee fee. The front-end fee is a one-time fee that covers due diligence, processing of the guarantee, and other up-front costs. The guarantee fee covers the risks to be assumed by ADB and is usually charged as a percent per annum on the amount to be covered. The standby fee applies to the amount of cofinancing covered by the guarantee that has not yet been disbursed, and any amount in future interest reserved for coverage under the guarantee.

Generally, the guarantee fees applied by ADB are market-based and will consider, among other things, the project, sector, and country risks, as well as the specific terms of the contract of guarantee. However, guarantees in respect of which ADB is counter-indemnified by a sovereign may in certain circumstances be priced not by reference to the market, but to pricing applicable to ADB's sovereign lending operations.

Parallel Guarantee Coverage

Under this arrangement, other institutions (e.g., multilaterals, bilateral institutions, public and private PRI providers, etc.) can offer coverage to the same project alongside or in parallel with ADB, under their respective names, terms, and conditions. This arrangement benefits guarantors and insurance providers that (i) do not need the benefits of ADB's preferential status or "umbrella," and (ii) offer insurance, rather than guarantees, on terms that cannot be easily reconciled with those of ADB's guarantees. (Box 2 provides an example of parallel guarantee coverage.)

Guarantor of Record

ADB will, if possible, mobilize additional amounts of guarantee through partnership arrangements with private and public guarantors and insurers. The arrangements can take the form of risk participations, where ADB assumes responsibility for the entire amount of the guarantee, and syndicates a portion of the risk to a guarantor or insurer or in the form of a guarantor-of-record (GOR) structure. In the GOR structure, ADB is the guarantor-of-record and issues a guarantee for the entire amount of coverage requested by the borrower, but retains only a portion of the exposure under the guarantee for its own account. The remaining exposure is underwritten by third parties, including private or public sector PRI providers. Thus, third–party guarantors and/or PRI providers under a GOR structure may enjoy the same privileges and immunities as those applicable to ADB, as guarantor. Recoveries, if any, are shared between ADB and the other guarantors and PRI providers on a pro rata basis.

To cover the administrative expenses incurred in structuring each transaction and to compensate ADB for “fronting” the other guarantors or syndicate participants, ADB will charge an administration fee. This fee will be determined by ADB on a case-by-case basis.

Parallel guarantee coverage and the GOR structure enable project proponents to utilize coverage from multiple providers, thus facilitating projects that, without a sufficient amount of coverage, might not go forward. The DMC government can also take comfort in having a multilateral institution such as ADB involved in the project, to help ensure, among other things, the technical and financial viability of the project. Project lenders benefit from the increased coverage in more difficult and challenging markets, while enjoying the confidence of an ADB guarantee, coupled with ADB’s direct participation in the project (Box 3).

4 QUESTIONS AND ANSWERS

What are the prerequisites for project sponsors and their bankers to obtain cofinancing from the Asian Development Bank (ADB) for their projects? How and when should they discuss the matter with ADB?

Sponsors and their bankers should discuss the scope for ADB participation at the earliest possible stage of project development to determine if the project will satisfy ADB's development mandate and fit within ADB's strategy for a particular country, which is developed with the host country government (see Contact Information at the inside back cover of this publication). Transactions may be brought to ADB by either project sponsors or commercial banks to determine the appropriateness of ADB's involvement in the proposed financing.

ADB may offer a B Loan to a project only if ADB directly assists the project with a loan (referred to as an ADB "A Loan"). ADB can consider providing a guarantee to a project only where it has participated through other financing arrangements in the development of the same project, or the sector in which the project is based. These financing arrangements can include A Loans, program loans, multitranche facilities, sector loans, sector development programs, equity investments (for private sector projects), project grants, and technical assistance grants.

How does ADB inform potential cofinanciers of projects that require cofinancing?

Project briefs of current commercial cofinancing are available in ADB's website—www.adb.org

How should potential cofinanciers express their interest in providing commercial cofinancing to a particular project?

They should communicate their interest in cofinancing particular projects to ADB's Office of Cofinancing Operations through fax, telephone, or e-mail (see Contact Information at the end of this publication).

How are commercial cofinanciers selected?

The selection or "mandating" process varies, depending on the nature of the project, the preferences of the borrower, and market conditions.

For small or medium-sized cofinancing transactions, ADB may act as the lead arranger and invite potential cofinanciers to participate in the syndication. To be eligible to participate in a B Loan, participants must be internationally recognized, qualified financial institutions with experience within the particular sector being financed allowing them to make appropriate risk assessments, and who may be considering to develop their own long-term lending activities within a particular country. Participants must also be domiciled outside the host country.

For complex or large transactions that use ADB's commercial cofinancing products, ADB normally assists the borrower in selecting one or more financial institutions through competitive bidding to underwrite and/or arrange the proposed cofinancing. In such cases, ADB may also work closely with the arrangers and assist in the general syndication as required.

What are the benefits of a B Loan?
The priority of the B Loan program is to encourage foreign lenders to provide market-based debt financing to economically viable projects in new markets, with the expectation that experience gained working with ADB and the borrower will result in greater availability for commercial finance in those markets in the future.

B Loans allow lending participants to benefit from the following: (i) the sharing of ADB's Preferred Creditor Status, which includes exemption from restrictions on currency conversion, remittance of interests, and repatriation of principal; (ii) exemption from withholding tax; (iii) reduced likelihood of rescheduling in the event of an external debt crisis in the host country; and (iv) where applicable, relief from Basel II and mandatory country risk provision requirements.

As lender to the project, ADB will administer and supervise both the A Loan tranche and the participants' B Loan tranche, share project information, and consult with B Loan participants. In the event of complications during the project, ADB's relations with the host country government can also be helpful to resolve matters, although it should be emphasized that this is not a form of guarantee as to project performance or other positive outcomes.

Will ADB consider a stand–alone guarantee or B Loan?
No. A guarantee or syndicated loan scheme or B Loan will be considered only for a project in which ADB has some direct participation as described above. In the case of a B Loan, an ADB A Loan is always required.

Is there any limit on the amount of ADB B Loans?

In general, ADB prefers to have its A Loan equivalent to at least 20% of the lending amount in a transaction involving a B Loan, up to a maximum prescribed investment amount of 25% of total project financing. As an example, in a project with a total project cost of $400 million where the combined A Loan and B Loan total is $200 million, ADB might expect to hold $40 million (subject to its own prudential policies) in its A Loan and allow commercial financiers to hold $160 million in the B Loan structure.

Is there any limit on the amount of ADB guarantee support?

The amount that ADB will guarantee in relation to any one project or transaction will vary depending on a wide variety of factors, including ADB's assessment of risk and applicable country exposure limitations. At the upper limit, however, ADB may consider guarantees in

- an amount up to the lesser of (i) 40% of the total project cost and (ii) $400 million for a political risk guarantee (PRG); and
- an amount up to the lesser of (i) 25% of the total project cost (in project finance transactions),[10] (ii) 25% of total assets (in corporate transactions), (iii) 50% of net worth (in bank transactions), and (iv) $250 million for a partial credit guarantee (PCG).[11]

These upper limits will not apply if ADB is protected in the relevant transaction by a counter-indemnity given by the sovereign of the relevant ADB developing member country. Lower limits than those set out above will apply where ADB has exposure to the project or transaction under another ADB parallel instrument (e.g., loan, equity, or another guarantee).

[10] Or 50% of the total project cost provided total project costs are less than $50 million.

[11] The actual amount of the ADB guarantee is dependent on ADB's internal risk rating of the project and could be lower.

APPENDIXES

Appendix I

Table A1.1: Summary of Commercial Cofinancing, 1970–2008
($ million)

Year	Cofinancing						ADB Loan Amount
	Commercial		Export Credit		Total		
	No. of Projects	Amount	No. of Projects	Amount	No. of Projects	Amount	
1970–1979	6	28	5	83	9	111	199
1980–1989	37	1,085	18	963	51	2,047	2,813
1990–1999	51	4,261	17	2,332	60	6,593	4,899
2000	11	2,104	2	148	12	2,252	1,347
2001	7	1,033	1	20	8	1,053	1,079
2002	10	1,482	2	316	10	1,798	1,087
2003	14	1,502	1	245	14	1,747	1,506
2004	9	1,256	–	–	9	1,256	1,047
2005	11	5,057	1	189	11	5,246	1,951
2006	15	4,640	–	–	15	4,640	1,547
2007	12	2,362	–	–	12	2,362	1,251
2008	16	10,851	1	300	17	11,151	2,539
Total	**199**	**35,662**	**48**	**4,596**	**228**	**40,258**	**21,266**

– = no data.

Notes: 1. Projects with more than one source of financing are counted as one.
2. Figures are net of cancellations.

Source: ADB.

Table A1.2: Commercial and Export Credit Cofinancing, by Recipient Country, 1970–2008 ($ million)

Recipient Country	Commercial Sources		Export Credits	
	No. of Projects	Amount	No. of Projects	Amount
Afghanistan	4	173	–	–
Bangladesh	3	217	2	21
Bhutan	1	55	–	–
Cambodia	2	13	–	–
People's Republic of China	83	22,865	2	191
Fiji Islands	3	20	–	–
India	11	4,400	3	951
Indonesia	9	2,357	8	680
Kazakhstan	2	200	–	–
Republic of Korea	8	462	1	22
Lao People's Democratic Republic	2	699	2	259
Malaysia	4	106	1	5
Mongolia	1	1	–	–
Nepal	2	19	2	41
Pakistan	20	617	10	649
Papua New Guinea	1	6	–	–
Philippines	18	1,483	4	672
Regional[a]	3	155	–	–
Singapore	1	5	–	–
Sri Lanka	7	291	–	–
Tajikistan	1	2	–	–
Thailand	7	1,211	9	571
Viet Nam	6	305	4	535
Total	**199**	**35,662**	**48**	**4,596**

– = no data.

[a] Regional is composed of the following transactions: Trade Finance Facilitation Program ($105 million), ASEAN–PRC SME Investment Fund ($45 million), and FEGACE Asian Sub-Fund L.P. ($5 million).

Note: Figures are net of cancellations.

Source: ADB.

Table A1.3: Commercial and Export Credit Cofinancing by Sector, 1970–2008 ($ million)

Sector	Commercial Sources No. of Projects	Commercial Sources Amount	Export Credits No. of Projects	Export Credits Amount
Agricultural and Natural Resources	5	31	1	13
Energy	68	11,070	34	3,700
Finance	12	626	–	–
Health, Nutrition, and Social Protection	1	11	–	–
Industry and Trade	34	2,095	7	379
Multisector	14	2,644	–	–
Transport and Communications	48	18,216	5	440
Water Supply, Sanitation, and Waste Management	17	970	1	63
Total	**199**	**35,662**	**48**	**4,596**

– = no data.

Note: Figures are net of cancellations.

Source: ADB.

Table A1.4: Summary of Cofinanced Projects Receiving ADB Guarantee Support (as of 31 December 2008) ($ million)

	Year of Board Approval	Country	Project[a]	Direct Loan	Mobilized Financing Amount[b]	ADB Guaranteed Amount
1	1988	Indonesia	Financial Sector Program **	200.0	50.0	18.8
2	1990	India	Power Finance Corporation: North Madras and Rayalaseema Power **	380.0	110.0	50.0
3	1990	Papua New Guinea	Ramu Grid Reinforcement **	19.7	10.0	5.5
4	1991	People's Republic of China	Shanghai Nanpu Bridge **	70.0	48.0	17.3
5	1992	People's Republic of China	Laiwu Iron and Steel Mill Modernization and Expansion **	133.0	25.0	6.5
6	1993	People's Republic of China	Shanghai Yangpu Bridge **	85.0	54.0	12.3
7	1995	Philippines	Northern Luzon Transmission and Generation	244.0	142.0	142.0
8	1997	Sri Lanka	Small and Medium Enterprises Assistance Program	5.0	50.0	50.0
9	1998	Sri Lanka	Credit Enhancement Facility for Private Enterprises	5.0	65.0	65.0
10	1998	Thailand	Export Financing Facility **	50.0	950.0	950.0
11	2000	Bangladesh	AES Meghnaghat Ltd.	50.0	70.0	70.0
12	2000	Pakistan	SME Trade Enhancement Facility	150.0	150.0	150.0
13	2000	Sri Lanka	Kelanitissa Power	25.9	52.0	52.0
14	2001	Sri Lanka	SME Sector Development Program	60.0	90.0	90.0
15	2002	Philippines	Power Sector Restructuring Program	300.0	500.0	500.0
16	2002	Viet Nam	Mekong Energy Company Limited (Phu My 2.2)	50.0	25.0	25.0
17	2002	Viet Nam	Phu My 3 Power	40.0	35.9	35.0
18	2003	Pakistan	SME Sector Development Program	152.0	65.0	65.0
19	2003	Regional	Trade Finance Facilitation Program (TFFP)	45.0	105.0	105.0
20	2004	Afghanistan	Afghanistan Investment Guarantee Facility	5.0	50.0	10.0
21	2005	Lao People's Democratic Republic	Nam Theun 2 Power Co. Limited for the GMS Nam Theun 2 Hydroelectric	50.0	50.0	50.0

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Table A1.4 continued

	Year of Board Approval	Country	Project[a]	Direct Loan	Mobilized Financing Amount[b]	ADB Guaranteed Amount
22	2005	Philippines	Small and Medium Enterprise Development Support	25.0	36.8	18.4
23	2006	Afghanistan	Roshan Phase II Expansion **	35.0	30.0	15.0
24	2006	Indonesia	Acquisition and Securitization of Motor Loan Portfolios by Deutsche Bank AG[c]	0.2	63.8	9.8
25	2006	Kazakhstan	Guarantee for the Diversified Payment Rights Securitization by Alliance Bank JSC	50.0	200.0	100.0
26	2007	Kazakhstan	JSC Kazkommersbank[d]	–	500.0	100.0
27	2007	Pakistan	Daharki Power[e]	2.8	44.0	44.0
28	2007	People's Republic of China	Energy Efficiency Multi-project Financing	–	220.6	107.0
Total				**2,232.5**	**3,792.1**	**2,863.5**

– = no data, ADB = Asian Development Bank, JSC = joint stock company, SME = small and medium enterprise.

[a] Projects marked with "**" are projects with ADB guarantees on the B Loan.
[b] This refers to the total amount of B Loan, other commercial loans, bond issues, loan portfolio, or letters of credit whose repayment are fully or partially guaranteed by ADB.
[c] The $0.20 million is an equity investment.
[d] ADB loan of $50 million was subsequently cancelled and/or was not made effective.
[e] The $2.8 million is an equity investment.

Note: Figures are net of cancellations.

Source: ADB.

Appendix 2

ADB Members
(as of 31 December 2008)

Regional (48)	Nonregional (19)
Afghanistan	Austria
Armenia	Belgium
Australia	Canada
Azerbaijan	Denmark
Bangladesh	Finland
Bhutan	France
Brunei Darussalam	Germany
Cambodia	Ireland
People's Republic of China	Italy
Cook Islands	Luxembourg
Fiji Islands	Netherlands
Georgia	Norway
Hong Kong, China	Portugal
India	Spain
Indonesia	Sweden
Japan	Switzerland
Kazakhstan	Turkey
Kiribati	United Kingdom
Republic of Korea	United States
Kyrgyz Republic	
Lao People's Democratic Republic	
Malaysia	
Maldives	
Marshall Islands	
Federated States of Micronesia	
Mongolia	
Myanmar	
Nauru	

continued on next page

Apppendix 2 continued

Regional (48)	Nonregional (19)
Nepal	
New Zealand	
Pakistan	
Palau	
Papua New Guinea	
Philippines	
Samoa	
Singapore	
Solomon Islands	
Sri Lanka	
Taipei,China	
Tajikistan	
Thailand	
Timor-Leste	
Tonga	
Turkmenistan	
Tuvalu	
Uzbekistan	
Vanuatu	
Viet Nam	

Source: ADB.

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For further information on ADB's cofinancing operations, the following staff may be contacted.

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Commercial Cofinancing and Guarantees

The Asian Development Bank's commercial cofinancing operations help its developing member countries mobilize funding for commercially attractive projects. This booklet describes the strategy, policies, and financial instruments that form the basis for ADB's commercial cofinancing and guarantee operations.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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