

Bankability and Nonsovereign Operations

Legal Perspective



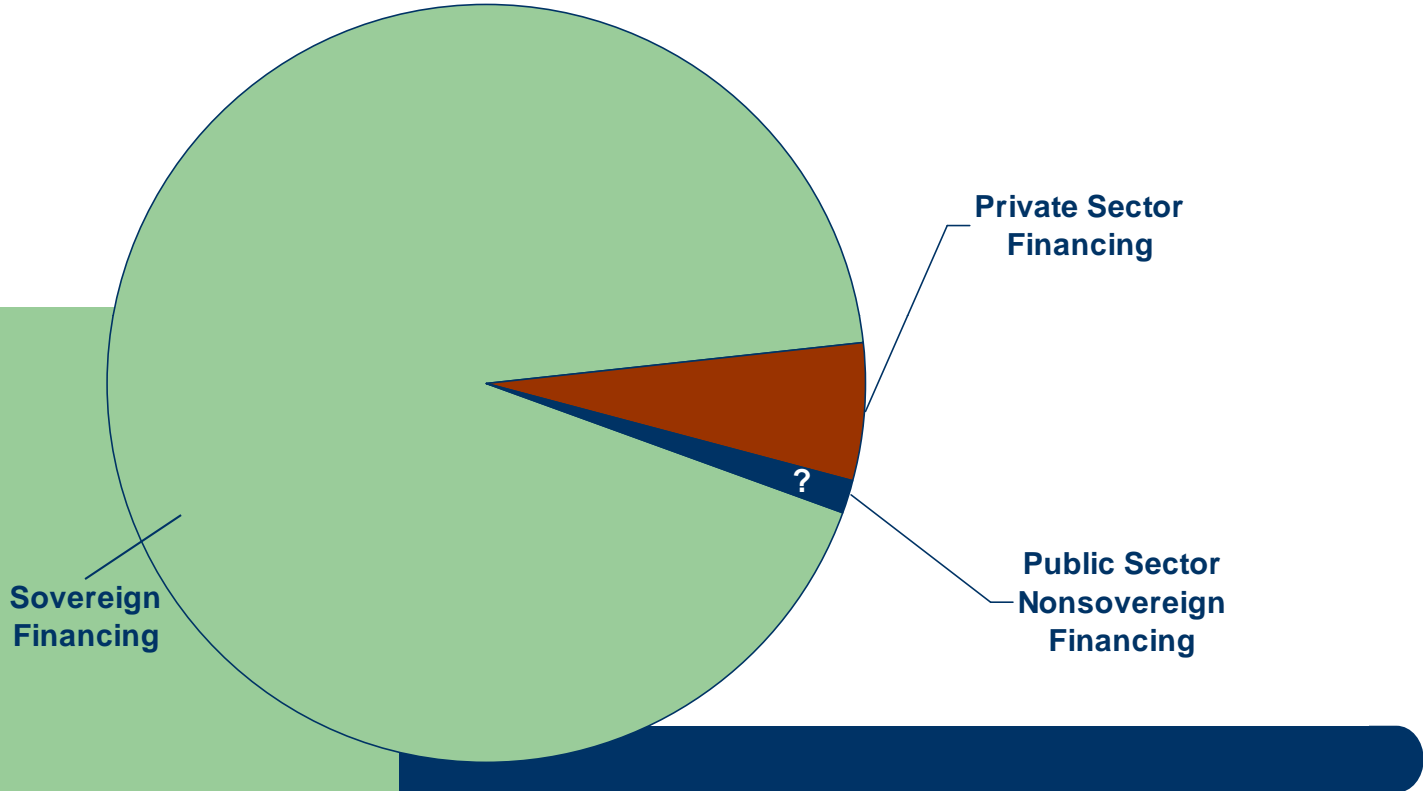
Focus

- ADB as a specialized institution in financing urban infrastructure.

Role: ADB nonsovereign operations

- ADB's sovereign sector operations
 - Effect of sovereign guarantee
- ADB's private sector operations
- ADB's public sector nonsovereign operations

ADB Current Outstandings and Equity Investment (2008)



ADB Credit Processes

- Concept Clearance
- Credit Note and Preliminary Risk Rating
- Bankability needs to be established at the outset

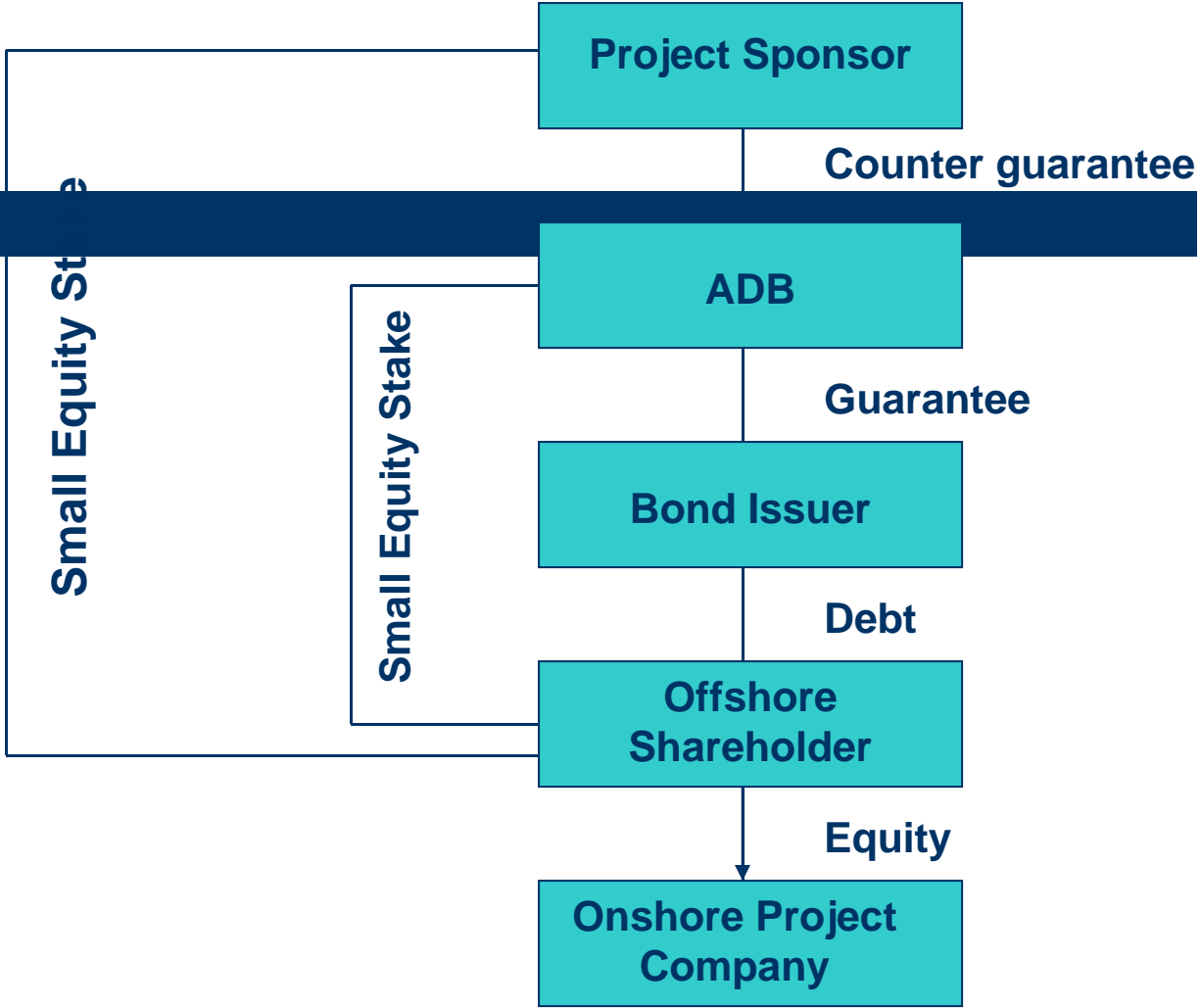
Bankability

- Key ingredients of bankability
 - Tariff
 - Sponsors
 - Enhancement?
 - BTSC example
 - Balanced Concession Terms
 - Regulatory Framework
 - Security and Enforcement of Security
 - Laws permitting sale of assets to special purpose corporates
 - Procurement (satisfying ADB Procurement Guidelines)
 - Mandate

Sponsors - Sky Train



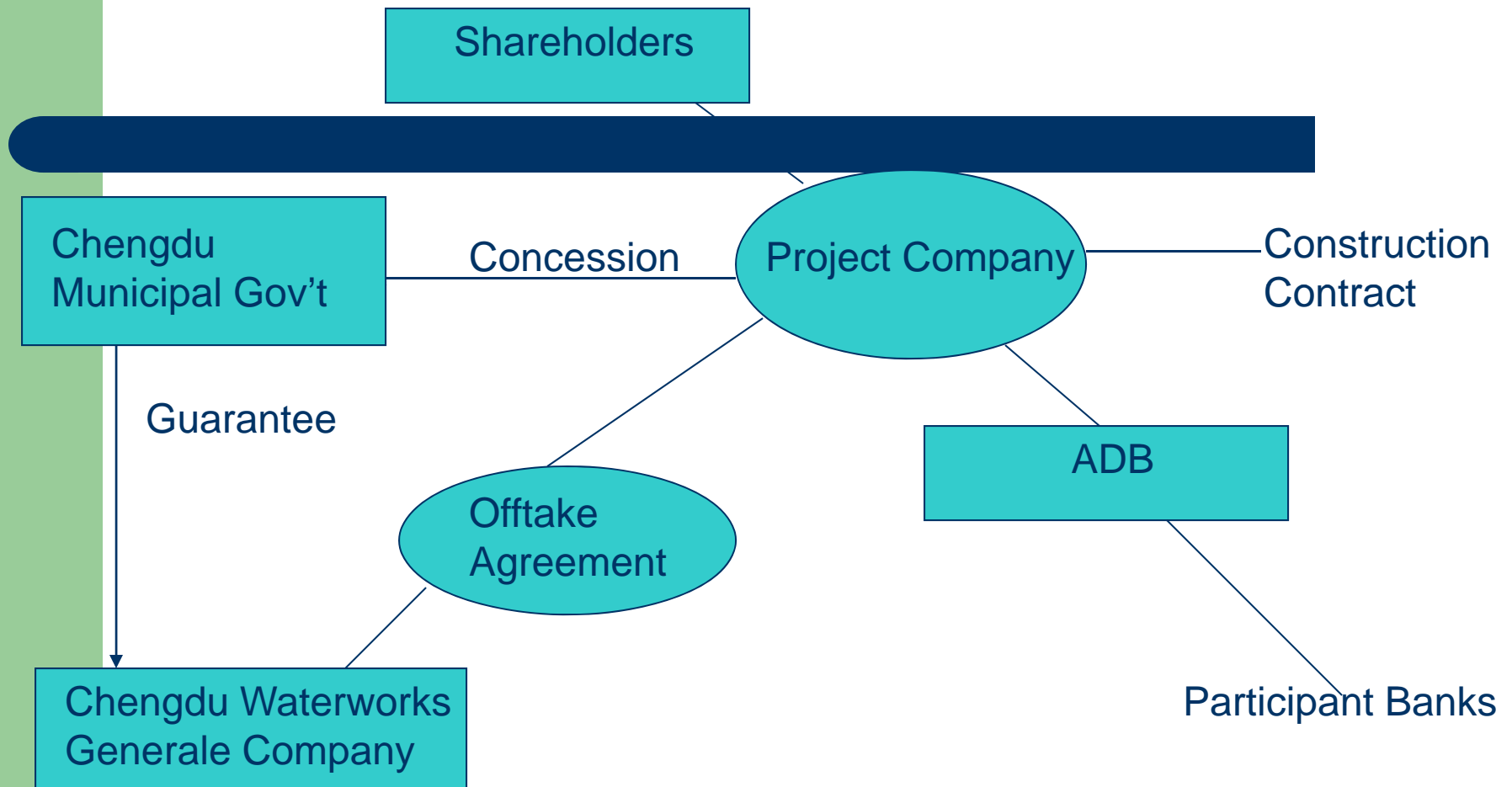
What ADB can do - Dividend Enhancement



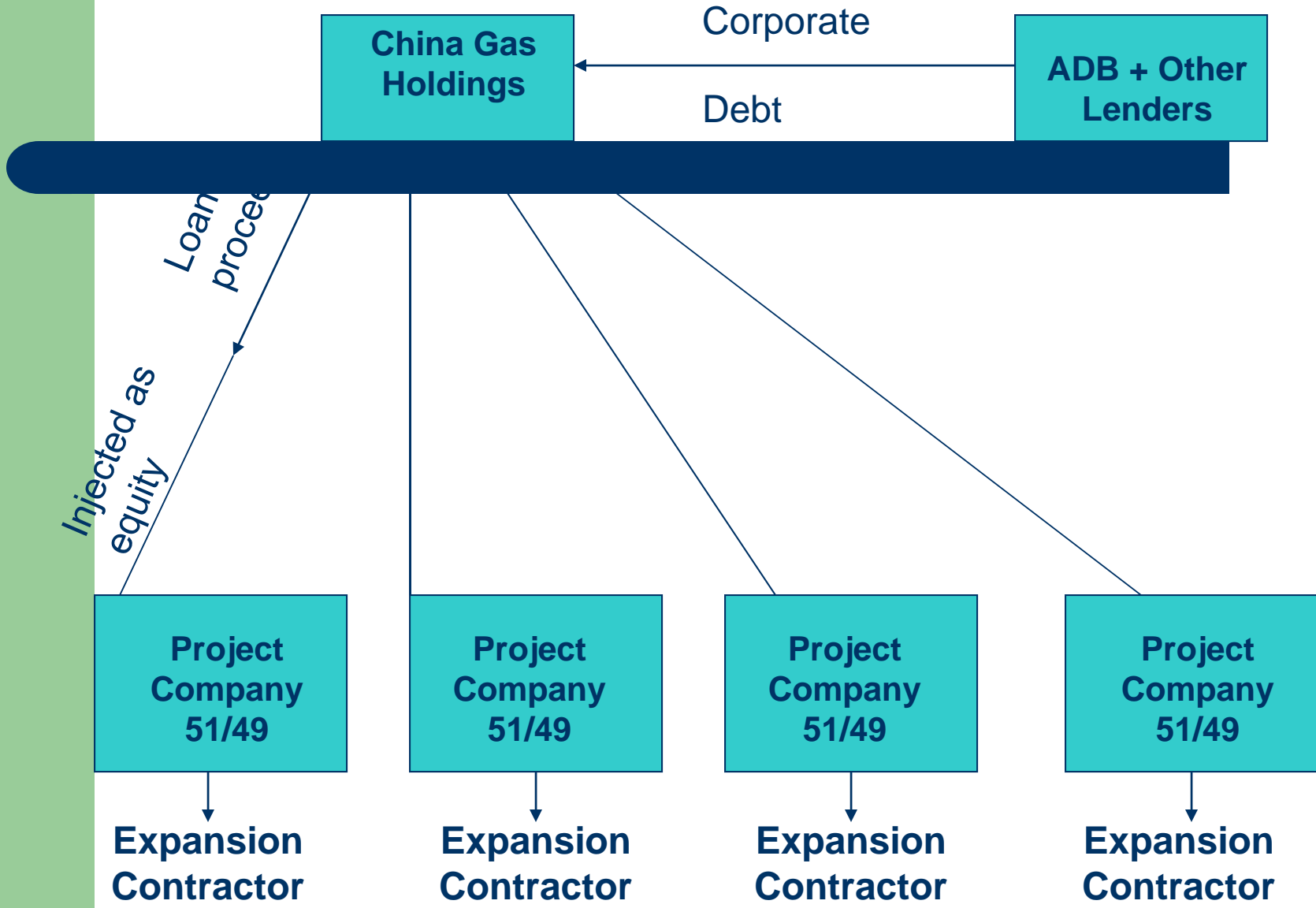
What ADB can do: Debt

- ADB Private Sector Debt-based Projects
- Examples of different structures
 - PRC: Cheng Du Water
 - PRC: China Gas Holdings

Chengdu Contractual Structure



China Gas Holdings Project Structure



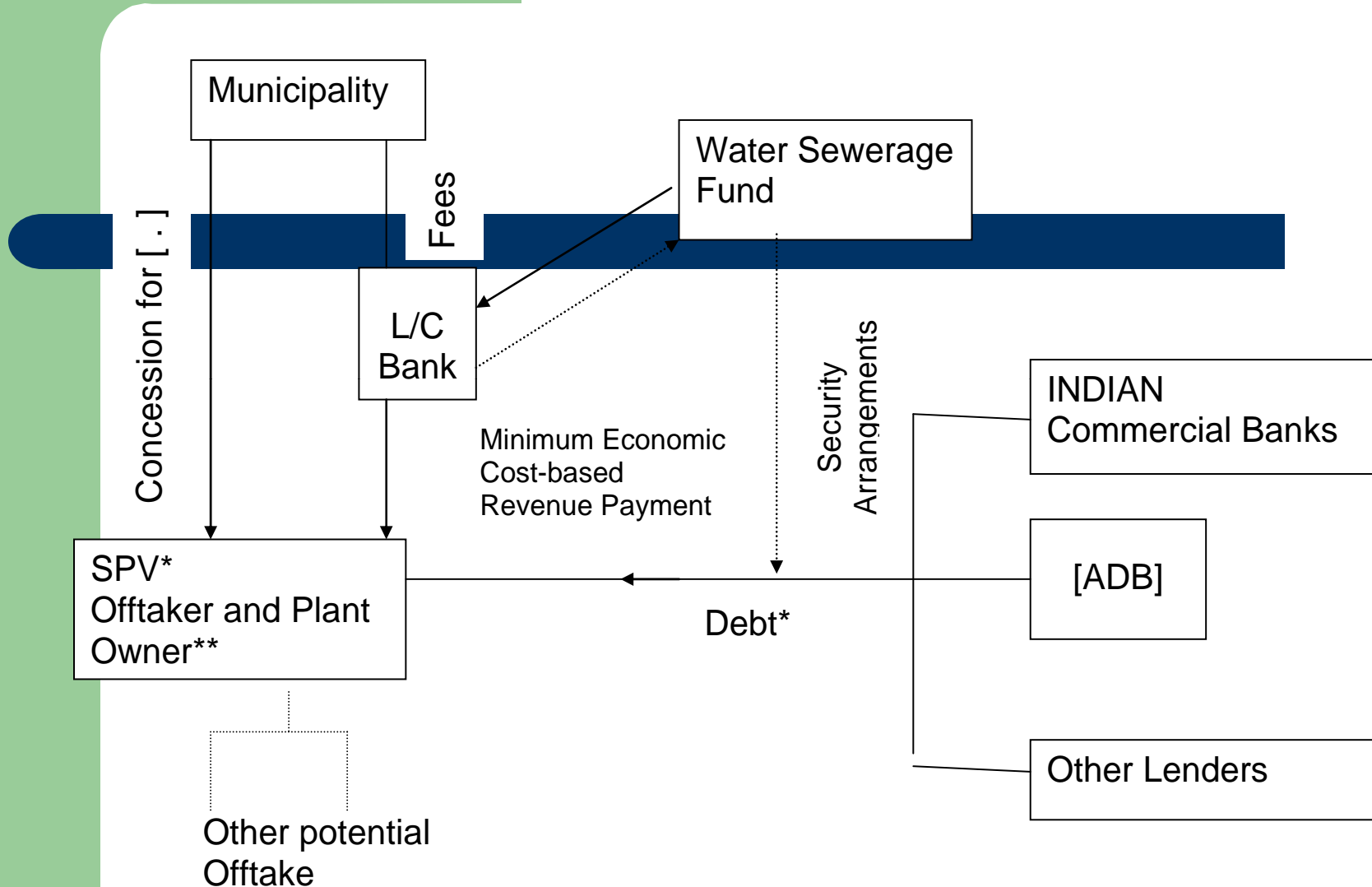
What ADB can do: Equity

- ATRIUM
 - Dominant ADB interest
 - Structuring skills of third parties
 - Investment in urban infrastructure in PRC and VIE
- IIFF (IDFC)
 - Government imprimatur on PPP
 - Ready availability of long term debt for targeted infrastructure
 - Significant ADB stake

Future

- Strategy 2020
- Technical Assistance to DMCs
- Incubation
 - IND: Nagpur
 - IND: Gujarat
 - CAM: Sre Pok
 - NEP: West Seti Hydro

Minimum-Revenue Undertaking Financing Structure



*Debt/Equity ratio TBD, but equity constituted in part or whole by contribution in-kind of plant and equipment.

**Model assumes plant is fully constructed at point of financing with no residual construction risk.