

PARTICIPANT'S PRESENTATION TO THE DIRECTOR GENERAL SOUTHEAST ASIA DEPARTMENT

Presented by:

Ms. Bin Bunheng (Cambodia)
Mr. I Gede Supanca & Ms. Dewi Anggraini (Indonesia)
Mr. Oula Somchanmavong (Lao PDR)
Ms. Fara Adilah Binti Firdaus Mohd Rom (Malaysia)
Ms. Cho Cho Nyunt (Myanmar)
Ms. Rowena Mano (Philippines)
Ms. Upama Jaihong (Thailand)
Ms. Ha Hai An (Vietnam)

South East Asia



ISSUES



I. Loan Negotiation :

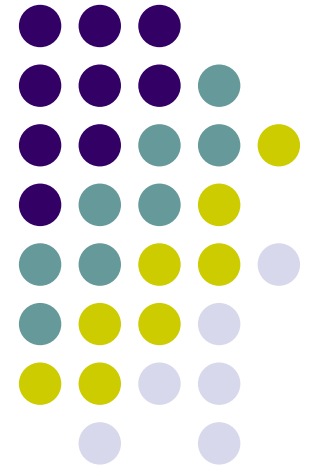
- Non-table negotiation;**
- Better terms & conditions; and**
- Start-up workshop**

II. Strengthening the relationship with ADB



I. LOAN NEGOTIATION

A. NON TABLE NEGOTIATION





Negotiation comes up with 2 documents:

1. Draft of Report and Recommendation of the President to the Board of Directors (RRP)
2. Draft of Loan Agreement (LA) itself

RRP

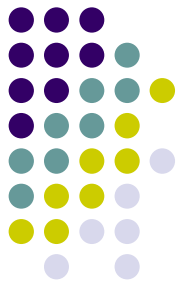
composed of :

A. Loan and Program Summary

Proposal; Macroeconomic Context; Proposed Programs/Projects; TA; Program/Project Benefits, Impacts, and Risks; Assurances and Condition; and Recommendation.

B. Appendixes

The contents of RRP has already been discussed during appraisal mission, so it should not be discussed in details during loan negotiation



LA



Composed of:

- Loan Regulations; Definitions;
- The Loan;
- Use of Proceeds of the Loan;
- Particular Covenants;
- Effectiveness;
- Miscellaneous

These contents almost all could not be changed during negotiation since ADB Team always argues that they are standardized for all DMCs (only minor changes can be achieved, i.e. required reports, amortization schedule)

QUESTION



- If only minor changes, non table negotiation would it be more better?
- Is there a time loss to compose/prepare the negotiating team for both parties?



Proposal

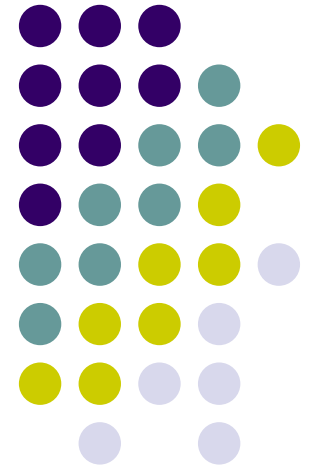


ADB initiates Non-Table Loan Negotiation :

1. ADB sends draft RRP & LA to Borrower
2. Borrower reviews the draft, discusses with concerned agencies, make changes if any, then return to ADB
3. If ADB approves, send the final draft of LA to Borrower for clearance and signature.

If no agreement reached between ADB and the borrower, then they will go to table-negotiation

B. BETTER TERMS & CONDITIONS



TERMS & CONDITIONS



Current T&C of ADB Loan (Negotiate after Jan 1, 2007):

	ADF	OCR
Interest	1.00% 1.50%	Libor+0.40%
Commitment Charge (Project L)	-	0.35% on undisbursed Waiver 0.10% NCC 0.25%
Commitment Charge (Program L)	-	0.75% on undisbursed Waiver 0.50% NCC 0.25%
Maturity (Prj/Pgr)	32/24	15 years

Proposal



1. Lower Spread on Interest Rates
2. No Commitment Charge, or
Commitment charge is calculated based on
disbursement plan of a project

The payment of cc can be as follows:

$$\text{CC payment} = \text{NCC} \times \% \text{ of disbursement plan} \times \text{undisbursed amount}$$



Example:

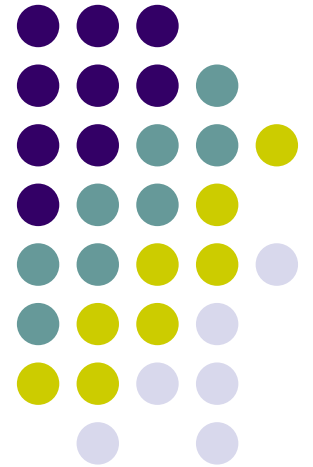
Disbursement Plan for Project X:

Year 1= 10%, year 2=20%, year 3=30%,
year4=30%, and year 5=10%.

Amount of CC to be paid:

- Year 1= 0.25% x 10% x Undisbursed Loan
- Year 2= 0.25% x 30% x Undisbursed Loan
- Year 3= 0.25% x 60% x Undisbursed Loan
- Year 4= 0.25% x 90% x Undisbursed Loan
- Year 5= 0.25% x 100% x Undisbursed Loan

C. START UP WORKSHOP



PROJECT CYCLE



- Identification
- Preparation
- Appraisal
- Loan Negotiation (& Board Approval)
- > **MISSING LINK?**
- Implementation
- Evaluation

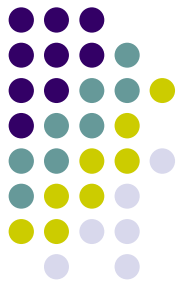


- It seems that there is a missing link between loan approval (and declare effective) and implementation period.
- PAM is prepared with detailed implementation arrangements.
- Even though we already have PAM as project implementation guideline, in fact project implementation still low.
- PAM needs to be disseminated before project implementation.

Proposal



- Upon loan declare effective, Start-up Workshop financed by ADB should be conducted.
- Workshop should be followed by all officials involved in implementing of the project.
- As presenters officials involved in project preparation (ADB, Biro Planning of Line Ministries, Ministry of Planning, Ministry of Finance, Ministry of Budget, and related institutions



II. Strengthening the relationship with ADB

Current Relationship



- After the crisis, Malaysia and Thailand have achieved stable economic growth
- Reducing trend of external borrowing. No new loans from ADB since late 90s.
- From borrowers to new form of partnership

Relationship with ADB



- Domestic Capital Market Development
- Private Sector Partnership
- Strengthening Local Governments Capacity
- Knowledge Sharing/Capacity Building

CONCLUSION



We propose that ADB could initiate:

1. A non table loan negotiations as an alternative option of negotiating
2. A lower interest rates and commitment charges
3. A start-up workshop before project implementation
4. A better relationship with SE Asia countries



Thank you

