

Asian Development Bank

**ADF Currency Mgt
&
SDR Conversion
Option**

22 October 2008

ADB

Outline

- I. ADF Overview
- II. ADF Currency Management
- III. SDR Conversion Option
- IV. Potential Implications of SDR Conversion Option
- V. Conversion Process and Post-Conversion Implications
- VI. Legal Applications

Outline

I. ADF Overview

- II. Overview of ADF Currency Management
- III. SDR Conversion Option
- IV. Potential Implications of SDR Conversion Option
- V. Conversion Process and Post-Conversion Implications
- VI. Legal Applications

Updated Information on ADF

- Provides loans on concessional terms and grants to eligible developing member countries
- Completed negotiation of ADF X in May 2008, total replenishment of USD11.3 billion equivalent for 2009 - 2012
- Introduced new hard-term lending facility in Sept 2007
- Balances as of 31 August 2008,
 - Total loans and grants: USD32.4 billion equivalent
 - Disbursed and outstanding balance: USD25 billion equiv. (63% legacy loans and 37% full-fledged SDR loans)

ADF Financial Resources

Three major financial resources:

1. Donors' Contributions

- periodic replenishments
- 9 replenishments: ADF I – X
- ADF X: 30 countries in 17 donors' currencies:
 - Australian dollar
 - Brunei dollar
 - Canadian dollar
 - Danish krone
 - Euro
 - Japanese yen
 - Korean won
 - Malaysian ringgit
 - New Turkish Lira
 - Norwegian krone
 - New Zealand dollar
 - Pound sterling
 - Singapore dollar
 - Swedish krona
 - Swiss franc
 - Thai baht
 - United States dollar

2. Internal resources/reflows: loan repayment, loan income and investment income

3. OCR income transfer and miscellaneous sources

Eligibility for ADF

- DMC Classification: 3 Groups - A, B and C
- Key Classification Criteria
 - Per capita gross national income (GNI)
 - Creditworthiness
- Financing Eligibility
 - **Group A** : ADF only
 - **Group B** : Blend
 - **Group C** : OCR only

ADB Country Classification

Group A Afghanistan; Bhutan; Cambodia; Kiribati; Kyrgyz Republic; Lao PDR; Maldives; Mongolia; Myanmar; Nauru*; Nepal; Samoa; Solomon Islands; Tajikistan; Timor-Leste; Tonga; Tuvalu; Vanuatu

Group B Armenia; Azerbaijan; Bangladesh; Georgia; India; Marshall Islands; Micronesia; Pakistan; Palau; Papua New Guinea; Sri Lanka; Uzbekistan; Viet Nam

Group C Cook Islands; People's Republic of China; Fiji; Kazakhstan; Malaysia; Philippines; Thailand; Turkmenistan

Graduates Republic of Korea; Hong Kong, China; Singapore; Taipei, China

ADF Lending Terms

Item	Concessional Financing	Hard-Term Loan
Currency	SDR	SDR
Maturity	32 years for project loans 24 years for program loans	32 years for project loans 24 years for program loans
Grace Period	8 years	8 years
Commitment Fee / Service Charge	none	none
Interest Rate	1% during grace period 1.5% during amortization period	(Weighted average of the 10-year fixed swap rates of SDR composite currencies + OCR lending spread) - 150bps
Fixed/Floating	Fixed	Fixed
Repayment Rate	Equal installments	Equal installments (4.17% p.a. for project loans 6.25% p.a. for program loans)
Eligible Borrowers	ADF-only and Blend countries	Blend countries: with (i) per capita income not exceeding the IDA operational cutoff for more than 2 consecutive years, and (ii) an active OCR lending program ADF-only countries: high-revenue earning projects that generate net FX beyond the foreign debt-service requirement

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II. ADF Currency Management

1. Key Definitions and SDR
2. ADF Currency Practices
3. Currency Practice for Legacy Loan: Pre-2006
4. Currency Practice for Full-Fledged SDR Loan
5. Currency Practice for Legacy Loan: Post-2006 (Phase 1)
6. Currency Practice for Converted Legacy Loans (Phase 2)

II. ADF Currency Management

1. Key Definitions & SDR

Key Terms for Currency Management of ADF Loans

**SDR-Denominated
Loan**

**Loan-Denominated
Currency**

Currency of loan used for budgetary purposes SDR since 1983

**Rupee/USD/
JPY/EUR/Dong/Kina**

**Disbursement
Currency**

Currency requested by borrower in which goods/services will be financed

**Donors' Currencies
or
SDR Currencies**

Cost Currency

Currency disbursed or used by ADB to obtain funds for disbursement

**Donors' Currencies
or
SDR**

Liability Currency=
donors' currencies/
SDR based on loan type

Currency recorded by ADB as the liability of borrower

**Donors' Currencies
or
One of SDR currencies**

Repayment Currency
= liability currency or
one of SDR currencies

Currency of loan service payments

Background on SDR

- Created by the IMF in 1969
- Value is based on a basket of 4 major currencies:

Currency	IMF Currency Amount	FX rates	U.S. dollar equivalent
Euro	0.4100	1.3444	0.55120
Japanese yen	18.4000	102.05	0.18030
Pound sterling	0.0903	1.7414	0.15725
U.S. dollar	0.6320	1.0000	0.63200
			1.52076

Current

Daily FX
Rates

SDR Value as of
20 October 2008

- Reviews SDR currency amount every 5 years
- Last reviewed in 2005, valid from 2006 to 2010

II. ADF Currency Management

2. ADF Currency Practices

Currency Management Practices

Evolution of Currency Management Practices

1. Currency Preservation Principle

- Prior to 2006
 - Legacy loans

2. SDR-Based Approach

- Phase 1 (since 2006)
 - New loans*/full-fledged SDR loans
 - Legacy loans**
- Phase 2 (starts 2008)
 - Conversion of legacy loans to full-fledged SDR loans

* Loans invited for negotiation from 1 January 2006.

** Loans invited for negotiation prior to 2006.

II. ADF Currency Management

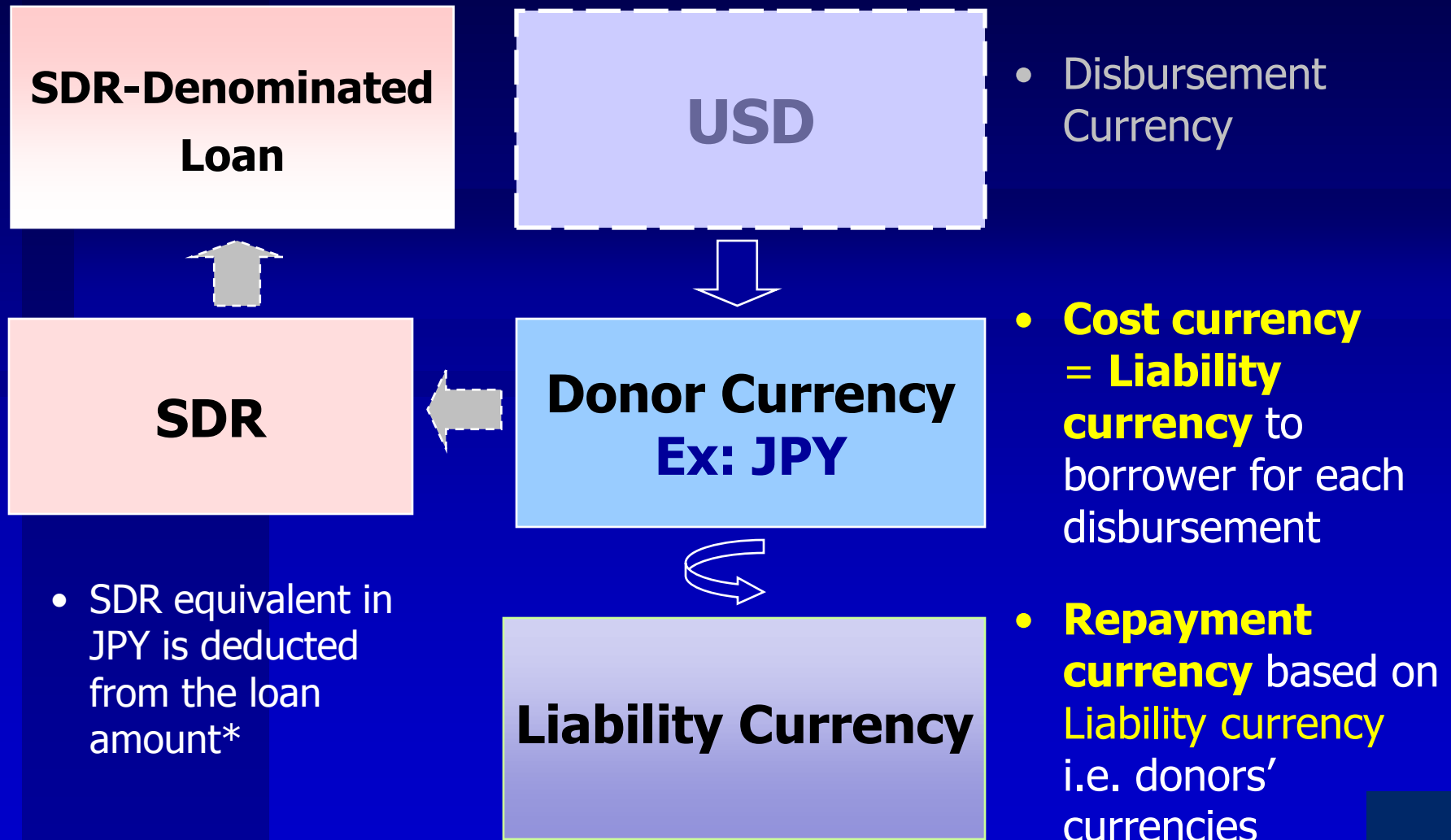
3. Currency Practice for Legacy Loan: Pre-2006

Currency Management Practices...cont.

1. Currency Preservation Principle (prior to 2006)
 - ADF loan regulations restricted the currency conversion of donors' contributions
 - loans were denominated in SDR*
 - 15 national currencies of donors' contributions were used as cost currencies for disbursements
 - borrowers' liabilities are in multiple currencies based on cost currencies
 - repayment currencies are based on liability currencies
 - cost and repayment currencies are at ADB discretion based on currency priority basis
 - Discontinued in 2006

* Prior to 1983, ADF loans were denominated in USD.

Illustration: Single Disbursement Legacy Loan (Pre-2006)



* Maximum availability of aggregate disbursement of a loan is controlled in SDR denomination.

Principal Repayment : Legacy Loan (Pre-2006)

Multi-Currency Liabilities (million)	SDR equiv. at historical FX rates (million)	Amortization Schedule Based on Approved Loan Amount	Principal Due* Billing based on high yield currency:
AUD20	SDR8	<p>32 years including an 8-yr grace period = 48 semi-annual installments = SDR1 million per installment</p>	<p>If billing in AUD: SDR1 x (20/8) = AUD2.4M</p>
JPY2,000	SDR12		
CAD15	SDR12		
EUR20	SDR16		
Total Repayments	SDR48 Million	SDR48 Million	

* Note: Actual formula for this calculation is slightly more complicated as it involves USD equivalent. However, the end result would be the same.



Issues of the Currency Practice on Legacy Loans (Pre-2006)

- A currency mismatch between contractual commitments and actual obligations
- Because of the currency priority practice:
 - challenge in currency planning and debt portfolio management
 - unequal FX effects among borrowers due to various compositions of liability currencies

II. ADF Currency Management

4. Currency Practice for Full-Fledged SDR Loan

Currency Management Practices...cont.

2. SDR-Based Approach (started in 2006)

- ADF loan regulations were amended in 2005
- Allows conversion of donors' contributions and reflows in various currencies to SDR

Phase 1: (since 2006)

(a) full-fledged SDR loans or new loans

- loans continue to be denominated in SDR
- use SDR currencies for loan disbursements
- liability currency is SDR
- repayment currency is one of the SDR currencies

Illustration of a Single Disbursement of a Full-Fledged SDR Loan

SDR-Denominated Loan

Rupee

- **Disbursement Currency**

SDR Currencies

- **Cost Currencies** = SDR currencies

SDR

- **Liability Currency** = SDR

One of the SDR currencies

- **Repayment Currency** = one of the SDR currencies in equivalent of LSP amount in SDR

SDR equivalent of the SDR currencies used is deducted from the loan amount

Principal Repayment: Full-Fledged SDR Loan

Liability in SDR (million)

SDR10

SDR12

SDR10

SDR16

Total
Repayments

SDR48
million

=

Amortization Schedule Based on Approved Loan Amount

32 years
including an
8-year grace
period
=
48 semi-annual
installments
=
SDR1 million
per installment

SDR48
million

Principal Due

- Equivalent amount of SDR1 million in one of the SDR currencies selected by borrower

Currency Practice for Full-Fledged SDR Loan

Full-Fledged SDR Loans

Loan Negotiations in 2006 onwards

Loan Denomination	SDR
Cost Currency	SDR Currencies
Liability Currency	SDR
Repayment Currency	One of SDR currencies; changeable upon advance notice

Benefits of Full-Fledged SDR Loan to Borrowers

- Resolves the mismatch between contractual loan commitments and borrower's actual obligations
- Reduces number of liability currencies from up to 15 currencies to SDR
- Increases flexibility in repayment currency
- Simplifies and streamlines currency planning and debt management
- Harmonizes concessional financing modality with IDA

Benefits of Full-Fledged SDR Loan to ADF

- Improves ADF product and financial management
- Harmonizes the practice with IDA
- Reduces currency volatility of the assets and frees up financial resources for developmental lending

II. ADF Currency Management

5. Currency Practice for Legacy Loan: Post-2006 (Phase 1)

Currency Management Practices...cont.

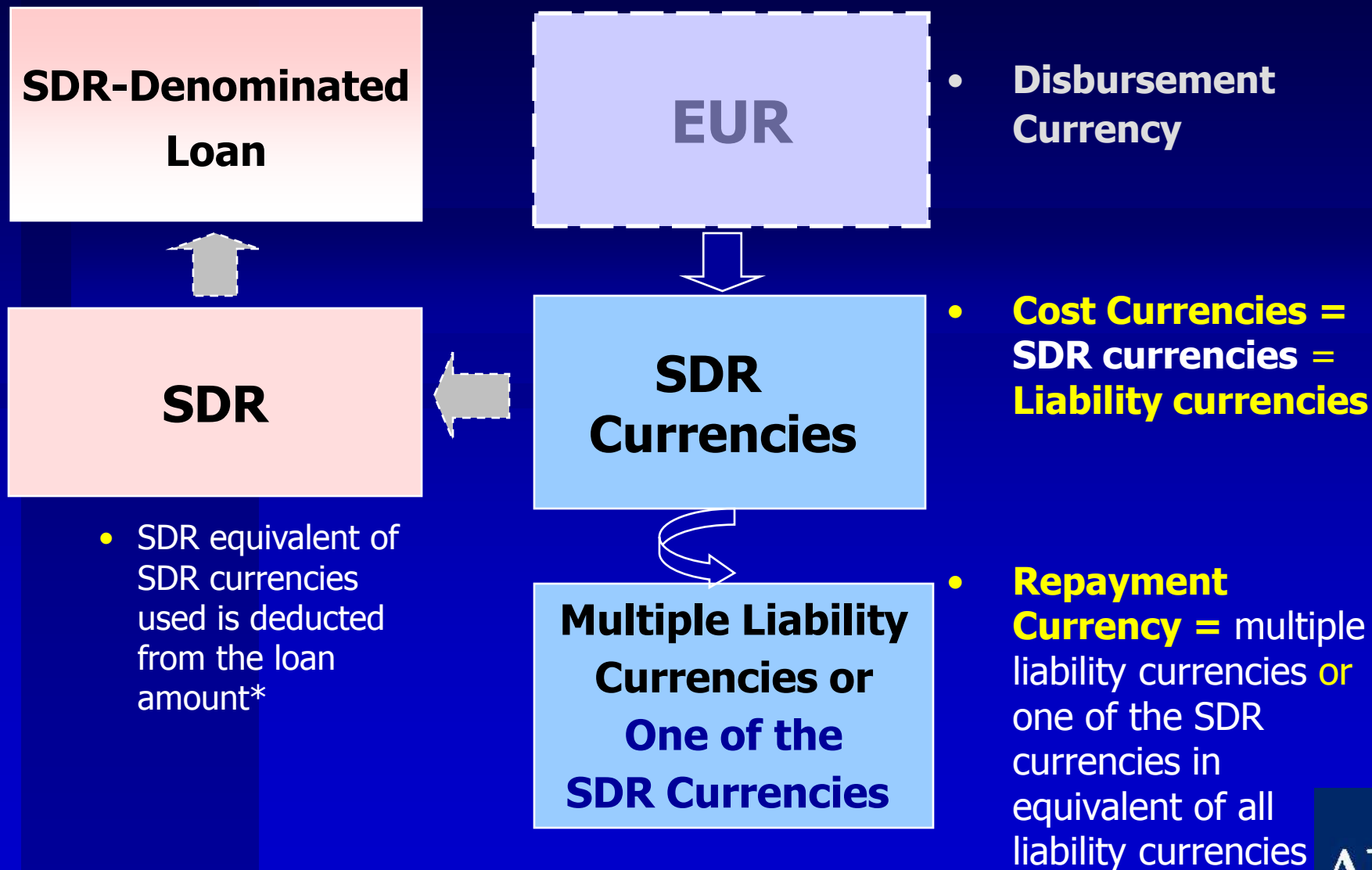
2. SDR-Based Approach (cont.)

Phase 1

(b) Legacy loans

- obligations of disbursed balances retained in donor currencies
- disbursements of undisbursed balances:
 - Program Loans: proportionately use SDR currencies
 - Project Loans: mimic SDR currencies
- multiple liability currencies are proportionally recalled for loan repayments
- repayment currency is either liability currencies or one of the SDR currencies

Illustration of a Single Disbursement of a Legacy Loan after 2006



• Maximum availability of aggregate disbursement of a loan is controlled in SDR denomination.

Principal Repayment: Legacy Loan after 2006

**Multi
Currency
Liabilities
(million)**

**SDR Equiv.
at Historical
FX Rates
(million)**

**Amortization
Schedule
Based on
Approved
Loan Amount**

Principal Due *

AUD20

=

SDR8

JPY2,000

=

SDR12

CAD15

=

SDR12

EUR20

=

SDR16

**32 years
including an
8-year grace
=
48 semi-annual
installments
=
SDR1 Million
per installment**

**Proportional Recall Based
on Liability Currency
Composition (million):**

AUD=SDR1/48x20= AUD0.42,
and
JPY=SDR1/48x2,000=JPY41.7,
and
CAD=SDR1/48x15= CAD0.31,
and
EUR=SDR1/48x20= EUR0.42

**Repayment Options
(million):**

1. In multiple currencies based on obligations
= AUD0.42 + JPY41.7 + CAD0.31+ EUR0.42
2. Equivalent of multicurrency obligations in one of the SDR currencies

**Total
Repayments**

**SDR48
Million**

=

**SDR48
Million**

* Note: Actual formula for this calculation is slightly more complicated as it involves USD equivalent. However, the end result would be the same.

Currency Practice: Legacy Loan

Item	Disbursement Status as of January 2006	
	Undisbursed Portion	Disbursed and Outstanding
Loan Denomination	SDR	SDR
Cost Currency	SDR Currencies	Donors' Currencies
Liability Currency	SDR Currencies	Donors' Currencies
Repayment Currency	<ul style="list-style-type: none"> • proportional recalling of multiple liability currencies • option to pay in one of SDR currencies, changeable upon advance notice 	

Issues of the Currency Practice on Legacy Loans (After 2006)

- Increase flexibility in repayment currency
- Simplify borrowers' financial planning of debt portfolio management

However,

- Currency mismatch between contractual commitments and actual obligations remains
- Inconsistent practices between ADF and IDA

II. ADF Currency Management

6. Currency Practice for Converted Legacy Loans (Phase 2)

Currency Management Practices...cont.

2. SDR-Based Approach (cont.)

Phase 2: Legacy Loans

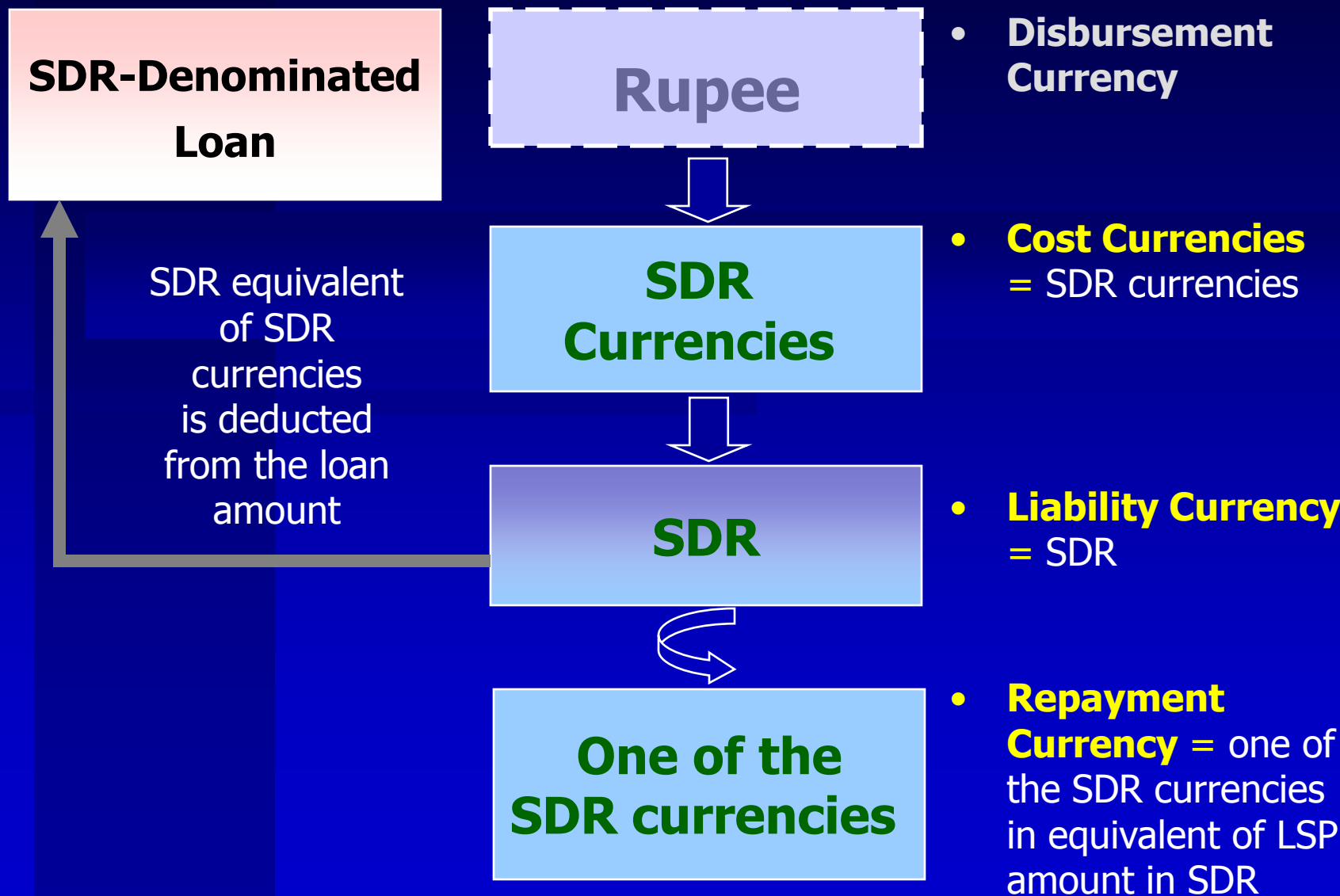
- Starting January 2008, borrowers have the option to convert multicurrency liabilities of disbursed and outstanding balance to SDR
- **With conversion:**
 - multiple currencies of disbursed and outstanding balances will be converted to SDR
 - undisbursed balances will follow disbursement practice of full-fledged SDR loans
 - loan service payments of full-fledged SDR will be applied
- **No conversion:** Features of phase-1 legacy loans will be retained

Currency Practice: Full-Fledged SDR vs Legacy Loans

Item	Full-Fledged SDR Loans and Converted Legacy Loans	Legacy Loans (Phase 1)		Pre-2006
		Undisbursed Balance	Disbursed and Outstanding	
Loan Denomination	SDR	SDR	SDR	SDR*
Cost Currency	SDR Currencies	SDR Currencies	Donors' Currencies	Donors' Currencies
Liability Currency	SDR	SDR Currencies	Donors' Currencies	Donors' Currencies
Repayment Currency	One of the SDR currencies; changeable upon advance notice	<ul style="list-style-type: none"> proportional recalling of multiple liability currencies option to pay in one of the SDR currencies; changeable upon advance notice 	High yield currencies from the liability currencies	

* Loans denominated in USD prior to 1983.

Illustration of a Single Disbursement of a Converted Legacy Loan



Principal Repayment: Converted Legacy Loan

Liability in SDR Amortization Schedule
(million) Based on Approved
Loan Amount

SDR10

SDR12

SDR10

SDR16

32 years
including an
8-year grace
period

=

48 semi-annual
installments

=

**SDR1 million
per installment**

Principal Due

- Equivalent amount of SDR1 million in one of the SDR currencies selected by borrower

Total Repayments = SDR48 million

SDR48 million

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III. SDR Conversion Option

- Starting January 2008
- Option to convert multiple liability currencies under legacy loans into SDR
- Available for all ADF borrowers with no arrears in outstanding legacy loans
- Multiple liability currencies of disbursed and outstanding balances will be converted into SDR
- Undisbursed balances remain in SDR and future disbursements will follow the practice of full-fledged SDR loans
- No administrative fee to borrowers

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IV. Potential Implications:
SDR Conversion Option of the
ADF Exposure for Various Countries

Scenario Analysis:
Conversion
vis-à-vis
No Conversion

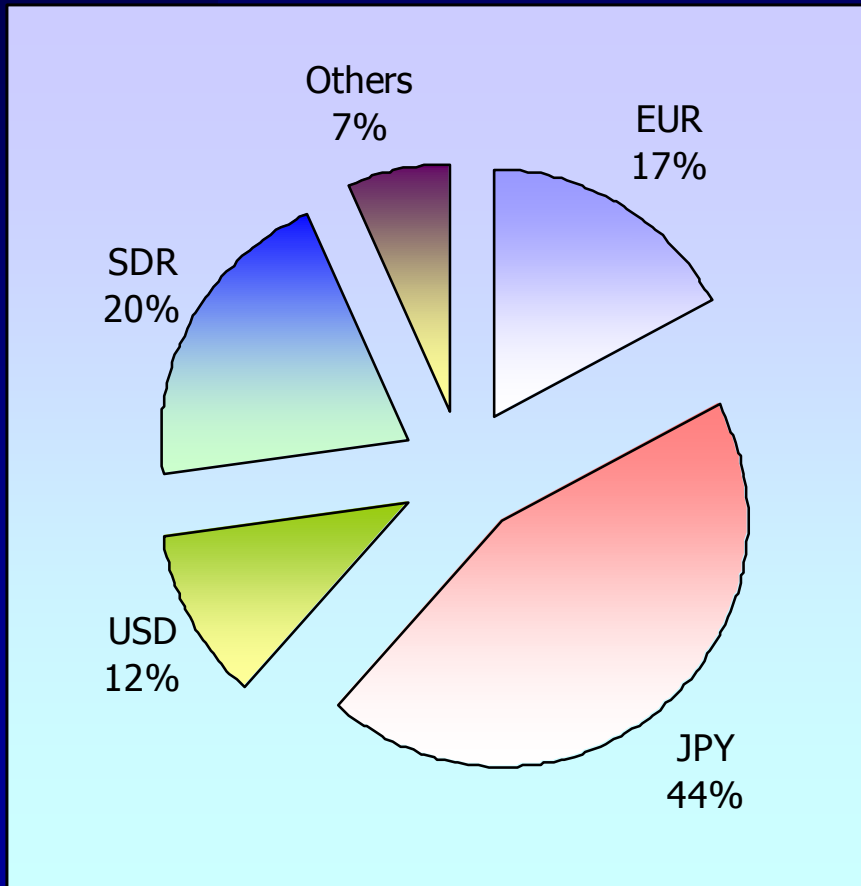
Sample Exposure as of August 2008

- Outstanding loans involve 14 liability currencies
- Value equivalent: USD6.6 billion or SDR4.2 billion equivalent (amounts in million)

Currency	Local Currency	US\$ Equivalent	% Breakdown
AUD	17.9	15.4	0.2
CAD	214.0	201.2	3.1
CHF	47.0	42.6	0.6
DKK	79.4	15.6	0.2
EUR	764.7	1,122.2	17.1
GBP	54.0	98.4	1.5
JPY	315,820.5	2,902.8	44.2
KRW	5,127.9	4.7	0.1
NOK	115.1	21.2	0.3
SEK	304.5	47.2	0.7
SGD	0.1	0.1	0.0
THB	3.3	0.1	0.0
USD	759.0	759.0	11.6
XDR	850.5	1,335.2	20.3
SDR4,182.2		6,565.6	100.0

ADF Loans Outstanding as of 30 August 2008

- Currency mix of loans outstanding: 14 currencies



Major Currency Exposure:

- JPY – 44%
- EUR – 17%
- USD – 12%

Potential Implications Based on Scenario Analysis

- **Scenario Analysis:**
 - (i) conversion
 - (ii) no conversion
- **Two Approaches Used:**
 - (i) historical foreign exchange pattern
 - 20-year historical foreign exchange rate movements (1988–2008)
 - (ii) projected foreign exchange rate changes
 - 5%–50% change

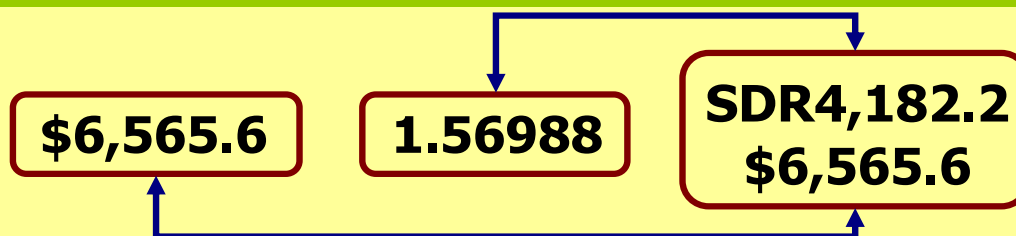
Potential Implications: Conversion or No Conversion

Basis for analysis and assumptions:

- Country outstanding loan balance and currency mix as of August 2008
- Conversion scenario: assuming the conversion takes place at the end of August 2008
- No repayment during the analysis period
- No change in SDR currency composition and weighting

Basis for Analysis and Assumptions

Currency	Local Currency	US\$ Equivalent	FX Rates	SDR Equivalent
AUD	17.9	15.4	0.85780	9.8
CAD	214.0	201.2	0.94003	128.1
CHF	47.0	42.6	0.90802	27.2
DKK	79.4	15.6	0.19673	9.9
EUR	764.7	1,122.2	1.46735	714.8
GBP	54.0	98.4	1.82110	62.7
JPY	315,820.5	2,902.8	0.00919	1,849.0
KRW	5,127.9	4.7	0.00092	3.0
NOK	115.1	21.2	0.18449	13.5
SEK	304.5	47.2	0.15501	30.1
SGD	0.1	0.1	0.70651	0.0
THB	3.3	0.1	0.02922	0.1
USD	759.0	759.0	1.00000	483.5
XDR	850.5	1,335.2	1.56988	850.5



Based on exchange rates as of 31 August 2008.

Note: Figures may not sum precisely because of rounding.

Basis for Analysis and Assumptions

SDR Value as of 31 August 2008:

Currency	IMF Currency Amount	FX rates	US dollar equivalent	% Weighting
Euro	0.4100	1.47210	0.60356	38.4
Japanese yen	18.4000	108.76000	0.16918	10.8
Pound sterling	0.0903	1.82880	0.16514	10.5
US dollar	0.6320	1.00000	0.63200	40.3
			<u>1.56988</u>	<u>100.0</u>

a. Historical Foreign Exchange Rate Pattern

20-Year Historical Volatility*

Currency	Annualized Volatility
Australian dollar	9.6%
Canadian dollar	6.0%
Danish krone	9.7%
Euro	8.9%
Japanese yen	11.1%
Korean won	13.0%
Malaysian ringgit	7.6%
New Zealand dollar	9.6%
Norwegian krone	9.8%
Pound sterling	9.4%
Singapore dollar	5.0%
Swedish krona	10.8%
Swiss franc	10.7%
Thai Baht	11.5%
SDR	5.1%

- SDR is less volatile than almost all single liability currencies based on historical data
- With conversion, volatility of obligation value is lower

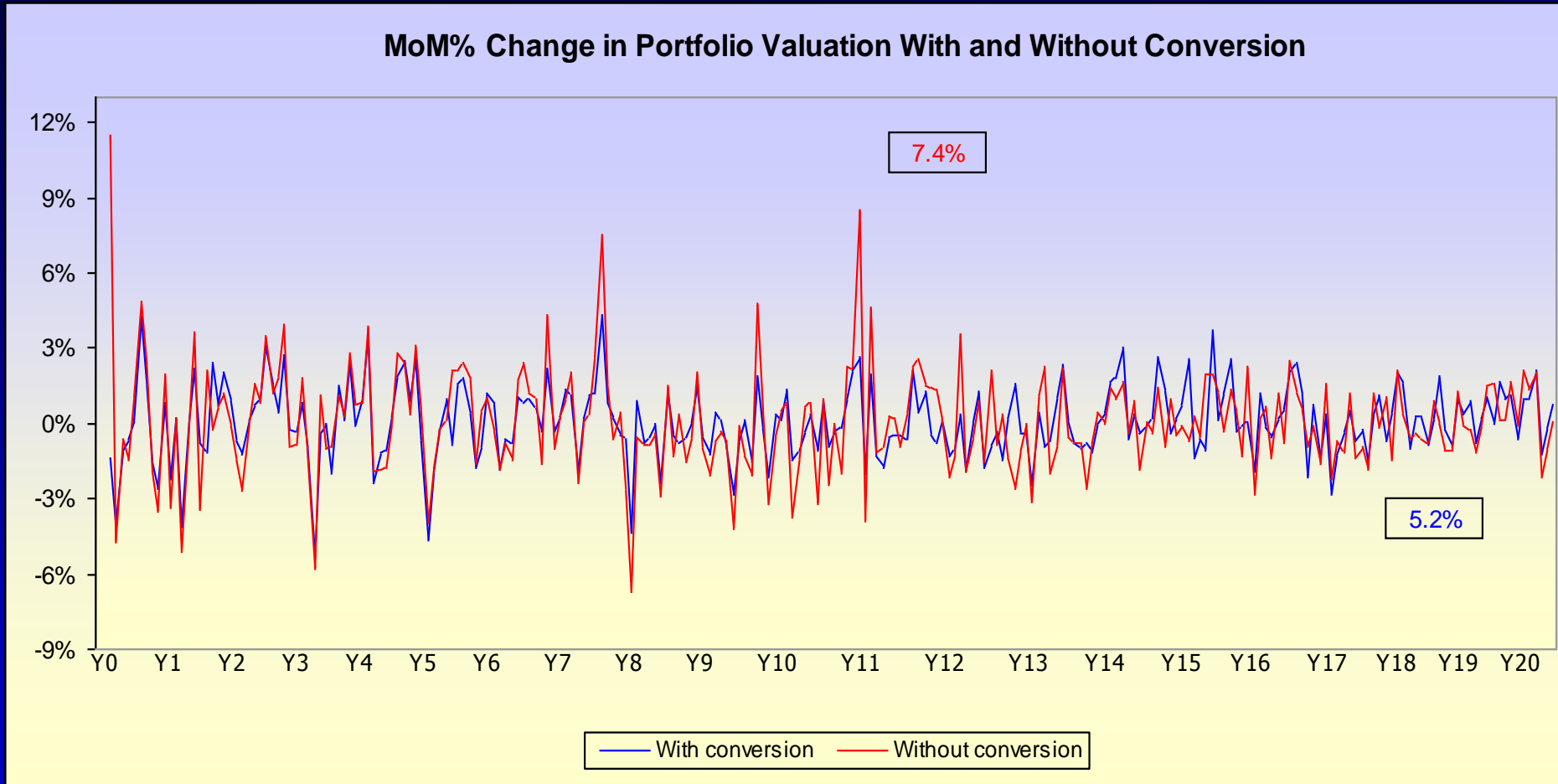
* Data from Bloomberg.

** DEM is proxy for rates prior to December 1999.

a. Historical Foreign Exchange Rate Pattern

DMC	No. of Liability Currencies	Legacy Loans	Full-Fledged SDR Loans (%)	Main Currency Exposure	Portfolio Volatility (%)
A	15	97	3	JPY (55%); EUR (21%); US\$ (11%)	7.9
B	14	92	8	JPY (51%); EUR (20%); US\$ (13%)	7.8
C	16	92	8	JPY (51%); EUR (20%); US\$ (13%)	7.3
D	14	100	0	JPY (46%); EUR (25%); US\$ (16%)	6.7
E	15	96	4	JPY (38%); EUR (23%); US\$ (21%)	7.2
F	12	95	5	JPY (46%); EUR (22%); US\$ (16%)	7.9
G	10	98	2	JPY (31%); EUR (28%); US\$ (27%)	6.4
H	8	100	0	JPY (50%); EUR (19%); US\$ (17%)	8.6
I	9	100	0	JPY (46%); EUR (33%); US\$ (8%)	6.7
J	14	100	0	JPY (38%); EUR (27%); US\$ (20%)	6.5

a. Historical Foreign Exchange Rate Pattern

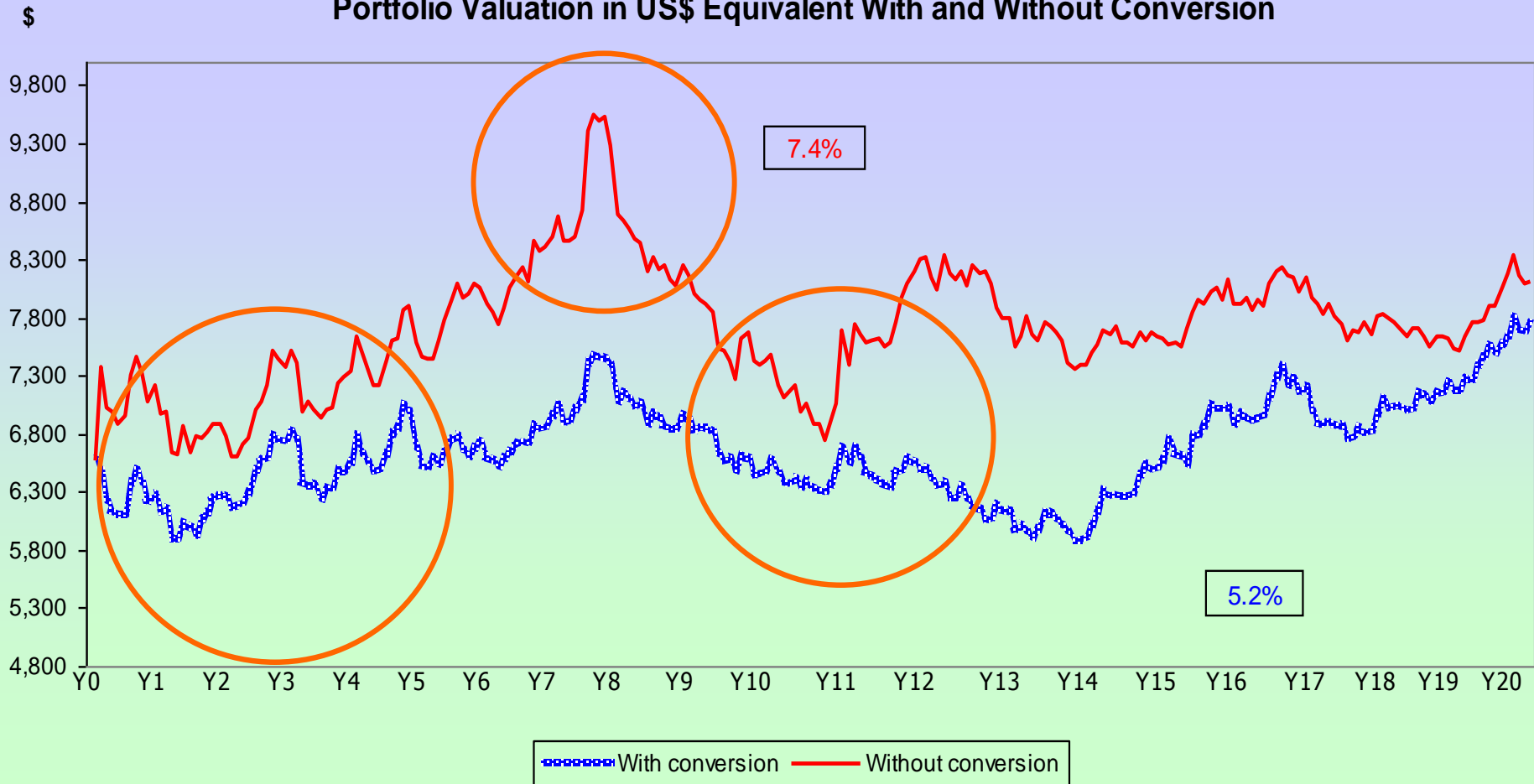


Less volatile under conversion scenario based on a 20-year historical exchange rates

- Conversion scenario: 5.2%
- No conversion scenario: 7.4%

a. Historical Foreign Exchange Pattern

Portfolio Valuation in US\$ Equivalent With and Without Conversion



- Conversion scenario shows a lower volatility based on 20-year historical exchange rates

b. Projected Foreign Exchange Change

% Change in Obligation Value in USD Due to FX Change

No Conversion scenario

Currency	+5%	+10%	+15%	+20%	+25%	+30%	+35%	+40%	+45%	+50%
Australian dollar	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Canadian dollar	0%	0%	1%	1%	1%	1%	1%	1%	2%	2%
Danish krone	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Euro	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
Japanese yen	3%	5%	8%	10%	13%	15%	18%	20%	23%	25%
Korean won	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Norwegian krone	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Pound sterling	0%	0%	0%	0%	0%	1%	1%	1%	1%	1%
SDR	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Singapore dollar	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Swedish krona	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Swiss franc	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Thai baht	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
All*	4%	9%	13%	17%	22%	26%	30%	35%	39%	44%

- The calculation does not factor in the correlation effects between currencies.
- Decrease in FX would lead to the opposite effect in the obligation value.

b. Projected Foreign Exchange Change

% Change in Obligation Value in USD Due to FX Change

Conversion scenario

Currency	+5%	+10%	+15%	+20%	+25%	+30%	+35%	+40%	+45%	+50%
EUR	2%	4%	6%	8%	10%	12%	13%	15%	17%	19%
JPY	1%	1%	2%	2%	3%	3%	4%	4%	5%	5%
GBP	1%	1%	2%	2%	3%	3%	4%	4%	5%	5%
All*	3%	6%	9%	12%	15%	18%	21%	24%	27%	30%

Correlation Coefficient

Item	EUR	JPY	GBP	SDR
EUR	1.000	(0.400)	0.723	(0.622)
JPY	(0.400)	1.000	(0.348)	(0.622)
GBP	0.723	(0.348)	1.000	0.780
SDR	0.905	(0.622)	0.780	1.000

- The calculation does not factor in correlation effects between currencies.
- Decrease in FX would lead to the opposite effect in the obligation value.

Conclusion from Scenario Analysis

- Conversion of liability currencies from donor currencies to SDR provides benefits to borrowers as follows:
 - lower volatility in the obligation value
 - less number of liability currencies to be monitored and managed

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V. Conversion Process and Post-Conversion Implications

1. Conversion Process

Timing of SDR Conversion

- Effective one (1) month after receipt of letter of agreement from Borrower
- Conversion Date: 1st loan service payment date of each loan (i.e., after receipt of letter of agreement)

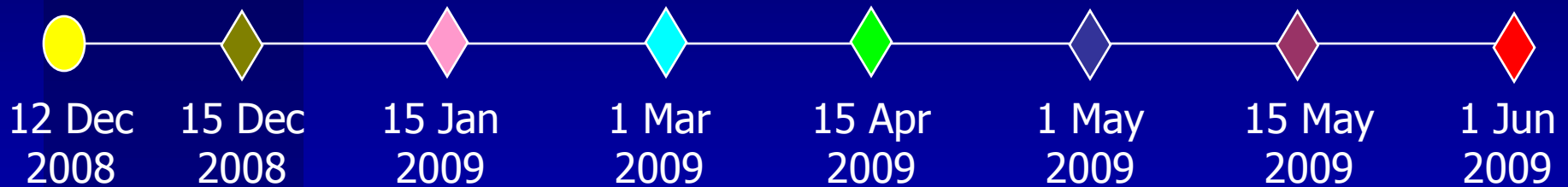
Illustration 1:

1 January 2008	ADB sends letter of agreement to borrower
12 November 2008	Letter of agreement signed by borrower and received by ADB
15 December 2008	Value date of conversion



Illustration 1: ...cont.

1 January 2008	ADB sends letter of agreement to borrower
12 November 2008	Letter of agreement signed by borrower and received by ADB
LSP Date of each Loan	Value date of conversion



<u>Loans</u>	
263	564
851	874
930	1315
1671	1854
2020	

<u>Loans</u>	
419	433
439	901
1805	1806
1898	1899
1936	1937
1938	

<u>Loans</u>	
2053	
2054	

<u>Loans</u>	
330	
331	
428	

<u>Loan</u>	
2114	

<u>Loans</u>	
723	791
838	976
977	1001
1004	1012
1297	1893
2203	2204
2210	2212
2213	

<u>Loans</u>	
1912	
1980	

Conversion Process

- Closing of loan accounts
 - Principal loan outstanding
 - Interest/other charges
 - Undisbursed loan balances
- Account balances in liability currencies converted to SDR at exchange rates as of conversion date
- Creation of new loan accounts
- Loans outstanding (borrower's liability) recorded in SDR

Illustration 2: (Fully Disbursed SDR-Denominated Loan)

Loan No. 1000

LSP Dates: 15 Jun/15 Dec

Principal Loans Outstanding as of 15 December 2008

Liability Currencies	Exch. Rates as of 15/12/2008	US\$ Equivalent	US\$/SDR Rate	SDR Equivalent
€4,281,273.43	0.642013	6,668,515.17	1.620450	4,115,224.27
£271,052.29	0.504605	537,157.36	1.620450	331,486.54
¥1,155,481,120	108.130005	10,686,035.94	1.620450	6,594,486.68
KRW580,473,992	1,013.500000	572,741.98	1.620450	353,446.25
NKr10,241,064.09	5.153150	1,987,340.58	1.620450	1,226,412.77
SEK3,635,960.73	6.059750	600,018.27	1.620450	370,278.79
US\$2,336,683.32	1.000000	2,336,683.32	1.620450	1,441,996.56
		23,388,492.62		14,433,331.86

Thus, the borrower's liability is now SDR14,433,331.86.

ADB









Revision of Amortization Schedule: Converted SDR Loan

- Revise principal amortization schedule based on the new SDR converted loan amount
- Issue the new amortization schedule to the borrower

Amortization Schedule (Fully Disbursed SDR-Denominated Loan)

Loan No. 1000

BEFORE CONVERSION

LSP Date	EUR	GBP	JPY	KRW	NOK	SEK	USD
15 Jun 09	89,193.20	5,646.92	24,072,523	12,093,208	213,355.50	75,749.18	48,680.90
15 Dec 09	89,193.20	5,646.92	24,072,523	12,093,208	213,355.50	75,749.18	48,680.90
15 Jun 10	89,193.20	5,646.92	24,072,523	12,093,208	213,355.50	75,749.18	48,680.90
15 Dec 10	89,193.20	5,646.92	24,072,523	12,093,208	213,355.50	75,749.18	48,680.90
							
15 Jun 32	89,193.20	5,646.92	24,072,523	12,093,208	213,355.50	75,749.18	48,680.90
15 Dec 32	89,193.03	5,647.05	24,072,539	12,093,216	213,355.59	75,749.27	48,681.02
Total	4,281,273.43	271,052.29	1,155,481,120	580,473,992	10,241,064.09	3,635,960.73	2,336,683.32

Amortization Schedule (Fully Disbursed SDR-Denominated Loan)

Loan No. 1000

AFTER CONVERSION



LSP Date	(In SDR)
15 Jun 09	300,694.00
15 Dec 09	300,694.00
15 Jun 10	300,694.00
15 Dec 10	300,694.00
	
15 Jun 32	300,694.00
15 Dec 32	300,713.86
Total	14,433,331.86

Illustration 2: (Disbursing SDR-Denominated Loan)

Loan No. 1995

LSP Dates: 15 Jan/15 Jul

Undisbursed balance - SDR1,539,229.60

Principal Loans Outstanding as of 15 January 2009

Liability Currencies	Exch. Rates as of 15/01/2009	US\$ Equivalent	US\$/SDR Rate	SDR Equivalent
€720,437.88	0.669949	1,075,362.27	1.58131	680,045.20
£132,767.40	0.527176	251,846.44	1.58131	159,264.43
¥31,849,954	109.269997	291,479.41	1.58131	184,327.81
US\$563,518.77	1.000000	563,518.77	1.58131	356,361.98
		2,182,206.89		1,379,999.42

Thus, the borrower's liability is now SDR1,379,999.42.

Amortization Schedule (Disbursing SDR-Denominated Loan)

Loan No. 1995

BEFORE CONVERSION

LSP Date	EUR	GBP	JPY	USD
15 Jul 11	15,009.12	2,765.99	663,541.00	11,739.97
15 Jan 12	15,009.12	2,765.99	663,541.00	11,739.97
15 Jul 12	15,009.12	2,765.99	663,541.00	11,739.97
15 Jan 13	15,009.12	2,765.99	663,541.00	11,739.97
15 Jul 13	15,009.12	2,765.99	663,541.00	11,739.97
15 Jan 14	15,009.12	2,765.99	663,541.00	11,739.97
↓	↓	↓	↓	↓
15 Jul 34	15,009.12	2,765.99	663,541.00	11,739.97
15 Jan 35	15,009.24	2,765.87	663,527.00	11,740.18
Total	720,437.88	132,767.40	31,849,954.00	563,518.77

Amortization Schedule (Disbursing SDR-Denominated Loan)

Loan No. 1995

AFTER CONVERSION

(SDR)

LSP Date	Disbursed	Undisbursed	Total
15 Jul 11	28,750.00	32,067.00	60,817.00
15 Jan 12	28,750.00	32,067.00	60,817.00
15 Jul 12	28,750.00	32,067.00	60,817.00
15 Jan 13	28,750.00	32,067.00	60,817.00
15 Jul 13	28,750.00	32,067.00	60,817.00
15 Jan 14	28,750.00	32,067.00	60,817.00
↓	↓	↓	↓
15 Jul 34	28,750.00	32,067.00	60,817.00
15 Jan 35	28,749.42	32,080.60	60,830.02
Total	1,379,999.42	1,539,229.60	2,919,229.02

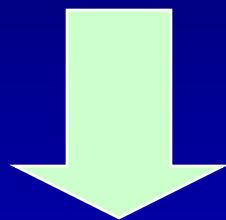
V. Conversion Process and Post-Conversion Implications

2. Implication on Loan Disbursement, Loan Accounting, and Loan Service Payment

Converted SDR Loan: Loan Disbursement

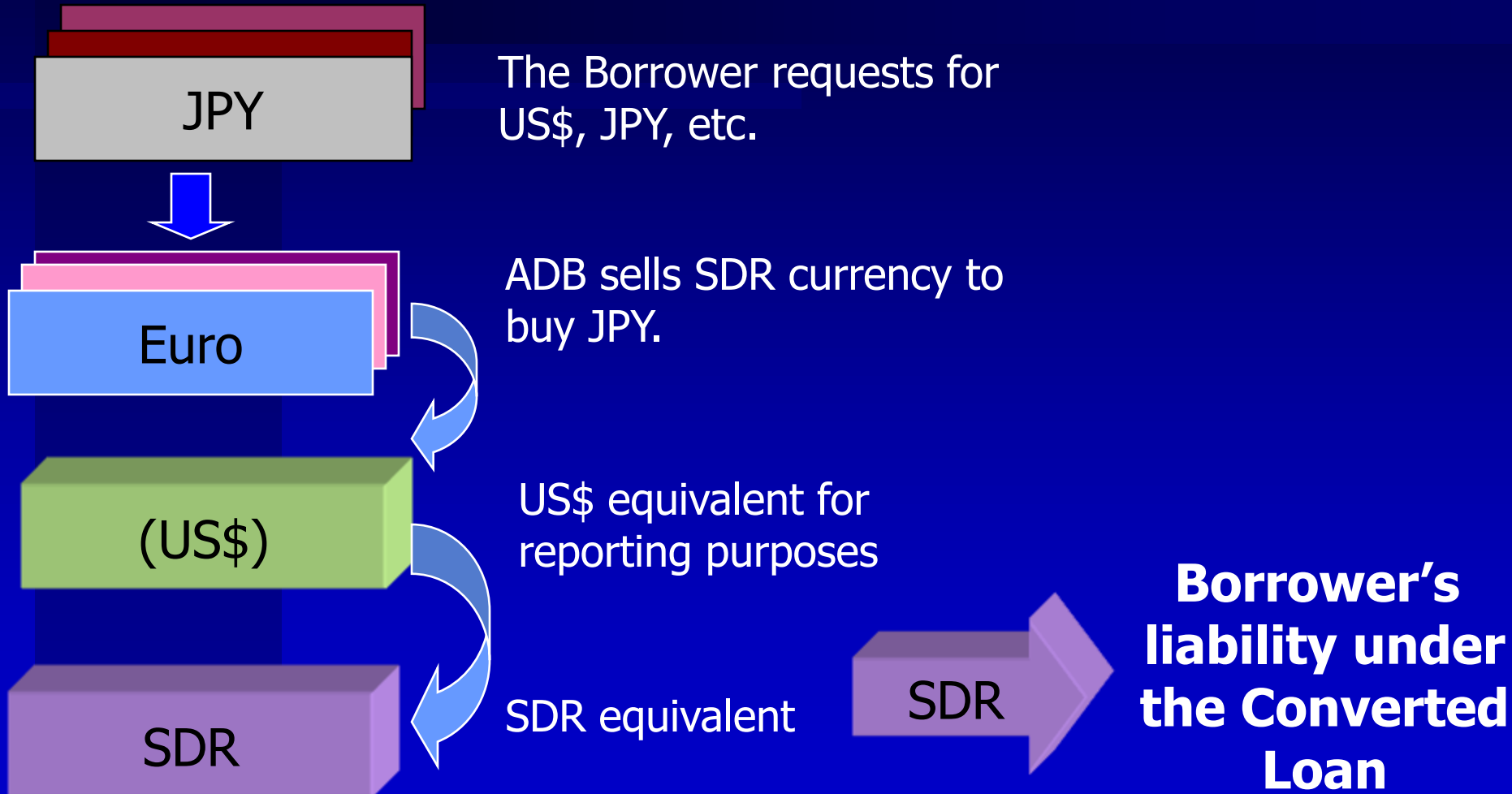
Starting from 15 Dec 2008

Disbursement
Request



Cost Currency
selected by ADB
from the 4 SDR
currencies based on
transactional and
administrative
efficiency

Converted SDR Loan: Loan Disbursement



Converted SDR Loan: Loan Accounting

- Cost currency (any SDR currency) for each disbursement selected by ADB based on transactional and administrative efficiency
- Cost Currency Amount x Daily Book Rate = SDR Amount
- Loans outstanding (borrower's liability) in SDR
- Accrual of interest in SDR

Converted SDR Loan: Principal Repayment

- Borrower selects the repayment currency (any of the SDR currencies)
- Billing: amount due (principal and interest) in SDR, and converted into the repayment currency specified in the letter of agreement
- Borrower can change the repayment currency anytime (for accounting purposes, notice must be given to ADB at least 3 months before the due date)

LSP for Existing Legacy Loans (Pre-2006) No Conversion

Liability Currency	SDR Equiv.	Amortization in SDR	Proportional Recalling	Total Repayment for 1 st Installment
JPY 2000M	SDR 12M	32 Years Including An 8-Year Grace = 48 Semi-annual Installments or SDR1 Million/ Installment	Principal Due (For 1 st Installment) JPY principal amount due will be: SDR 1M/48M x 2000M = JPY41.7M	Pay the 3 currencies: JPY41.7M + US\$0.54M + EUR 0.42M
US\$ 26M	SDR 20M		and US\$: SDR 1M/48M x 26M = US\$0.54M	
EUR 20M	SDR 16M		and EUR: SDR 1M/48M x 20M = EURO.42M	
Total Disb. = SDR 48M		= SDR 48M		Or, option to pay in SDR currencies as follows: US\$ (or any of the SDR basket currencies) equivalent to the amounts of the 3 currencies. <u>Any surplus/shortage due to FX change between billing cut-off date and date of actual payment will be carried forward to the next due date.</u>

Loan Service Payment: With Conversion

Loan Outstanding
(Borrowers' Liability)

Cost Currency Amount

x

**Book Rate (USD/SDR) on
Disbursement Date**

(million)

USD15 → SDR12

USD30 → SDR20

USD20 → SDR16

**USD65
Million**

**SDR48
Million**

=

SDR48 Million

**Amortization
Schedule
in
SDR**

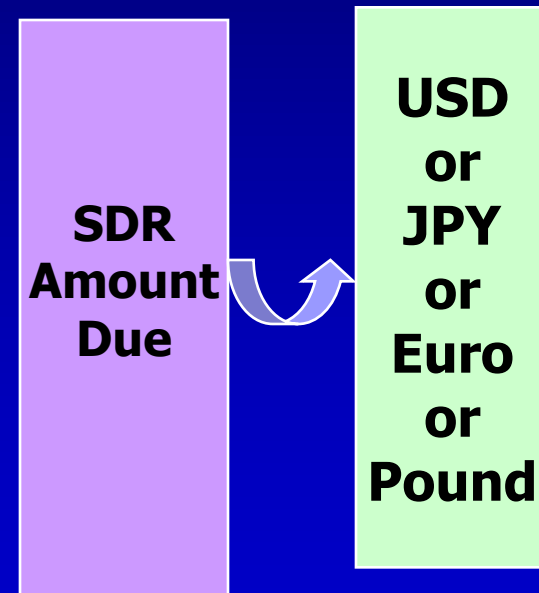
**32 Years
Including an
8-Year Grace
=
48 Semi-Annual
Installments
=
SDR 1Million/
Installment**

Principal Due

SDR Amount Due

x

**Book Rate (USD/SDR)
on Repayment Date**



SAMPLE BILLING (Legacy Loan)

No Conversion

ATTENTION		INTEREST PERIOD	15 Dec 08 - 14 Jun 09
LOAN NO./ PROJECT NAME	LN1000: ROAD REHABILITATION	DUE DATE	15 Jun 2009
LOAN TYPE	ADF SDR DENOMINATED LOAN	REFERENCE NO.	20090416 LN1000
CURRENCY PAYABLE	TOTAL AMOUNTS DUE	PLEASE REMIT TO THE CREDIT OF ASIAN DEVELOPMENT BANK	
EURO	21,406.37	*	
JAPANESE YEN	5,777,406.00	*	
KOREAN WON	2,902,370.00	*	
NORWEGIAN KRONE	51,205.32	*	
POUND STERLING	1,355.26	*	
SWEDISH KRONA	18,179.80	*	
UNITED STATES DOLLAR	11,683.42	*	
*TOTAL DUE IN UNITED STATES DOLLAR	113,594.03	FEDERAL RESERVE BANK OF NEW YORK, NY ADB ADF ACCOUNT ROUTING ABA NO. 021080287 (Note: Funds must be sent on the Fedwire System via Type Code 15.)	



**LOAN NO./PROJECT
NAME**

**LN1000: ROAD
REHABILITATION**

DUE DATE

15 Jun 2009

REFERENCE NO.

20090416 LN1000

CURRENCY PAYABLE	BALANCE CATEGORY	PREVIOUS BALANCE	CURRENT BALANCE	TOTAL AMOUNT DUE	TOTAL DUE IN USD
EURO					
INTEREST		0.00	21,406.37	21,406.37	31,410.62
TOTAL		0.00	21,406.37	21,406.37	31,410.62
JAPANESE YEN					
INTEREST		0.00	5,777,406.00	5,777,406.00	53,101.16
TOTAL		0.00	5,777,406.00	5,777,406.00	53,101.16
KOREAN WON					
INTEREST		0.00	2,902,370.00	2,902,370.00	2,665.84
TOTAL		0.00	2,902,370.00	2,902,370.00	2,665.84
NORWEGIAN KRONE					
INTEREST		0.00	51,205.32	51,205.32	9,446.95
TOTAL		0.00	51,205.32	51,205.32	9,446.95



Asian Development Bank
Summary Statement

LOAN NO./PROJECT NAME	LN1000: ROAD REHABILITATION
DUE DATE	15 Jun 2009
REFERENCE NO.	20090416 LN1000

CURRENCY PAYABLE	BALANCE CATEGORY	PREVIOUS BALANCE	CURRENT BALANCE	TOTAL AMOUNT DUE	TOTAL DUE IN USD
POUND STERLING					
INTEREST		0.00	1,355.26	1,355.26	2,468.06
TOTAL		0.00	1,355.26	1,355.26	2,468.06
SWEDISH KRONA					
INTEREST		0.00	18,179.80	18,179.80	2,817.98
TOTAL		0.00	18,179.80	18,179.80	2,817.98
UNITED STATES DOLLAR					
INTEREST		0.00	11,683.42	11,683.42	11,683.42
TOTAL		0.00	11,683.42	11,683.42	11,683.42
CURRENCY CONVERSION TOTALS					
UNITED STATES DOLLAR					113,594.03
INTEREST					113,594.03
TOTAL					



Asian Development Bank
Billing Statement

SAMPLE BILLING

Converted SDR

THE MINISTER
MINISTRY OF FINANCE

ATTENTION		INTEREST PERIOD	15 Dec 08 - 14 Jun 09
LOAN NO./ PROJECT NAME	LN1000: ROAD REHABILITATION	DUE DATE	15 Jun 2009
LOAN TYPE	ADF CONVERTED SDR LOAN	REFERENCE NO.	20090416 LN1000

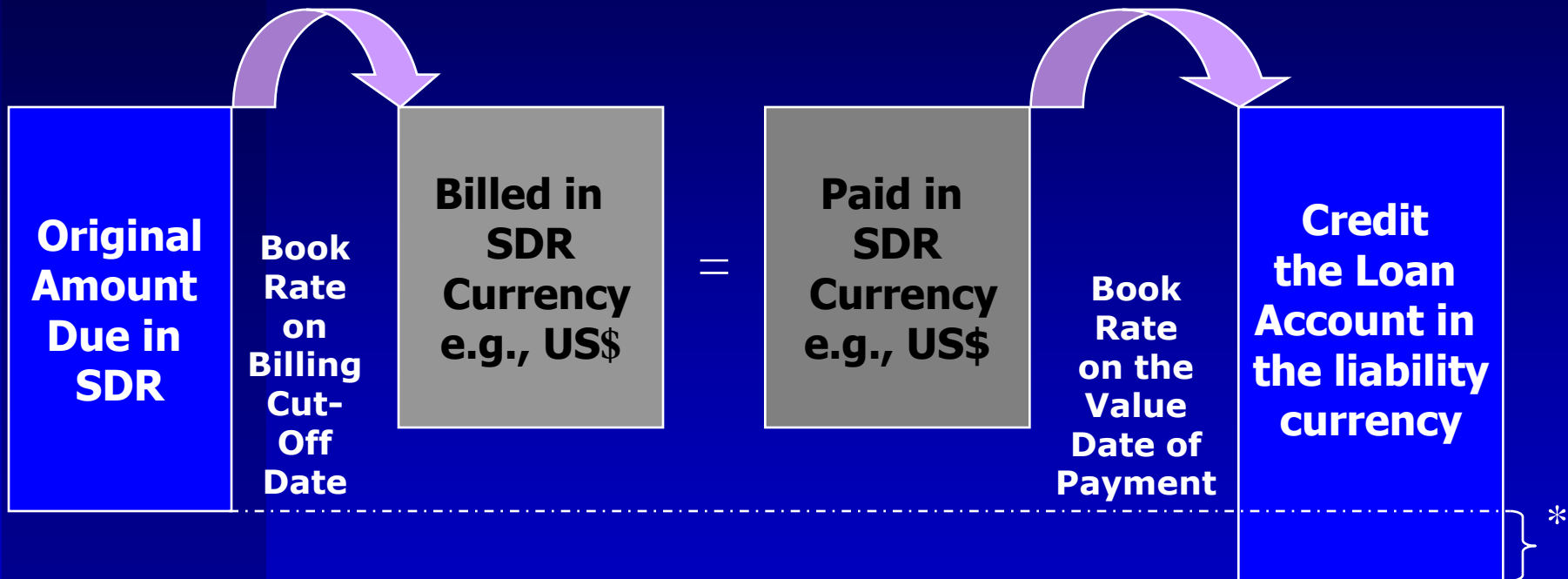
CURRENCY PAYABLE	TOTAL AMOUNTS DUE	PLEASE REMIT TO THE CREDIT OF ASIAN DEVELOPMENT BANK
SDR	72,166.66	*
*TOTAL DUE IN UNITED STATES DOLLAR	113,292.70	FEDERAL RESERVE BANK OF NEW YORK, NY ADB ADF ACCOUNT ROUTING ABA NO. 021080287 (Note: Funds must be sent on the Fedwire System via Type Code 15.)



Converted SDR Loan: Billing

**Billing Generation:
60 Days Before the Due Date**

**Actual Payment on the
Due Date**



* To be carried forward to the next billing

Future Currency Composition and Loan Service Payment: Summary

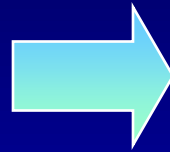
- Existing ADF Loans (Pre-2006 Loans)
 - already disbursed by 31 December 2005 – borrower's liability is fixed in 15 cost currencies
 - all liability currency are amortized proportionately without sequencing
 - payments are made in a single SDR basket currency
- Newly-Converted SDR Loans
 - in SDR
 - payments are due in SDR currency

Outline

- I. ADF Overview
- II. Overview of ADF Currency Management
- III. SDR Conversion Option
- IV. Potential implications of SDR Conversion Option
- V. Conversion Process and Post-Conversion Implications
- VI. Legal Applications**

Legal Steps for Conversion

Borrower receives a letter of agreement to the conversion of payment obligations under ADF loans into SDR (2 copies)



- Borrower signs a copy of the letter of agreement, and
- Ticks the currency that it chooses as the currency for payment of the principal of its ADF Legacy Loans

Borrower returns one countersigned copy of the letter of agreement to ADB



19 December 2007

LETTER OF AGREEMENT

MR. MATLUBKHON S. DAVLATOV
State Adviser to the President on Economic Policy
ADB Governor
President's Office
80 Rudaki Avenue
Dushanbe, Tajikistan

Dear Mr. Davlatov:

**Re: Conversion of Payment Obligations under Asian Development Fund (ADF) Loans
into Special Drawing Rights (SDR)**

1. Under the Asian Development Fund Currency Management Proposal approved by the Asian Development Bank (ADB) on 28 November 2005, ADB is authorized to value the obligations of its borrowers regarding repayment of principal and payment of interest charge or service charge in respect of loans made from ADB's Asian Development Fund (ADF) in terms of Special Drawing Rights (SDR). ADB has implemented this policy for the new loans made to borrowers since 2006 (loans for which the invitation to negotiate was issued after 1 January 2006).

2. In accordance with the Asian Development Fund Currency Management Proposal, ADB is now offering Republic of Tajikistan (the Borrower) the option to convert into SDR the Borrower's payment obligations for the loans made by ADB to the Borrower listed in paragraph 3 below.

3. This letter applies to the Borrower's loans for which the Loan Agreements incorporate by reference the following ADB's Special Operations Loan Regulations: (a) Special Operations Loan Regulations, dated 7 December 1982 (the "1982 Loan Regulations"), and (b) Special Operations Loan Regulations, dated 1 May 2004 (the "2004 Loan Regulations"), which are listed below (hereinafter referred to collectively as the "Loans" or each loan individually as the "Loan"):

A. Loan Agreements governed by the 1982 Loan Regulations

- Loan No. 1651-TAJ(SF): Postconflict Infrastructure Program
- Loan No. 1705-TAJ(SF): Social Sector Rehabilitation Project
- Loan No. 1714-TAJ(SF): Emergency Flood Rehabilitation Project
- Loan No. 1817-TAJ(SF): Power Rehabilitation Project
- Loan No. 1819-TAJ(SF): Road Rehabilitation Project
- Loan No. 1852-TAJ(SF): Emergency Restoration of Yavan Water Conveyance System Project
- Loan No. 1912-TAJ(SF): Emergency Baipaza Landslide Stabilization Project

- Loan No. 1927-TAJ(SF): Regional Trade Facilitation and Customs Cooperation Program (Tajik Component)
- Loan No. 1980-TAJ(SF): Agriculture Rehabilitation Project
- Loan No. 2000-TAJ(SF): Microfinance Systems Development Program
- Loan No. 2001-TAJ(SF): Microfinance Systems Development Project
- Loan No. 2053-TAJ(SF): Education Sector Reform Project
- Loan No. 2054-TAJ(SF): Health Sector Reform Project
- Loan No. 2062-TAJ(SF): Dushanbe-Kyrgyz Border Road Rehabilitation Project, Phase I

B. Loan Agreements governed by the 2004 Loan Regulations

- Loan No. 2114-TAJ(SF): Regional Customs Modernization and Infrastructure Development Project
- Loan No. 2124-TAJ(SF): Irrigation Rehabilitation Project
- Loan No. 2196-TAJ(SF): Dushanbe-Kyrgyz Border Road Rehabilitation Project - Phase II

4. For each Loan, the Borrower's obligation to repay the principal and to pay the interest, service fee, service charge, or interest charge (as the case may be) in the several currencies withdrawn from the Loan Account will be converted into SDR at the exchange rate between each currency concerned and the SDR, as determined by ADB on the Conversion Date. The Conversion Date for each Loan will be the first date on which the principal, interest, service fee, service charge, or interest charge (as the case may be) is due under the relevant Loan, falling at least one month after the date when ADB will have received a counterpart of this letter of agreement duly signed by the Borrower, provided that if ADB receives a duly signed counterpart of this letter of agreement on or prior to 31 December 2007, the Conversion Date for each Loan will be the first date on which the interest, service fee, service charge, or interest charge (as the case may be) is due under the relevant Loan, falling after 31 January 2008.

5. For the purpose of the conversion referred to in paragraph 4 above, each Loan Agreement (Special Operations) between the Borrower and ADB in relation to a Loan

- (a) which is listed under paragraph 3A above (governed by the 1982 Loan Regulations) is amended in accordance with the provisions of Appendix 1 attached hereto; and
- (b) which is listed under paragraph 3B above (governed by the 2004 Loan Regulations) is amended in accordance with the provisions of Appendix 2 attached hereto.

6. For the avoidance of doubt, the conversion will not affect the undisbursed amount of each Loan, which will be equal to the difference between (a) the principal amount of the Loan specified in Section 2.01^a of the Loan Agreement (Special Operations) for such Loan less any amount that has been cancelled, and (b) the equivalent in SDR of the amounts in various currencies withdrawn from the Loan Account based on the value of such currencies expressed in SDR as of the respective dates of withdrawal.

^a In the unlikely case where the principal amount of the Loan is not specified in section 2.01 of the Loan Agreement but in another section of the Loan Agreement, this sentence should be read as referring to the correct section of the Loan Agreement.

7. Promptly after the Conversion Date of each Loan, ADB will provide the Borrower with a new amortization schedule for such Loan revised in accordance with the provisions of paragraph 4 above. For each Loan, the revised amortization schedule will replace, as of the Conversion Date, the amortization schedule included in the relevant Loan Agreement.

8. For the purposes of Section 4.03 (a) of the 1982 Loan Regulations and 2004 Loan Regulations, the currency of payment of principal of a Loan shall be the currency indicated below by the Borrower.

9. Please contact Ms. Im-am Unkavanich, Senior Treasury Specialist, Treasury Department of Asian Development Bank (Tel:+632 632 4704 or +632 632 5160; email: iunkavanich@adb.org) should you have any questions in relation to this letter of agreement or in relation to the proposed conversion of the Loans into SDR. A workshop for Tajikistan to present the SDR conversion option and its implications will be held in the first half of 2008.

10. Please indicate your agreement to this letter by countersigning the two (2) original counterparts of this letter in the space indicated below, and returning one signed counterpart to the undersigned at ADB. The other signed counterpart may be retained by you for your records. For each Loan, the amendments to the Loan Agreement will be effective on the Conversion Date as defined in paragraph 4 above.

Very truly yours,

Juan Miranda
Director General
Central and West Asia Department

Confirmed and Agreed:

The currency of payment referred to in paragraph 8 of this letter of agreement shall be:

- Euro
- Japanese Yen
- Pound Sterling
- United States Dollar

* The Borrower may only choose one currency.

REPUBLIC OF TAJIKISTAN

By: _____

Name:

Title:

Date:

cc: MR. NEGMATJON BURIEV
Senior Adviser to the President on Economic Policy
President's Office
(ADB Alternate Governor, CAREC National Focal Point)

MR. MAKOTO OJIRO
Country Director
Tajikistan Resident Mission
107, Nozim Khikmat Street,
Dushanbe, Tajikistan 734001

Amendments to Loan Agreements
Incorporating the 1982 Loan Regulations

1. Each Loan Agreement (Special Operations) entered into between the Borrower and ADB and which incorporates by reference the 1982 Loan Regulations is amended as follows:

(a) Section 1.01² of the Loan Agreement is amended by making or adding, as the case may be, the following modifications to the Loan Regulations as such term is defined in the Loan Agreement:

(i) Section 2.01 of the Loan Regulations is amended by adding the following definition:

The term "Conversion Date" shall have the meaning given to such term in the letter of agreement between ADB and the Borrower dated 19 December 2007."

(ii) Section 4.02 of the Loan Regulations is deleted and the following is substituted therefor:

Section 4.02. Currency of Withdrawal. Withdrawals from the Loan Account shall be made in one or more of the currencies which constitute the SDR, as ADB may from time to time select. The amount of each withdrawal from the Loan Account shall be calculated as the SDR equivalent (determined as of the date of withdrawal) of the currency or currencies withdrawn from the Loan Account."

(iii) Section 4.03 of the Loan Regulations is deleted and the following is substituted therefor:

Section 4.03. Currency of Payment of Principal. (a) The principal of the Loan shall be expressed in SDR and shall be repayable in one of the currencies which constitute the SDR as shall be specified in the Loan Agreement. The Borrower may at any time request that the principal of the Loan shall be repayable in any other of the currencies which constitute the SDR. Each such request shall be made in writing in such form and by giving such notice as ADB shall from time to time determine. Upon acceptance by ADB of such request, ADB shall notify the Borrower and the Guarantor of the modified provision providing for the currency of repayment.

(b) The Borrower shall repay the equivalent in SDR of the amount or the amounts withdrawn from the Loan Account determined as of the date, or the respective dates, of repayment. For amounts withdrawn from the Loan Account prior to the Conversion Date, such equivalent shall be calculated based on the value of the currency

² In the unlikely case where the incorporation of the Loan Regulations is specified in another section of the Loan Agreement, this sentence should be read as referring to the correct section of the Loan Agreement.

or currencies withdrawn from the Loan Account expressed in SDR as of the Conversion Date; and for amounts withdrawn from the Loan Account on or after the Conversion Date, such equivalent shall be calculated based on the value of the currency or currencies withdrawn from the Loan Account expressed in SDR as of the respective date or dates of withdrawal."

(b) The following Section 2.05⁹ is added to Article II of the Loan Agreement:

"Section 2.05. The currency of payment of the principal of the Loan for the purposes of Section 4.03 (a) of the Loan Regulations shall be the currency as specified by the Borrower in the letter of agreement between ADB and the Borrower dated 19 December 2007."

⁹ In the unlikely case where Article II of the Loan Agreement does not include 4 sections, the section number indicated herein should be modified accordingly.

Appendix 2

Amendments to Loan Agreements
Incorporating the 2004 Loan Regulations

1. Each Loan Agreement (Special Operations) entered into between the Borrower and ADB and which incorporates by reference the 2004 Loan Regulations is amended as follows:

(a) Section 1.01^d of the Loan Agreement is amended by making or adding, as the case may be, the following modifications to the Loan Regulations as such term is defined in the Loan Agreement:

(i) Section 2.01 of the Loan Regulations is amended by adding the following definition:

"Conversion Date" shall have the meaning given to such term in the letter of agreement between ADB and the Borrower dated 19 December 2007."

(ii) Section 4.02 of the Loan Regulations is deleted and the following is substituted therefor:

"Section 4.02. **Currency of Withdrawal.** Withdrawals from the Loan Account shall be made in one or more of the currencies which constitute the SDR, as ADB may from time to time select. The amount of each withdrawal from the Loan Account shall be calculated as the SDR equivalent (determined as of the date of withdrawal) of the currency or currencies withdrawn from the Loan Account."

(iii) Section 4.03 of the Loan Regulations is deleted and the following is substituted therefor:

"Section 4.03. **Currency of Payment of Principal.** (a) The principal of the Loan shall be expressed in SDR and shall be repayable in one of the currencies which constitute the SDR as shall be specified in the Loan Agreement. The Borrower may at any time request that the principal of the Loan shall be repayable in any other of the currencies which constitute the SDR. Each such request shall be made in writing in such form and by giving such notice as ADB shall from time to time determine. Upon acceptance by ADB of such request, ADB shall notify the Borrower and the Guarantor of the modified provision providing for the currency of repayment.

(b) The Borrower shall repay the equivalent in SDR of the amount or the amounts withdrawn from the Loan Account determined as of the date, or the respective dates, of repayment. For amounts withdrawn from the Loan Account prior to the Conversion Date, such equivalent shall be calculated based on the value of the currency or currencies withdrawn from the Loan Account expressed in SDR as of the Conversion Date; and for amounts withdrawn from the Loan Account on or after the Conversion

^d In the unlikely case where the incorporation of the Loan Regulations is specified in another section of the Loan Agreement, this sentence should be read as referring to the correct section of the Loan Agreement.

Date, such equivalent shall be calculated based on the value of the currency or currencies withdrawn from the Loan Account expressed in SDR as of the respective date or dates of withdrawal.*

(b) The following Section 2.05^a is added to Article II of the Loan Agreement:

Section 2.05. The currency of payment of the principal of the Loan for the purposes of Section 4.03 (a) of the Loan Regulations shall be the currency as specified by the Borrower in the letter of agreement between ADB and the Borrower dated 19 December 2007.

* In the unlikely case where Article II of the Loan Agreement does not include 4 sections, the section number indicated herein should be modified accordingly.

Letter of Agreement (LOA)

- There will be one LOA between ADB and each borrower
- The LOA will apply to all of ADF legacy loan agreements which have been entered into between a borrower and ADB

LOA: Special Operations Loan Regulations

- The LOA will amend the provisions relating to the currency of liability and the currency of repayment of the ADF legacy loans
- The provisions relating to the currency of liability and the currency of repayment of a loan are included in the Special Operations Loan Regulations which are incorporated by reference in each loan agreement

LOAN NUMBER 1705-TAJ (SF)

LOAN AGREEMENT
(Special Operations)

(Social Sector Rehabilitation Project)

between

REPUBLIC OF TAJIKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 6 DECEMBER 1999

LAS: TAJ 33033

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 6 December 1999 between REPUBLIC OF TAJIKISTAN (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called the Bank).

WHEREAS

(A) the Borrower has applied to the Bank for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Government of the Borrower (hereinafter called the Government) has also applied to the Bank for advisory technical assistance to develop a more efficient and effective social safety net, and the Bank has agreed to provide a technical assistance grant to the Government for this purpose in an amount up to the equivalent of nine hundred thousand dollars (\$900,000); and

(C) the Bank has, on the basis inter alia of the forgoing, agreed to make a loan to the Borrower from the Bank's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of the Bank, dated 7 December 1982, are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Special Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

(a) Section 2.01(17) is deleted and the following is substituted therefor:

The term "dollar" or "dollars" or the sign "\$" means dollar or dollars in the currency of the United States of America.

(b) Section 2.01(27) is deleted and the following is substituted therefor:

The term "interest charge" means a charge made on the Loan pursuant to Section 3.02, and includes a portion to cover administrative expenses and a portion that does not.

(c) The term "service charge" wherever it appears in the Loan Regulations shall be substituted by the term "interest charge".

Letter of Agreement Currency of Liability

Loan Regulations 1982	Loan Regulations 2004	Letter of Agreement
<p>“The amount repayable in each currency shall be the amount withdrawn in that currency”.</p> <p><i>Section 4.03, Loan Regs 1982</i></p>	<p>“The amount repayable in each currency shall be the amount of that currency withdrawn from the Loan Account”.</p> <p><i>Section 4.03, Loan Regulation 2004</i></p>	<p>“The Borrower shall repay the equivalent in SDR of the amount or the amounts withdrawn from the Loan Account”.</p>
<p>➤ Currency of liability is the same as the currency withdrawn (cost currency)</p>	<p>➤ Currency of liability is the same as the currency withdrawn (cost currency)</p>	<p>➤ Currency of liability is the SDR</p>

Currency of Liability

Calculation of the “Equivalent in SDR of the Amounts Withdrawn from the Loan Account”

- For amounts withdrawn from the Loan Account **prior to the Conversion Date** – the equivalent in SDR of the amounts disbursed will be calculated based on the value of the currencies withdrawn from the Loan Account **expressed in SDR as of the Conversion Date**
- For amounts that will be withdrawn from the Loan Account **after the Conversion Date** – the equivalent in SDR of the amounts disbursed will be calculated based on the value of the currencies withdrawn **expressed in SDR as of the respective dates of withdrawal**

Letter of Agreement Currency of Repayment

Loan Regulations 1982

"The principal of the Loan shall be repayable in the **several currencies withdrawn** from the Loan Account."

Section 4.03, Loan Regulation 1982

- **Currencies of repayment** are the same as the **currencies of withdrawal (cost currency)**

Loan Regulations 2004

"The principal of the Loan shall be repayable in the **currency withdrawn** from the Loan Account."

Section 4.03, Loan Regulation 1984

- **Currencies of repayment** are the same as the **currencies of withdrawal (cost currency)**

Letter of Agreement

"The principal of the Loan shall be expressed in SDR and shall be repayable in **one of the currencies which constitutes the SDR** as specified in the Loan Agreement."

- **Currency of repayment is one of the SDR currencies** (\$, euro, yen, £) specified in the Loan Agreement (as amended by the letter of agreement)

Currency of Repayment

- The currency of repayment (\$, €, ¥, £) will be chosen by the borrower
- The borrower will make its choice by ticking the currency selected at the bottom of the LOA
- The borrower can only select one currency in the LOA
- The borrower has the right, at any time, to request a change of the selected currency for another currency which constitutes the SDR (\$, €, ¥, £)

Q & A

Contact Persons

<p>ADF Currency Management and Conversion Option</p>	<p>Im-em Unkavanich Senior Treasury Specialist Treasury Department iunkavanich@adb.org</p>
<p>Legal Requirements</p>	<p>Christophe Gautrot Counsel Office of the General Counsel cgautrot@adb.org</p>
<p>Billing and Accounting</p>	<p>Won Mo Yang Financial Control Specialist Controller's Department wmyang@adb.org</p>

Thank you