



PROJECT FINANCING PROCESS



CDB - 2010



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

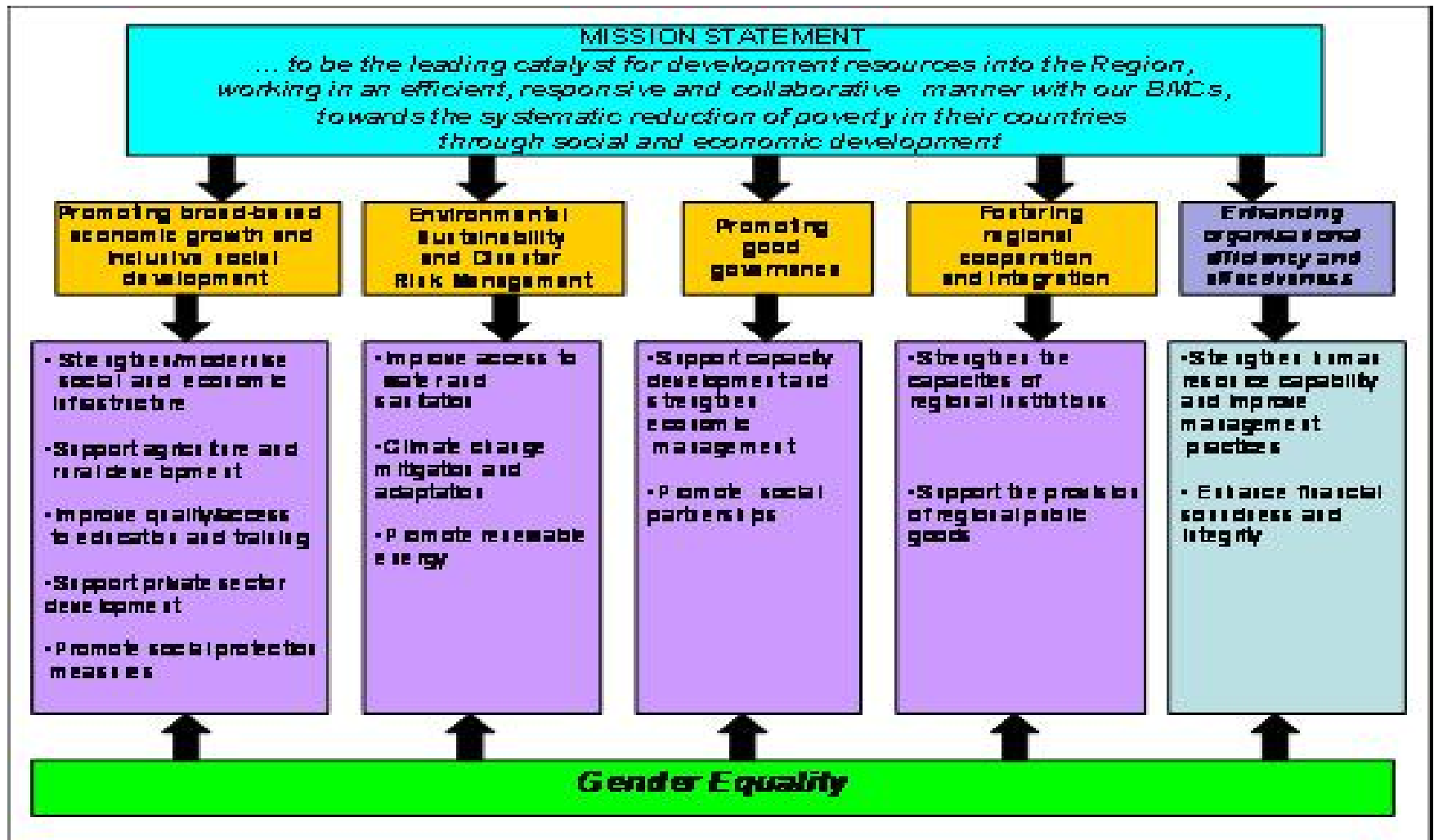


CDB MISSION

“CDB intends to be the leading catalyst for development resources into the Region, working in an efficient responsive and collaborative manner with our borrowing members, and other development partners, towards the systematic reduction of poverty in their countries, through social and economic development”.



CDB'S STRATEGIC FOCUS AND PRIORITIES, 2010-2014





CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

“Approval of a loan comes only after the Board of Directors has considered the appraisal report on the project and has agreed to finance it. Before a loan or guarantee is granted, the applicant shall have submitted an adequate loan or guarantee proposal and the President of CDB shall have presented to the Board of Directors a written report regarding the proposal together with his recommendation on the basis of a staff study”. [Article 15, paragraph (c) of the *CDB Charter*.]



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

In appraising the projects it proposes to finance, CDB has regard to their technical, commercial, financial, economic cost-benefit, legal, organisational and managerial, environmental and social points of view; their effect on the general developmental activity of the country concerned; their contribution to the removal of economic bottlenecks; capacity of the borrowing country to service additional external debt; the introduction of appropriate technologies to raise the contribution to domestic output and productivity; and the expansion of employment opportunities”. [Article 15 of the CDB Charter.]



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

1. PROJECT IDENTIFICATION

A. Channels

- ☐ Formal Mission (PIMs)
- ☐ Bank staff participation other meetings and missions
- ☐ Direct requests from public sector agencies, private sector groups and development partners
- ☐ Informal and routine identification during project supervision and appraisal
- ☐ New projects from past or existing projects



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

1. PROJECT IDENTIFICATION (Cont'd)

B. Source Documents

- ☐ National and sector development strategies
- ☐ Public Sector Investment Programmes (PSIPs)
- ☐ CDB Country Strategy Papers
- ☐ National or Regional emergencies
- ☐ Industry Needs assessments/Investment Opportunity studies
- ☐ Studies from other Development Partners



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

1. PROJECT IDENTIFICATION (Cont'd)

C. Country Strategy Paper

- Physical Structure
- Political Context
- International Relations
- Demographics and Social Background
- Economic Overview
- Development Challenges
- Policy Agenda and Objectives
- Public Sector and Investment Programme (PSIP)
- Medium-term Goals, Objectives and Prospects
- CDB's Assistance Strategy
- CDB's Intervention Strategy and Lending Programme
- Lending Risk and Exposure



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

1. PROJECT IDENTIFICATION (Cont'd)

D. Application

- ☐ Public Sector requires only a letter of request for funding
- ☐ Private Sector is required to complete a loan application form to provide basic legal and financial data for preliminary screening purposes and determination of eligibility
- ☐ The application is usually supported by a pre-feasibility or feasibility study which examines the technical, institutional, financial, economic, social, environmental components of the project, the potential impacts and available options.
- ☐ In the absence of a feasibility study, CDB provides technical and financial assistance (Project Preparation Assistance facility – PPA, Other TA Loan or Grant) to the Borrower for project formulation/feasibility study preparation (including Social Impact Assessment (SIA), Institutional and Organisational Assessment (IOA), Environmental Impact Assessment (EIA) and proposed Natural Hazard Impact Assessment (NHIA) and other relevant studies)



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

2. PROJECT PREPARATION: Application Review

A. Application Review

- The application is reviewed to determine that the loan request satisfies the Banks' funding eligibility criteria. A ***Project Profile*** is prepared and a ***Preliminary Assessment*** of the project is completed.

- ***Project Profile***

- Sector/Sub-sector
- Name of Project/Project Idea
- Project Description
 - *new/expansion/diversification*
 - *objective/rationale*
 - *linkages with local economy*
 - *economic contribution and benefits*
 - *foreign exchange implication*



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

2. PROJECT PREPARATION : Application Review

- *Project Profile (continued)*
 - Borrower and Proposed Executing Agency
 - *organisational status of proposed Executing Agency*
 - *administration and management structure*
 - *financial position*
 - *capabilities*
 - Estimated Project Cost
 - *local and foreign cost*
 - *phasing and financing (loan, grant, equity)*
 - *terms of financing anticipated (loan amount, lender, interest rate, repayment terms)*
 - Status of Project Feasibility/Preparation, whether technical assistance is required for:
 - *preparation of a feasibility study*
 - *project preparation*
 - *project implementation*
 - *accounting and management*
 - *other studies*



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

2. PROJECT PREPARATION: Application Review

□ *Project Profile (continued)*

- Priority Rating of Project
- Assessment of Borrower and Executing Agency
 - *capability to implement project*
 - *whether technical assistance required for institutional strengthening*
 - *whether other inputs required to improve capability to implement project*
- Project Output
 - *export*
 - *domestic consumption*
- Estimated time frame for completion of CDB Project Preparation and Appraisal
 - *preliminary project processing schedule*



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2. PROJECT PREPARATION : Application Review

Preliminary Assessment Of Project

- Country Economist macro-economic assessment - Country Economist comments on compatibility of the project with development strategy and objectives of the country
- Policy/Programme Analyst evaluation of country lending status and allocation of resources to the project - status of lending to the country and allocation of resources to project; allocation for the year by sources of funding for active projects; debt status; historical approvals by category – productive sector, lines of credit, infrastructure etc.; and allocation of resource to project
- Recommendations and special considerations relating to funding to be noted during preparation and appraisal



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

2. PROJECT PREPARATION: Application Screening

B. Application Screening

- ☐ Screening document prepared with recommendations to accept or reject
- ☐ A Project Registration Number (PRN) is requested by submitting a Record of Assistance Request
- ☐ The project is entered in the Project Portfolio Monitoring System (PPMS) to be approved for further processing by the relevant officers



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

3. PROJECT APPRAISAL

A. Appraisal Mission

- Project processing schedule prepared detailing responsibilities and target dates
- Multi-disciplinary team selected (Portfolio Manager/Project Coordinator, Engineer, Financial Analyst, Economist, Legal Counsel, Social Analyst, Environmental Analyst)
- Team conducts field visit to update the project data base, verify data inputs, validate assumptions and resolve outstanding issues

B. Appraisal Report

- Draft appraisal report prepared using Appraisal Criteria Matrix and Appraisal Report Checklist



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3. PROJECT APPRAISAL (Cont'd)

Appraisal Criteria

- Financial Rate of Return (FRR)
- Financial Statements
 - ✓ Balance Sheet,
 - ✓ Income Statement,
 - ✓ Cash Flow
 - ✓ Financial Ratios
- Breakeven Analysis
- Least Cost Analysis
- Economic Rate of Return (ERR)
- Domestic Resource Cost Ratio (DRC)
- Foreign Exchange Flows



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL PROCESS

3. PROJECT APPRAISAL (Cont'd)

Appraisal Report Checklist

- Summary and Conclusions
- Country Data Sheet
- Introduction
- The Project
- The Borrower and Guarantor/Executing Agency
- Financial Projections
- Economic Analysis
- Terms and Conditions
- Monitoring Indicators
- Appendices



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

3. PROJECT APPRAISAL (Cont'd)

Appraisal Report

- ❑ Country Data Sheet
- ❑ Loan and Project Summary
 - *Borrower*
 - *Implementing/Executing Agency*
 - *Loan Amount & Funding Sources*
 - *Repayment Terms*
 - *Counterpart*
 - *Summary Cost & Financing Plan*
 - *Summary Project Description*
 - *Major Issues & Risk*
 - *Major Benefits*



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

3. PROJECT APPRAISAL (Cont'd)

Appraisal Report (Cont'd)

□ Chapter 1

- Macroeconomic Overview
- ✓ *Recent Economic Performance*
- ✓ *Economic Prospect*
- Social Context

□ Chapter 2 – Sector and Industry Review

- Geography
- Institutional Framework
- Administration
- ✓ *Policy*
- ✓ *Legal aspects*
- ✓ *Previous CDB Projects and Performance*
- ✓ *Other relevant sub-headings*
- ✓ *Issues*

- Lessons Learnt



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

3. PROJECT APPRAISAL (Cont'd)

Appraisal Report (Cont'd)

❑ Chapter 3 – The Project

- Rationale
- Objective(s)
- Logical Framework
- Area/Location
- Description/Design Options
- Scope of Project/Least Cost
- Cost and Financing
- Engineering Services
- Administration/Project Management
- Procurement
- Implementation
- Disbursement
- Maintenance
- Monitoring and Evaluation
- Supervision



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

3. PROJECT APPRAISAL (Cont'd)

Appraisal Report (Cont'd)

❑ Chapter 3 – The Project (Cont'd)

- Environmental and Natural Hazard Impact Assessment (EIA-NHIA)
- ✓ *Design considerations*
- ✓ *Construction impacts*
- ✓ *Post-construction impacts and environmental monitoring*

- Risk
- ✓ *Adequacy of Project design*
- ✓ *Data reliability*
- ✓ *Performance of the project management team*
- ✓ *Implementation delay*
- ✓ *Social instability*
- ✓ *Political instability*
- ✓ *Unauthorised/unplanned development*



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

3. PROJECT APPRAISAL (continued)

Appraisal Report (continued)

□ Chapter 4 - The Borrower and the Executing Agency

- The Borrower
 - ✓ *Legal Status of the Borrower*
 - ✓ *Fiscal/Financial Performance/Status of Borrower*
 - ✓ *External Debt*
 - ✓ *Domestic Debt*
- The Executing Agency
 - ✓ *Legal Status*
 - ✓ *Functions and Powers*
 - ✓ *Shareholding*
 - ✓ *Management and Control Financial Assessment*
 - ✓ *Operating Efficiencies (technical and financial)*



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

3. PROJECT APPRAISAL (continued)

Appraisal Report (continued)

Chapter 5 – Project Impact

- Financial
 - ✓ *Leverage*
 - ✓ *Cash Flow*
 - ✓ *Profitability*
 - ✓ *Financial Rate of Return (FRR)*
 - ✓ *Sensitivity Analysis*
- Economic
 - *Economic Rate of Return (ERR)*
 - *Sensitivity Analysis*
 - *Domestic Resource Cost (DRC)*
- Social
 - ✓ *Employment*
 - ✓ *Services*
 - ✓ *Stakeholder Participation*
- Environmental
- Macroeconomic



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

3. PROJECT APPRAISAL (continued)

☐ Chapter 6– Terms and Conditions

- Terms of Loan (*Amount, Source of funds, Repayment, Grace period, Interest rate, Commitment Charge, Procurement*)
- Terms of Grant (*Disbursement, Procurement*)
- Conditions Precedent to First Disbursement of the Loan
- Conditions Precedent to First Disbursement for specific works (*Legislation, Land acquisition, Relocation/resettlement, Maintenance, Project management*)
- Other Conditions

☐ Supporting Appendices



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

3. PROJECT APPRAISAL (continued)

- Team
- Review (departmental and inter-departmental)
- Loans Committee

D. Distribution to Board of Directors

- Appraisal report distributed to Board of Directors and Borrower



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

4. PROJECT APPROVAL

I Loan Negotiations with Borrower

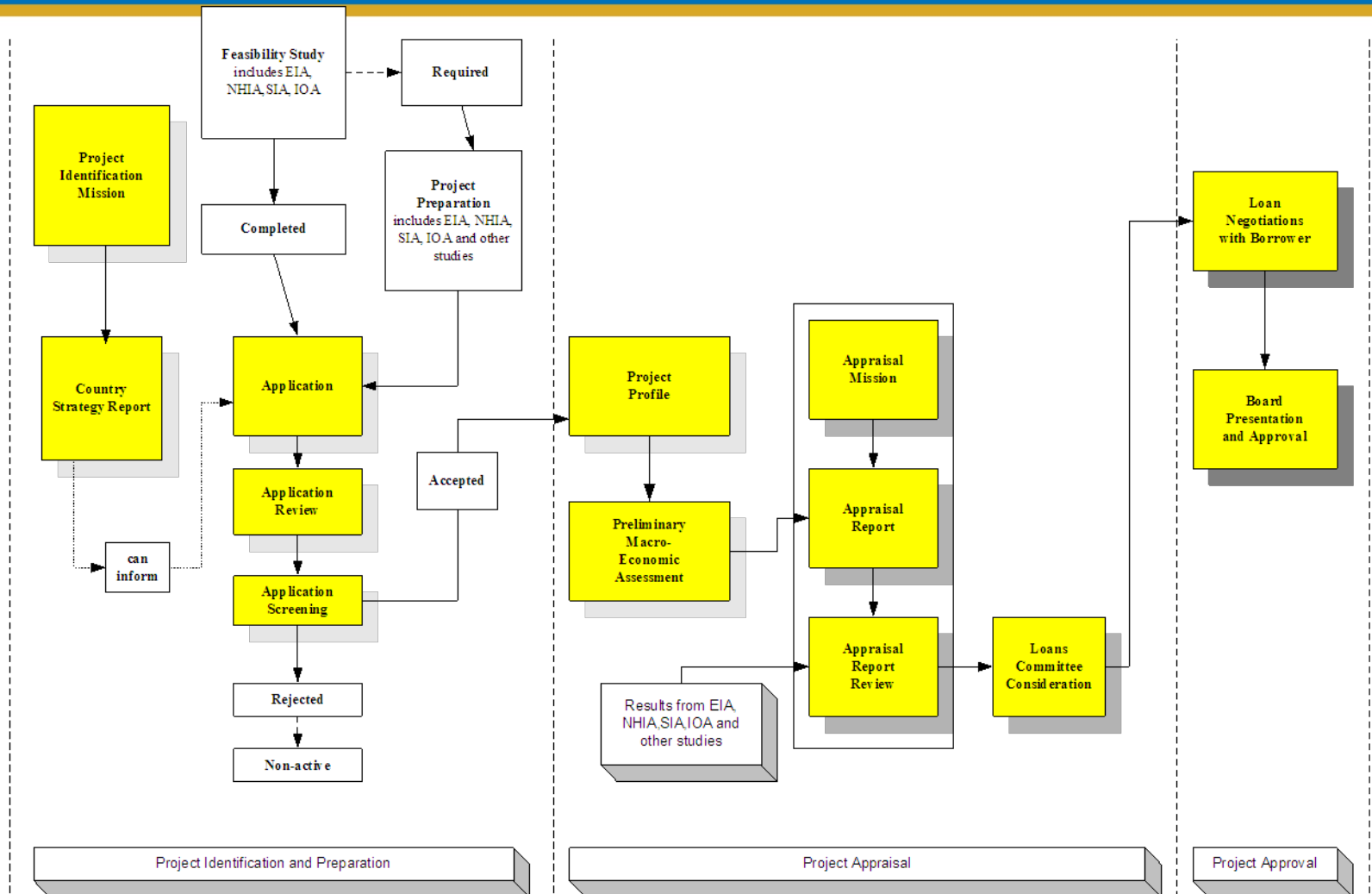
- Appraisal Report and standard loan Terms and Conditions forwarded to Borrower
- Draft Loan Agreement prepared
- Formal negotiations held, prior to Board presentation, to assist Borrower to understand/clarify:
 - Terms and Conditions of Loan
 - Procurement Requirements
 - Disbursement Procedures
 - Any other issues which could impact on the project
- Confirms with Borrower the acceptance of the Terms and Conditions of the loan as negotiated and the loan if approved by Board of Directors
- Settlement of Debt service outstanding prior to approval by the Board of Directors

II Board Presentation and Approval

- Project is presented to the Board of Directors for approval
- Amendments are indicated



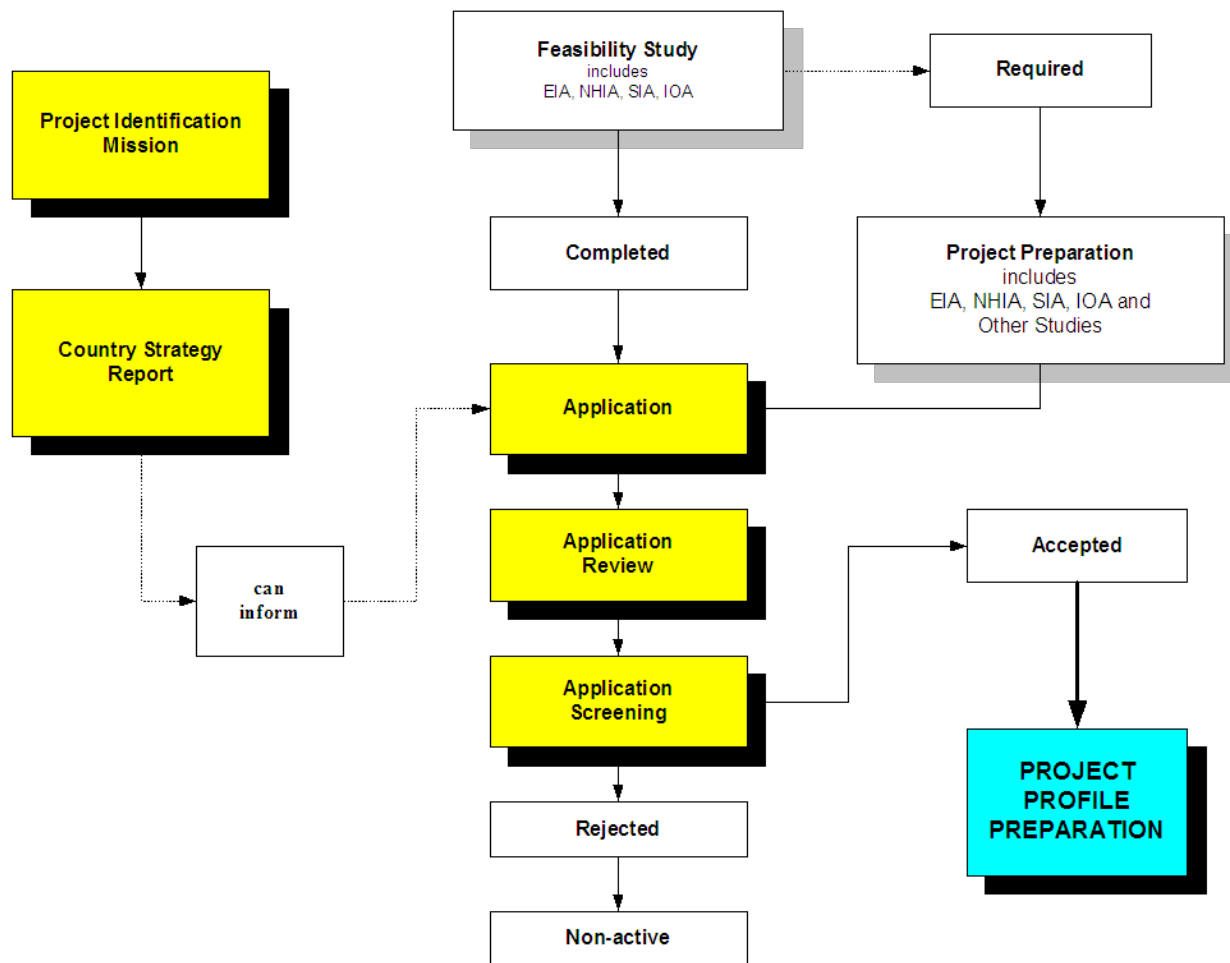
Project Identification, Preparation and Appraisal Process Flowchart (based on CDB Operational Policies and Procedures Manual - Volume 1)



EIA - Environmental Impact Assessment. NHIA - Natural Hazard Impact Assessment. SIA - Social Impact Assessment. IOA - Institutional Impact Assessment. Other studies (e.g. evaluation of process technology, factory operations etc.).

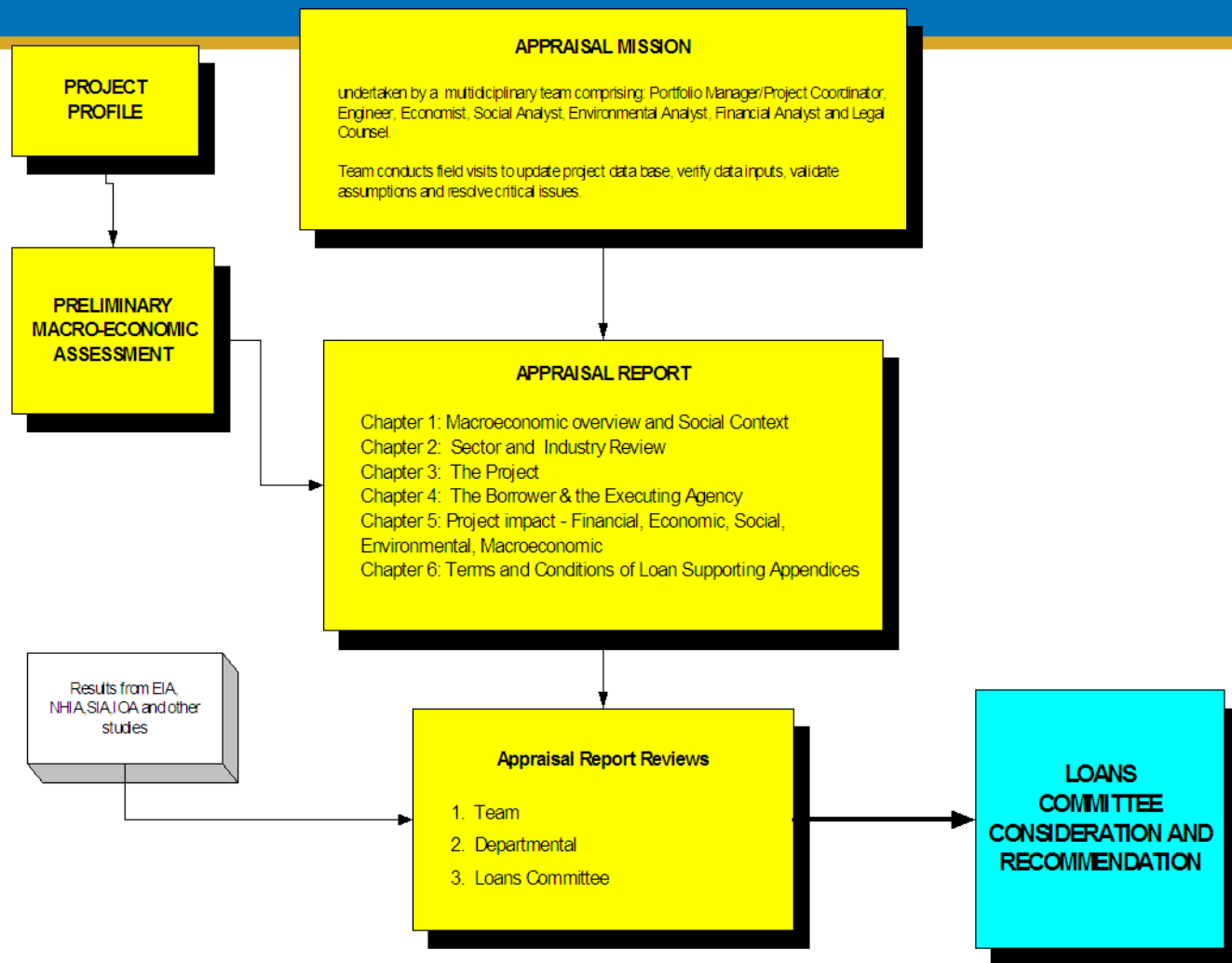


Project Identification, Preparation and Appraisal Process Flowchart
(based on CDB Operational Policies and Procedures Manual - Volume 1)





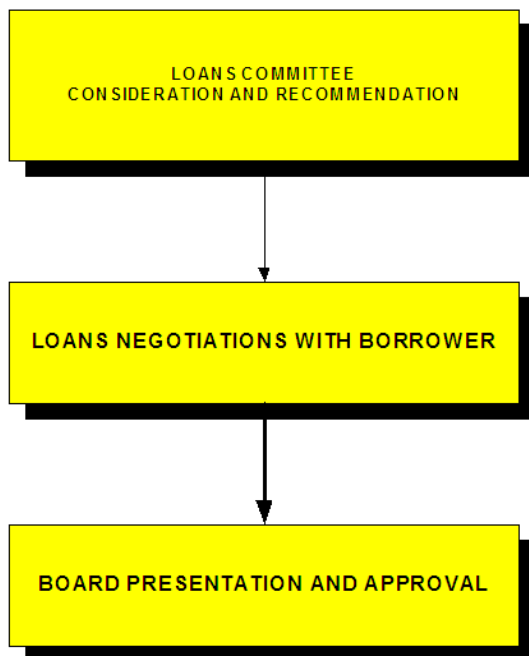
Project Identification, Preparation and Appraisal Process Flowchart (based on CDB Operational Policies and Procedures Manual - Volume 1)



Project Appraisal



**Project Identification, Preparation and Appraisal Process Flowchart
(based on CDB Operational Policies and Procedures Manual - Volume 1)**



Project Approval



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

TECHNICAL ASSISTANCE PROJECTS

Processing Stages for both Technical Assistance Loans and Grants

1. Request Registration of Application
2. Preliminary Screening of Application
3. Preparation of Project Profile
4. Resource Allocation
5. Screening of Request and Data provided
6. Preparation and Appraisal
7. Review
8. Loans Committee
9. Recommendation (R) and Approval (A):
 - (a) < USD 50,000 - DPD (R), Vice-President (Operations) (R) and President (A)
 - (b) < USD 150,000 – DPD (R) and President (A)
 - (c) > USD 150,000 - President (R) and Board of Directors (A)
10. Notification and Finalisation of Legal Documentation



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

TECHNICAL ASSISTANCE PROJECTS

Technical Assistance Report Checklist

- *Country*
- *Project Title*
- *Borrower/Grantee*
- *Executing Agency*
- *Beneficiary*
- *Date of Application*
- *Type of Financing*
- *Source of Funds*
- *Legal Status of Applicant*
- *Consistency with:*
 - *CDB Strategic Objective(s)*
 - *CDB Corporate Priority(ies)*
 - *Country Objective(s)*
- *Summary Budget*



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

TECHNICAL ASSISTANCE PROJECTS

Technical Assistance Report Checklist (continued)

- *Project Background*
- *Project Proposal/Description*
- *Project Objectives*
- *Project Justification/Benefits*
- *Environmental Impact*
- *Social Impact*
- *Execution*
- *Procurement*
- *Recommendations*
- *Approval*
- *Supporting Appendices*
 - *Detailed Budget*
 - *Terms of Reference*
 - *Logical Framework Matrix for projects USD 100,000 and over*



CDB PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

TECHNICAL ASSISTANCE PROJECTS

