

Call for submission of project proposals for funding under Economic and Infrastructure (E&I) Windows of SAARC Development Fund (SDF)

Eligibility Criteria for financing under E &I Windows:

1. The Project/Programme should directly benefit at least one more SAARC Member State. There should be convincing supportings to prove the regional connectivity and/or benefits.
2. The SDF will only co-fund the Project /Programme at the initial stage. It will not be a sole lender.
3. Maximum amount of loan per project USD 20 Million; Loans can be extended both in USD and local currencies of SAARC Member States
4. Tenure maximum 5 years (including grace period of maximum 2 years)

Information requirements for preliminary screening at the SDF Secretariat

1. Project brief with location details
2. Promoters details and back ground, their experience in the similar project/s, if Company, details of Board of Directors, shareholding pattern, details of Group companies, incorporation details, Memorandum & Articles of Association of the Company, showing the objectives for which the Company is formed. If the Company is already in existence its latest audited financials.
3. Detailed Project Report (DPR) with detailed calculation sheets of:
 - 3.1. Cost of the Project and Means of Finance
 - 3.2. Debt : Equity expected max 75: 25
 - 3.3. Debt - There should be Co-funding ; SDF cannot be a sole lender at this juncture
 - 3.4. Profitability/Revenue projections over the period of total debt, reflecting revenue generation capabilities of the Project with assumptions including for interests on debts, preferably clearly showing the costs of debt separately in case of the SDF and for other co-funding partners;
 - 3.5. Cash flow statement over the debt period, clearly showing capability to repay the total debt after reasonable ploughing back;

3.6. Projected Balance Sheets over the total Debt period. Balance Sheets should clearly indicate the projected outstanding loan positions separately for the SDF Loans and for other loans.

3.7. Repayment Plans with calculations for Debt Service Coverage Ratio, clearly differentiating SDF loans and other loans;

3.8. Sensitivity analysis

3.9. Important Ratios

3.10. Preferably all the information above should be in USD.

4. SWOT Analysis of the Project

5. Note on statutory clearances required and the current status

6. Current status of the Project

7. Marketing arrangements and a note on revenue generating capabilities

8. Note on technologies being used

9. Details of Co-funding partners with copies of term sheets; If not readily available, a note on prevailing rate of interest for similar projects

10. Specific requirement in case of the SDF: A convincing note, preferably with document supporting on how the Project benefits at least one more SAARC Member State.

11. Impact- Social, economic and environment

Brief Project Concept Notes/ Project Proposals along-with relevant documents may be sent to the Email: ceo@sdfsec.org along with hard copies addressing to the CEO of the SAARC Development Fund (SDF) Secretariat at Thimphu, Bhutan.

Standard Information Requirements for Project Financing under Economic and Infrastructure (E & I) Windows of SDF

Profile of SDF

The SAARC Development Fund (SDF) is a regional funding institution operational since 2010. SDF has been established

- promote the welfare of the people of SAARC region,
- improve their quality of life, and
- accelerate economic growth, social progress and poverty alleviation in the region.

The Fund serves as the umbrella financial institution for SAARC projects and programmes and is aimed to contribute to regional cooperation and integration through project funding. The SDF shall primarily finance longer term priority regional programmes and projects.

The Infrastructure Window shall primarily fund projects in areas such as energy, power, transportation, tele-communications, environment, tourism and other infrastructure areas.

The Economic Window shall extend funding to non-infrastructure projects related to trade and industrial development, agriculture, service sectors, science, technology and other non-infrastructure areas. It shall also be utilized for identifying, studying, developing and/or sponsoring commercially viable programmes/projects of regional priority including their pre-feasibility and feasibility studies.

Eligible projects and Focus Area

SDF will focus on the areas/projects which are not financed by multilateral development financial institutions/banks. However local syndication for financing may be allowed;

SDF will consider the projects (equity 25% minimum, loan 75% maximum) having maximum project cost upto US\$ 20.00 million with the SDF's contribution of maximum 75% of the total project cost and maximum implementation period of 5 years with 2 years of grace period for repayment;

Pricing of the SDF funding E&I windows will be near to the opportunity cost of the funding / weighted average rate of at least 3 member states;

Focus Area:

- a. renewable energy,
- b. water harvesting
- c. forestry,
- d. agriculture & allied including value addition,
- e. manufacturing,
- f. micro-irrigation,
- g. ICT
- h. Trade
- i. Tourism
- j. climate change, and
- k. Any other sectors as approved by the Board

Standard Information Requirements for Project Financing

1. The following is a summary of the principal components, which should be incorporated in the project proposal/project reports or business plans, both under sole lending and also under Co-financing.
2. Applicants may, however, incorporate other relevant information to support their proposals depending on the type of project.
3. The information requirements may be suitably modified, on case to case basis, depending on the financing windows i.e. Economic or infrastructure or project is for goods or services. Business Plan submitted should cover, as more information as possible, broadly covering all the information stated below, in a detailed manner to the extent possible.

A. PROJECT OVERVIEW

1. Project concept – competitive advantage, business rationale
2. A description of the relevant economy (ies) and industry factors surrounding the project.
3. Status of project – agreements/contracts signed, suppliers identified, government approvals obtained, Foreign Investment Approval, Establishment Agreements, Bye –Laws etc

B. INFORMATION ON THE BORROWER AND/OR PROJECT SPONSORS AND /OR GUARANTORS, MANAGEMENT AND TECHNICAL ASSISTANCE:

1. **Legal name, address, date and place of incorporation, business's legal form, Joint ventures etc**
2. **Financial standing and business history** (if expansion)
3. **Proposed Ownership Structure:** The data on the ownership structure should be comprehensive and include names and CVs of physical persons, who are "beneficial owners" of the Borrower and /or Project Sponsors and/or guarantors, including financial information. "Beneficial persons" are the physical person(s) ultimately owning or controlling, directly or indirectly the company.
4. **Proposed management arrangements:** Organization Chart, Management structure and responsibilities. Names and CVs of members of supervisory board and key managers of the Borrower and/or Project Sponsors and/or guarantors. List of any significant shareholders, beneficial owners, members of the supervisory board and key managers of the Borrower and/or Project Sponsors that are or have been Politically Exposed Persons (PEPs) or immediate family members, or close associates of a PEP, and of any company clearly related to a PEP.

"Significant share holders" means the twenty holders, if any, of the largest shareholding or partnership interests.,

“Politically Exposed Persons” mean: a) head of state or of government, b) ministers and deputy or assistant ministers or general secretaries of ministries, c) members of parliaments, d) senior politicians, e) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances, f) members of the boards of central banks, g) ambassadors and high-ranking officers in the armed forces, h) members of the administrative, management or supervisory bodies of State-owned enterprises, and i) important political party officials.

The immediate family members of a PEP shall include (a) the spouse; (b) any partner considered by national law as equivalent to the spouse; (c) the children and their spouses or partners; (d) the parents

Close associates of a PEP shall include (a) any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with the individual holding important public position, (b) any natural person who has participation or affiliation with a legal entity or legal arrangement which is known to have been set up for the benefit of the individual holding important public position.

5. Management targets and incentives
6. Management Agreement, Status and terms
7. Manpower requirements, Skill levels needed and availability
8. Personnel practice
9. Description of technical arrangements and other external assistance (management, production, marketing, finance, etc.).

C. CAPITAL INVESTMENT:

1. Project site

- a. Project Size, Size and location of project site, Initial land/location requirements, Expansion possibilities
- b. Infrastructure requirements, Utilities needs and availability, Access to suitable transportation network(s).
- c. Status of site selection, Status and cost of land acquisition, status and cost of site preparation, basic improvements, infrastructure links.

2. Civil works and buildings

- a. Estimated requirements and cost
- b. Selection of contractors and suppliers, local/foreign, Turn-key Vs separate contractors

1. Major Equipment

- a. Estimated requirements and costs, Local/ Imported, applicable duties and taxes, FOB cost breakdown for major components. Detailed estimate of all capital expenditures, related soft costs (Value Added Tax as well as other taxes, if relevant, to be paid in connection with procurement of goods and services related to the capital expenditures, Import Duties, costs of licenses, permits, consulting and legal fees, soil investigation etc) ; indicate foreign exchange component, wherever required
- b. List of potential suppliers/ contractors , status of quotes /contracts, Turn-key Vs separate contractors

2. Auxiliary equipment and spare parts

- a. Estimated requirements and cost, local/imported
 - b. List of potential suppliers or contractors
3. Plant construction and supervision services
 4. Pre-operating requirements and costs
 5. Plant start-up services
 6. Contingencies (physical) and escalations(financial)
 7. Initial working capital requirements.
 8. Information on any of the suppliers or contractors, which are related parties of the Borrower and/or Project Sponsors.
 9. Information on the procedures applied in the process of selecting and awarding contracts to the general contractor and suppliers of equipment, wherever required.

D. PROJECT SCHEDULES

1. Construction, start up, operations
2. Expenditures
3. Funding
4. Schedule of Implementation
5. and major Milestones of the Project

E. TECHNICAL FEASIBILITY, MAN POWER, RAW MATERIAL RESOURCES AND ENVIRONMENT:

Production Technology

- a. Description of main production technology, Specify whether the production processes, equipment and technologies are tested and proven or represent innovations.
- b. Comparison with state- of -the-art, Ability to introduce new or improved technology
- c. Previous experience with technology, Visit to plant with similar technology
- d. Production flexibility ; change over times etc

2. Scale and scope of production

- a. Rated capacity, compare with optimal plant size
- b. Expected operating efficiency, Impact of product mix on production efficiency and costs
- c. Frequency of shut -downs
- d. Proposed plant location in relation to suppliers, markets, infrastructure and manpower
- e. Proposed plant size in comparison with other known plants

3. Production process

- a. Brief description of manufacturing process to be used by the Borrower to manufacture the products or services.
- b. Comments on special technical complexities and need for knowhow and special skills
- c. Plant layout and production flow diagram
- d. Critical operations/bottlenecks
- e. Options for future expansion or modification

4. Production requirements and costs –inputs needed per unit of output

- a. Raw Materials, Costs, quality, sources, availability, Local/imported- applicable duties and taxes, Expected suppliers and types of contracts, Import restrictions on required raw materials and relations with supporting industries.
- b. Consumables
- c. Utilities-costs, sources, reliability, Purchased or Captive

- d. Labor, Local/ foreign, Staffing, salaries/wages, benefits, taxes
- e. Maintenance
- f. Fees and Royalties
- g. Expected changes in operating efficiency
- h. Analysis of costs related to production of products and/or provision of services and major factors that will influence the dynamics of costs during the life of the Project.

5. Annual Capital Investment

6. Quality Control

7. Environmental Impact

- a. Description of environmental Impact, Potential environmental issues and how these issues are addressed.
- b. Plans for treatment of emissions and disposal of effluents
- c. Occupational health and safety issues
- d. Local regulations-plans for compliance

8. Technical Assistance Agreement(s)

- a. Status of negotiations-proposed terms
- b. Patents and proprietary technology
- c. Training and support for plant staff

F. Marketing and Sales:

1. Product definition

- a. Description of products and/or services production and distribution of which will constitute the major commercial activity of the Borrower
- b. Expected use and application of product(s) / Services
- c. Complementary and ancillary products, which are supplied by others
- d. Competitive position of product/company

2. Basic competitiveness of product /company in local and international markets

- a. Main attributes which differentiate products in the market and provide competitive advantages to different suppliers, Production costs, quality, location etc, Standard basis for comparison-FOB, CIF, installed
- b. Key advantages/disadvantages of product/company
- c. Advantages/Disadvantages of competing products/companies
- d. Basic market orientation: local, national, regional, or export, Product positioning, Marketing strategy based on the analysis of any existing market opportunities, actual or potential competitive advantages of the Borrower and other factors.

3. Market structure – by main segments

- a. Purchasers, Domestic/foreign, Current/future
- b. Competing suppliers, Domestic/foreign, Current/future
- c. Marketing and Sales practices, Sales methods-direct, distributors, outlets etc, Competitors’ practices, Key purchasing decision-makers and attributes they are seeking
- d. Government Regulations, Trade restrictions, if any-quotas, Tariff protection or import restrictions , Domestic regulations and/or industry practices affecting pricing and sales patterns
- e. Market trends in future- new products. Changes in regulatory environment etc
- f. Projected market share by segment

4. Marketing/Sales arrangements, agreements, fees, Quantity off-take and pricing arrangements, Domestic/foreign

5. Prices and volumes –by main segments, Historic/projected, Domestic/exports, Effect of exchange rate changes on domestic prices, Transport, insurance, handling, installation, taxes, duties

6. Also indicate whether distribution of products or services will include sales to related parties of the Borrower and/or Sponsor and provide relevant details.

G. FINANCING PLAN:

1. Proposed Financial Structure

- (i) Proposed Debt/ Equity Structure
- (ii) Equity
 - a. Shareholder Structure
 - b. Long Term plans-stay private/go public
 - c. Quasi-equity –subordinated debt etc
- i. Debt
 - a. Long Term Debt
 - b. Working Capital requirements
 - c. Domestic/Foreign
 - d. Desired Terms and conditions
 - e. Funding sources already identified
 - f. Possible Internal Accruals
 - g. Relationship bankers
- ii. Margin and Break Even Analysis
 - a. Unit cost structure as % of unit sales price
 - b. Cash and full-cost bases
 - c. Fixed and variable costs
- iii. Financial Projections
 - a. Projected financial statements- income statements, cash flows, balance sheets, return on investment of the Borrower for the period covering the life of the Project or during suggested maturity of the loan of the SDF.
 - b. Clear statement of all assumptions
 - c. Critical factors determining profitability
 - d. Sensitivity analysis under different scenarios

H. FINANCIALS:

The following are to be provided (For expansion and on- going projects):

1. Audited financial statements with audit reports for the past three (3) years and related supporting data, if available preferably based on IFRS. Financial Statements other than in IFRS can be accepted, only under exceptional circumstances, after the approval of the CEO at the first instance and after the operation agrees to submit the future statements in IFRS.
2. Provisional statements will be required where audited accounts are not available.
3. Explanation needs to be given for any material negative or positive variances in the financial statements.

I OTHERS

- a. Insurance
 - i. During construction
 - ii. during operations