

OPERATIONS MANUAL BANK POLICIES (BP)

These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.

PROCESSING SOVEREIGN AND SOVEREIGN-GUARANTEED LOAN PROPOSALS¹

A. Introduction

1. A similar process is followed for all sovereign and sovereign-guaranteed loans, including project loans, sector loans, program loans, credit lines to development finance institutions, technical assistance loans, and multiproject loans.²

B. The Policy

2. ADB's policy is to involve the government of a developing member country (DMC), the borrower, the executing agency, other relevant stakeholders, and the project beneficiaries at all stages of the project cycle, beginning with project identification. In this process, ADB helps its DMCs to formulate and, if necessary, reformulate projects so they are viable.

3. To ensure that ADB's loans are designed and processed to cater to the development needs of the recipient DMCs, formulation and processing of ADB loan projects are subject to scrutiny as set forth below.

C. Scope of the Policy

1. Country Partnership Strategy

4. The country partnership strategy (CPS), its midterm review, and annual indicative rolling country operations business plans (COBPs) are central to ADB operations. Preparation of the CPS and annual COBPs is aligned with the DMC's development planning cycle to ensure their more effective integration into the government's investment and budget processes.³ The annual COBP includes individual lending and nonlending interventions.

2. Concept Clearance

5. A project loan is not normally processed unless it has been included in the COBP (which can be a stand-alone document or attached to the CPS or the CPS midterm review) and its

¹ Policies described in this OM section are also applicable to proposals to be financed by Asian Development Fund (ADF) grants and by both a loan and an ADF grant.

² Sovereign and sovereign-guaranteed loans are those extended to a government or guaranteed by a government. Emergency assistance loans, subsovereign and nonsovereign loans are processed differently. This OM section does not aim to give a comprehensive description of the operational policy and procedures for a multitranche financing facility. See OM Section D3 (Sector Lending), OM Section D4 (Program Lending), OM Section D5 (Sector Development Programs), OM Section D7 (Disaster and Emergency Assistance), OM Section D10 (Private Sector Operations), OM Section D12 (Technical Assistance), and OM Section D14 (Multitranche Financing Facility).

³ See OM Section A2 (Country Partnership Strategy).

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concept approved by Management.⁴ In exceptional cases, a loan proposal that has not been included in the COBP can be processed if Management's approval is obtained for the concept of the proposed project based on a government request or its agreement to the proposal.

6. In all cases, project concept papers are subject to internal review and Management approval. Concept paper clearance requires that sufficient information be provided to enable the operations vice-president to make a prima facie judgment on whether project processing should start.

3. Project Classification

7. As an integral part of the CPS and COBPs, loan projects⁵ are classified by their links to ADB's strategic development goals (themes) and to sectors. The targeting classification is also used for loan projects to capture all the important targeting attributes that contribute to poverty reduction.⁶

4. Publicity⁷

8. It is the policy of ADB to list all loans to be processed on website (www.adb.org). A project or program information document (PID) is prepared and made publicly available in conformity with the requirements of the public communications policy.⁸ This is normally updated quarterly, as processing of the project or program progresses through to Board consideration. A more comprehensive PID is prepared and updated quarterly during project implementation to report on progress, the status of loan covenants, and loan utilization. The PID provides information to the public to ensure that adequate opportunity is given to all parties concerned to participate in debate during each stage of a project or program.

5. Scrutiny of Projects during Processing

9. As a matter of policy, ADB examines different aspects of a project at key stages and involves the borrower, project beneficiaries, and other relevant stakeholders. These stages include project identification, design, and preparation. Loan negotiations are conducted with the borrower, and the project is discussed during Board consideration.

⁴ Policies described in this OM section are also applicable to loan proposals included in an annual indicative rolling regional operations business plan, whether attached to a regional cooperation strategy, its midterm review progress report, or approved as a stand-alone document.

⁵ In this context, "loan projects" include project loans, program loans, sector loans, and technical assistance loans.

⁶ See OM Section C1 (Poverty Reduction) and ADB. 2004. *Review of the Asian Development Bank's Poverty Reduction Strategy*. Manila.

⁷ See OM Section L3 (Public Communications).

⁸ The initial PID for a sovereign or sovereign-guaranteed loan and/or ADF grant project that is made publicly available no later than 30 calendar days following approval of a project concept paper will include key project information from the concept paper.

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6. Cost Sharing between ADB and DMC⁹

10. The country cost-sharing ceiling for loans and Asian Development Fund (ADF) grants is generally set for each DMC in the course of CPS preparation. The ceiling may be reset or confirmed during preparation of subsequent CPS, or on a stand-alone basis when warranted.

11. ADB's share of the cost of a loan-financed project is always less than 100% of the project cost. Project cost-sharing is based on specific sector, client, and project considerations and sound banking principles. ADB's share in the project cost may exceed or fall below the country cost-sharing ceiling, provided ADB's share in the aggregate cost of the portfolio of projects in a DMC does not exceed the country cost-sharing ceiling over the CPS period.

7. Disclosure of Loan Documents to Borrowers and the Public

12. Before loan negotiations, as part of the usual process of inviting the borrower's representatives to loan negotiations, or at the specific request of the DMC through ADB's official channel of communication in the DMC,¹⁰ the draft loan documents, including the report and recommendation of the President (RRP) as approved by the staff review committee (or a second management review meeting), may be provided to the borrower with prior approval of the operations vice-president. The borrower is advised that the documents do not commit ADB to finance the project or program, and may be revised before loan negotiations.

13. The RRP is made available to the general public no later than 14 calendar days after approval of the loan by the Board. The borrower is informed of this policy before loan negotiations and, during loan negotiations, the borrower indicates whether there is information contained in the RRP that it considers confidential. When certain information in a document is deemed confidential in accordance with the public communications policy's exceptions to presumed disclosure, the Board is advised in the circulation memorandum that the RRP has a restricted distribution until after it has been approved by the Board. The concerned department removes the confidential information before disclosing the document, while leaving reference to the deleted material (with the reason for its removal). Any reduction or the withholding of such documents for public disclosure purposes is based on the exceptions to presumed disclosure as specified in the public communications policy.¹¹

D. Summary Procedure

14. Under the summary procedure process, although full loan documentation is submitted to the Board, a loan and/or ADF grant not exceeding \$200 million will not normally be discussed by the Board unless Board members request.

⁹ See OM Section H3 (Cost Sharing and Eligibility of Expenditures for ADB Financing).

¹⁰ In this context, the term "official channel of communication" refers to the customary level of correspondence and liaison in the DMC for the particular project.

¹¹ See ADB. 2005. *The Public Communications Policy of the Asian Development Bank: Disclosure and Exchange of Information*, Manila, paras. 126–130; and OM Section L3 (Public Communications), paras. 63–70.

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1. Eligibility Criteria

15. To be eligible for Board consideration under summary procedure, financial assistance (the loan,¹² guarantee, ADF grant, or equity investment proposal) must be consistent with the relevant CPS and must meet all the following conditions.

- (i) The amount of ADB financial assistance should not exceed \$200 million for sovereign and sovereign-guaranteed operations. For operations without a government guarantee, ADB's total financial assistance should not exceed \$50 million.
- (ii) The project should not involve any exception to an existing ADB policy.
- (iii) The financial assistance should not be for a program, a sector development program,¹³ or a project with a major policy reform component.
- (iv) The project should not involve an important new approach for ADB in the developing member country concerned.¹⁴
- (v) The project should not have the potential for significant adverse environmental, economic and/or social impact, particularly on vulnerable groups that may be unable to absorb such impact.¹⁴
- (vi) The project should not involve use of a complementary financing scheme or a novel financing arrangement.

16. Emergency projects that meet the above criteria may also be considered under summary procedure.

2. Process

17. The following process is applied for summary procedure.

- (i) The recommendation to submit a specific project proposal to the Board through summary procedure is initiated by the department responsible and endorsed by the director general. It is then sent to the vice president for endorsement and transmittal to the President. The President makes the final decision on the procedure to be adopted for Board consideration of the proposal when the Board paper is submitted to the President for approval. RRP's that are submitted to the Board for discussion will be accompanied by a brief statement to explain why a discussion has been requested.

¹² Including a technical assistance loan.

¹³ See OM Section H5 (Supplementary Financing) on the use of summary procedure for supplementary financing of an investment component of a sector development program.

¹⁴ Management may choose to apply a more liberal interpretation of these criteria than in the past in determining whether to submit a project proposal to the Board for discussion.

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- (ii) In the absence of a request for discussion of the item and in the absence of a sufficient number of abstentions or objections, Board approval on a no-objection basis is assumed by a specified deadline date. The project appears under the heading "Summary Procedure item" on the agenda of a subsequent Board meeting only to record approval.
- (iii) Board members may make a formal request for a full Board discussion of a project proposal submitted under the summary procedure. If such a discussion is requested, the Board meeting to discuss the project is scheduled as soon as possible after the deadline for no objection, with sufficient time allowed for Board members and staff to prepare for the Board meeting.

Basis: This OM section is based on:

ADB. 2006. *Further Enhancing Country Strategy and Program and Business Processes*. Manila (August).

ADB. 2005. *Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach*. Manila (August).

ADB. 2005. *The Public Communications Policy of the Asian Development Bank: Disclosure and Exchange of Information*. Manila (March).

ADB. 2005. *Revision of the Summary Procedure*. Manila (September).

ADB. 2004. *Review of the Asian Development Bank's Policy on the Performance-Based Allocation of ADF Resources*. Manila (December).

ADB. 2004. *Review of the Asian Development Bank's Poverty Reduction Strategy*. Manila (June).

ADB. 2002. *Business Processes for the Reorganized ADB*. Manila (January).

ADB. 2001. *Streamlining the Approval Process of the Board of Directors through More Efficient Use of the Summary Procedure for Loan Proposals*. Manila (July).

ADB. 1992. *Streamlining of Board Documents on Project-Loan and Technical Assistance*. Manila (December).

ADB. 1988. *Streamlining of Technical Assistance Loan Proposals*. Manila (November).

ADB. 1984. *Streamlining of Loan and Technical Assistance Operations* Manila (September).

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This OM section is to be read with OM Section D11/OP.

Compliance: This OM section is subject to compliance review.

For inquiries: Questions may be directed to the Director of the Management Support Division, Strategy and Policy Department.

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These procedures were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.

PROCESSING SOVEREIGN AND SOVEREIGN-GUARANTEED LOAN PROPOSALS¹

A. Introduction

1. The processes and instruments applicable to ADB sovereign and sovereign-guaranteed loans² are set forth below.

B. Application of the Policy

1. Country Partnership Strategy³

2. The country partnership strategy (CPS) is based on an analysis of the development priorities of a developing member country (DMC) and is based on thorough macroeconomic, poverty, and thematic assessments, and sector diagnostics. These analyses enable ADB to establish the socioeconomic basis, strategic focus, and priority areas for its interventions in the country. Sector and/or thematic road maps are prerequisites for each priority sector and/or thematic area that is within ADB's strategic focus in a DMC. These road maps describe expected outcomes, medium-term targets and plans for each priority sector and/or thematic area, including planned policy reform, institutional development, and investment initiatives. The annual indicative rolling country operations business plan (COBP), which includes individual lending and nonlending interventions, is based on the CPS sector road maps.

2. Project Concept Clearance

3. For a loan proposal to be processed, sufficient information should be available to establish its link with the development priorities of the DMC and with ADB's strategic focus for the country. Normally, a concept paper provides information on the rationale and objectives of the operation, intended results linked to the CPS and sector road map outcomes, tentative cost estimates and financing plan, borrower information, implementation arrangements, processing team and schedule, and budget needs. The concept paper usually includes key issues (or is accompanied by an issue note) covering, as appropriate, policy and sector constraints, due diligence areas, capacity development needs, the work of other development partners, and cofinancing opportunities, including credit enhancement products to mobilize financing from third parties.⁴ The description of issues may incorporate a preliminary assessment of risks (e.g., for public financial management, procurement, and corruption) that is informed by the risk

¹ Procedures described in this OM section are also applicable to proposals to be financed by Asian Development Fund (ADF) grants and by both a loan and an ADF grant.

² Sovereign and sovereign-guaranteed loans are those extended to the government or guaranteed by the government.

³ See OM Section A2 (Country Partnership Strategy).

⁴ On matters relating to credit enhancement products, see ADB. 2006. *Review of ADB's Credit Enhancement Operations*. Manila and relevant OM Section D9 (Credit Enhancement Operations). On matters relating to official and grant cofinancing, see ADB. 2006. *ADB's Financing Partnership Strategy*. Manila and relevant OM Section E1 (Cofinancing).

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assessment and risk management plan undertaken and/or prepared for the CPS.⁵ The project concept paper is normally prepared as early as possible in the process, but no later than completion of the project preparatory technical assistance (PPTA) or small-scale technical assistance (SSTA)⁶ or project preparatory note (PPN),⁷ when sufficient information, including information on key issues and risks, is deemed available for the operations vice-president to make an informed decision on the project proposal.

4. The project team leader and project team of the responsible operations department prepares the concept paper in consultation with the Economics and Research Department (ERD), Office of Cofinancing Operations (OCO), Operations Evaluation Department (OED), Regional and Sustainable Development Department (RSDD), Central Operations Services Office (COSO), and Office of the General Counsel (OGC). The regional director general chairs a meeting on the concept paper,⁸ attended by representatives of key support departments, the sector director, the project team leader and the project team. The meeting determines the merits of the proposed concept paper and, if it is supported, decides on what category to recommend to Management based on the degree of project complexity, risks, and readiness.

5. At the concept stage, projects are classified into three categories depending on the level of complexity, risks, and processing readiness:⁹ (i) category 1 projects are very complex and/or high-risk, (ii) category 2 projects are of medium-complexity and/or risk, and (iii) category 3 projects follow more closely previous projects or are less complex. These project categories form the basis for determining (i) the level of due diligence required by ADB; (ii) the level and form of assistance from, and the various entry points for, key supporting departments and offices; and (iii) terms of reference for the engagement of consultants (project preparatory technical assistance or otherwise). Category 1 and 2 projects will require the establishment of multidisciplinary teams comprising staff from operations and support departments and offices. The teams will work on project formulation from the outset of the project until Board consideration. For category 2 projects, such support will be more selective and limited. Category 3 projects will require the assistance of selected staff from support departments, most likely on an ad hoc basis and at fewer entry points (e.g., concept paper, fact finding, and management review meetings).

⁵ Risk assessment and risk management in relation to public financial management, procurement, corruption, and other relevant issues are guided by the second governance and anticorruption plan (ADB. 2006. *Second Governance and Anticorruption Action Plan [GACAP II]*. Manila), including its phased implementation.

⁶ OM Section D12 (Technical Assistance) describes processing technical assistance proposals that include preparation of a separate concept paper for technical assistance.

⁷ A PPN is normally used when the government, ADB, or other cofinancing agency has sufficient resources and capacity to complete the project design work without PPTA. The PPN process may be supplemented by consulting services provided by a small number of individual consultants funded through technical assistance (technical assistance consultants) or ADB's administrative budget (staff consultants).

⁸ The concept paper is normally circulated for review to departments or offices concerned at least 5 working days before the meeting. Comments may be provided in a written form prior to the meeting and/or offered during the meeting.

⁹ The level of complexity may be determined by issues related to the project structure, cost estimates, financing plan, implementation plan, and various due diligence (and thus risk) areas supporting the proposed transaction (e.g., technical, financial, economic, institutional, legal, safeguards, and social dimension matters). Processing readiness normally depends on the depth and quality of feasibility studies available at concept clearance.

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6. The concept paper, including the key issues, and the minutes, incorporating the proposed project complexity and/or risk category, are submitted by the regional director general to the operations vice-president for consideration and approval.¹⁰ The operations vice-president may convene a separate meeting with those involved in the concept paper preparation and the proposed project categorization, especially for complex transactions or projects with major policy issues, if deemed necessary. The operations department may subsequently recommend a change in the project category based on new information gathered during project processing.¹¹

3. Project Classification

7. Loan projects¹² are classified according to targeting, sector, and thematic classification. The targeting classification is used for loan projects to capture all important targeting attributes that contribute to poverty reduction.¹³ The classification may be tentative at the project identification stage and may be changed during processing.

8. The operations departments are responsible for classifying projects from the current year and from the lending pipeline and for recording and updating the classifications in the project processing information system (PPIS).¹⁴ RSDD reviews all project documents and advises concerned operations departments on the appropriate classification of projects.

4. Safeguard Requirements¹⁵

9. Safeguard planning and implementation require that: (i) potential impacts are identified and assessed early in the project cycle; (ii) safeguard plans are prepared, where relevant, to avoid, minimize, or mitigate adverse impacts; (iii) affected people are informed and consulted; and (iv) safeguard plans are disclosed to the public.

5. Design and Monitoring Framework¹⁶

10. The design and monitoring framework is a design tool that logically links the impact or rationale of a project, its outcomes, expected outputs, inputs and activities, key indicators, key risks and assumptions, the analysis that needs to be undertaken, the manner in which data are collected, the expected beneficiaries, and the stakeholders. Conceptualization of the framework

¹⁰ No later than 30 calendar days following approval of the project concept paper, ADB makes publicly available on its website an initial project information document for a sovereign or sovereign-guaranteed loan and/or ADF grant project (see OM Section L3 on Public Communications).

¹¹ Update of project complexity and/or risk category may be done through a memorandum from the operations department to the operations vice-president for approval.

¹² In this context, "loan projects" include project loans, program loans, sector loans, and technical assistance loans.

¹³ Sector, thematic, and targeting classification is covered in consolidated staff instructions on project classification issued on 15 December 2004.

¹⁴ The PPIS is the only basis for monitoring and reporting on the classification system. The PPIS enables the categories of project mix to be analyzed by number, total project costs, loan amount, DMC, sector, and source of financing.

¹⁵ See OM sections F1 (Environmental Considerations), F2 (Involuntary Resettlement), and F3 (Indigenous People).

¹⁶ See also OM Section J1 (Project Performance Management System).

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starts at the project identification stage and is refined as project processing proceeds. A preliminary draft of the framework may be attached to the concept paper. Its final version enables project implementation to be monitored, and indicates where and when any remedial interventions need to be carried out.

11. Development of the design and monitoring framework is an integral and mandatory part of the terms of reference of a feasibility study, PPTA, or SSTA. The framework is the fundamental working document during the inception phase of the PPTA. When the PPN or SSTA approaches to project processing are employed, the requirements for the preparation of the design and monitoring framework are the same as for the PPTA approach. The framework is discussed in detail with the executing agency, implementing agencies, consultants, the ADB project team, and a representative sample of prospective beneficiaries and interested nongovernment organizations (NGOs) to ensure that there is a common understanding of the project.

6. Project Design

12. Project design is an evolving process from the time of conceptualization through the design stage to Board approval. The design process involves the project team, the borrower, beneficiaries, consultants, development partners, NGOs, and other stakeholders.

13. The design process involves several steps including PPTA, or SSTA, or PPN implementation and review, project fact-finding (optional), management review meeting (MRM), project appraisal (optional), staff review committee (SRC) meeting or a second MRM (if any),¹⁷ loan negotiations, and Board consideration.

14. From the inception of the PPTA, or SSTA, or PPN until its final tripartite review meeting, aspects of the project design are reviewed in detail by the project team, internally within ADB, the borrower, consultants, and representatives of other stakeholders interested in the project. These reviews cover technical, financial, economic, institutional, social, environmental, sector policy, and legal issues, and matters connected to resettlement and indigenous peoples. The project team examines the project design in the context of the CPS, operational experience, and lessons from evaluations of previous projects (available in OED's evaluation information system database). It coordinates with other funding agencies. The macroeconomic setting, including budgetary and balance of payments positions, is examined if it has a bearing on the loan proposal. Attention is paid to institutional capacity, cost estimates, cofinancing, implementation arrangements (including procurement, consulting services, project management, disbursements, accounting, and auditing), and conditions or covenants likely to be attached to the loan.

¹⁷ A second MRM is required for program loans and sector development programs (see OM Section D4 on Program Lending and OM Section D5 on Sector Development Programs).

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15. If any issues are unresolved or further analysis is needed at completion of the final tripartite review meeting, loan fact-finding is conducted by the project team.¹⁸ If issues are still unresolved after loan fact-finding, the borrower and project team detail the issues and analysis requiring guidance from the operations vice-president at the MRM.

7. Management Review Meeting

16. The draft report and recommendation of the President (RRP) is reviewed by departments and offices concerned (see para. 24) before it is submitted to the MRM.¹⁹ The draft RRP presented to the MRM must address concerns raised during interdepartmental review, explain how eligible expenditures are to be financed,²⁰ and provide an assessment and justification for the financing of expanded eligible expenditures.²¹ It is accompanied by a brief issues paper noting critical matters requiring Management's guidance. The MRM determines or endorses the readiness of the project design and analysis, advance contracting under the loan,²² retroactive financing in principle, risks and the control mechanism associated with the proposed financing option,²³ the due diligence that has been carried out for financing taxes and duties, and the need for project appraisal to address any outstanding issues or analysis. If project appraisal is needed, the draft RRP is updated after the appraisal and an SRC²⁴ or second MRM is held to review the resolution of previously outstanding issues or analysis by the project team, the borrower, and stakeholders.

17. Category 1 and category 2 projects are expected to be submitted to the MRM after fact-finding and to the SRC meeting after appraisal. The relevant operations vice-president may request a second MRM instead of an SRC meeting for complex projects.²⁵ Category 3 projects normally have a single MRM, although an SRC meeting may be held if appraisal is required.

¹⁸ The loan fact-finding may also be conducted if requested by the borrower and/or executing agency. If appropriate, the loan fact-finding mission may be combined with the final tripartite review meeting.

¹⁹ At least 5 working days are allowed for the review of the draft RRP and submission of comments at the pre-MRM and pre-SRC (or second MRM) stages. An invitation, with the attached issues note, draft RRP and matrix of comments, to attend MRM, SRC, or second MRM to departments or offices concerned is issued by the regional director general 2 to 3 working days before the MRM, SRC, or second MRM.

²⁰ ADB financing may be provided in a variety of ways, including three options presented in OM Section J6 (Disbursement). When ADB proposes to finance up to 100% of eligible expenditures of every claim up to a point where the balance of grant or loan amounts are fully disbursed, the RRP should indicate the associated risks and the proposed control mechanism for Management's guidance at the MRM.

²¹ The expanded list of eligible expenditures include: acquisition of land and rights-of-way, late payment charges imposed by suppliers and contractors, bank charges, food expenditures, interest during construction on non-ADB loans, secondhand goods, lease financing costs, taxes and duties, and local transport and insurance costs related to project expenditures. See OM Section H3 (Cost Sharing and Eligibility of Expenditures for ADB Financing).

²² To ensure that the executing agency has the capacity to carry out the actions needed for advance contracting, the project team normally conducts procurement capacity assessment before the MRM during loan processing.

²³ See footnote 20.

²⁴ If a project is adjudged at the MRM to be ready to go directly to loan negotiations, the MRM may decide that (i) appraisal has been completed, and (ii) the SRC meeting may be waived.

²⁵ A second MRM is required for program loans and sector development programs (OM Section D4 on Program Lending and OM Section D5 on Sector Development Programs).

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8. Loan Negotiations

18. Authority for loan negotiations to commence is sought from the operations vice-president by the project team through the regional director general. After the operations vice-president has given approval, the draft loan documents are forwarded to the borrower with an invitation to attend loan negotiations. This invitation requires the borrower's negotiating team is to indicate any information or data in the loan documents that are to be treated as confidential. The borrower is advised that the documents are for ADB's internal use, their content may be changed, and they do not commit ADB to finance the project or program. The borrower submits a procurement plan for approval by ADB before loan negotiations. The operations department reviews the procurement plan in consultation with COSO to obtain its concurrence. The project team leader leads the negotiations, and, when these have been completed, the project counsel prepares minutes for signature by both parties.

19. For loans from ordinary capital resources, the borrower may request brief presentations on the LIBOR-based loan product and associated debt management features from the Treasury Department during loan negotiations.²⁶ For loans from Asian Development Fund (ADF) resources, the borrower determines the repayment currency out of the special drawing rights currencies during loan negotiations. The borrower can change the repayment currency, provided it gives sufficient advance notice to ADB.²⁷

9. Board Consideration

20. When loan negotiations have been completed, the RRP is edited by the Office of the Secretary (OSEC). If major changes to the RRP are not expected as a result of loan negotiations, the RRP may be edited before loan negotiations start. When it has been edited, the RRP is returned by OSEC to the project team leader for finalization. The loan agreement is cleared by the Office of the General Counsel (OGC) and the final RRP is cleared first by OGC (for clearance to circulate to the Board) and then by OSEC (for clearance for printing). The project team leader prepares a memo to Management, with the RRP attached, requesting approval to circulate the RRP to the Board. Usually, at least 21 calendar days are needed between circulation of the loan documents to the Board and Board consideration. For projects classified as category A or category B sensitive, that could have significant adverse environmental impacts or deemed environmentally sensitive, a summary environmental impact assessment or summary of initial environmental examination, respectively, shall be posted on ADB's website at least 120 calendar days before the Board considers a loan.²⁸

²⁶ See ADB. 2006. *Enhancements for the Asian Development Bank's Loan and Debt Management Products*. Manila.

²⁷ See ADB. 2005. *Asian Development Fund Currency Management Proposal*. Manila.

²⁸ See OM Sections F1 (Environmental Considerations) and L3 (Public Communications).

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10. Disclosure of Loan Documents

21. Sovereign and sovereign-guaranteed loan and/or ADF grant agreements, related project agreements, and pertinent RRP's shall be made publicly available in accordance with the requirements of the public communications policy.²⁹

11. Project Retrospective Review

22. ADB may undertake assessment of quality-at-entry of projects as part of a biennial retrospective review of CPSs and of projects prepared and approved over a respective review period to examine whether they demonstrate any improvement in quality-at-entry.

12. Roles and Responsibilities

23. The project team is responsible for preparing the project concept and design and for submitting the project for approval. The regional director general is responsible for appointing the project team and project team leader. The project team leader prepares terms of reference for each team member. The operations department decides whether a standalone loan fact-finding mission is required, or whether the RRP can be prepared for the MRM without fact-finding.

24. The draft RRP is prepared by the project team and reviewed by COSO, the Controller's Department, ERD, OCO (if co-financing is involved), the Operations Evaluation Department (OED), OGC, and RSDD. It is also reviewed by the Strategy and Policy Department if policy and strategy issues are involved. The heads or representatives of the reviewing departments attend the MRM. The project team leader forwards the draft RRP and a matrix of comments received and the proposed actions to address them to the operations vice-president chairing the MRM. The project team is responsible for carrying out appraisal if required by the MRM, in which case an SRC or a second MRM is held.

25. The RRP is edited by OSEC. When it has been edited, OSEC returns the RRP to the project team leader for finalization. The final RRP and the loan agreement are cleared by OGC and OSEC in that order and are forwarded by the regional director general through the operations vice-president to the President for approval to circulate to the Board for consideration. The RRP is then printed and circulated, along with the loan agreement, to the Board by OSEC at least 21 calendar days before consideration. After Board approval of the loan documents, the operations coordination division or unit of the operations department is responsible for arranging the prompt signing of the loan agreement by the borrower's representative. The sector director is responsible for ensuring that any loan conditions have been met by the borrower, and OGC is responsible for declaring the acceptance of a legal opinion and other documents that may be required by the loan agreement are satisfactory to ADB.

²⁹ See ADB. 2005. *The Public Communications Policy of the Asian Development Bank: Disclosure and Exchange of Information*, March. Manila; and OM Section L3 (Public Communications).

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Basis: This OM section is based on OM Section D11/BP and the documents cited therein.

Compliance: This OM section is subject to compliance review.

For inquiries: Questions may be directed to the Director of the Management Support Division, Strategy and Policy Department.