

Project Administration Instructions

PAI 1.01
Revised August 2009
Page 1 of 5

INITIAL PROJECT ADMINISTRATION ACTIVITIES

A. Introduction

1. The Project Administration Instructions (PAIs) outline ADB's policies and procedures for administering loan and technical assistance (TA) projects. For information on specific issues, read the relevant PAIs and operational documents including the *Loan Regulations*, *Operations Manual (OM)*, *Guidelines on Operational Procedures (GP)*, *Procurement Guidelines*, *Guidelines on the Use of Consultants by the Asian Development Bank and its Borrowers (Guidelines on the Use of Consultants)*, and the *Loan Disbursement Handbook*. If these documents are inconsistent, read the relevant policy paper or Board document to determine the original intent. Appendix 1 provides a list of references.

B. Scope of Project Administration

2. Project administration starts from the date the Board or Management approves the loan or technical assistance (TA) project and is based on the implementation schedule. When the procurement plan includes advance action to recruit consultants and procure goods and works, the project administration starts on the approval date. PAI 2.02 Part D (for TA) and PAI 2.02 Part E (for loans) provide more information on advance action for recruiting consultants and PAI 3.01 gives details of advance procurement action and retroactive financing.

3. Project administration includes a range of activities connected with implementation, such as:

- reviewing and approving the government's signing of loan and TA agreements, including TA letters,
- monitoring the government's compliance with loan effectiveness conditions,
- recruiting consultants and procuring goods and works,
- monitoring implementation and development performance, using the project performance management system (PPMS), and the project performance report (PPR) for loans,
- analyzing progress reports,
- disbursing loan and TA proceeds, and monitoring project cash flows, both from ADB and other financing sources,
- reviewing un-audited and audited project accounts and agency financial statements,
- reviewing and approving the government's compliance with the conditions in the loan and TA agreements, including TA letters,
- preparing project and TA completion reports, and
- assessing the performance and development impact of completed projects and programs.

4. Monitoring the government's and the executing agency's (EA's) compliance with covenants may include monitoring:

- sector policy changes,
- sector restructuring,

- strengthening the EA's and implementing agencies' financial management and developing their capacity,
- tariff reform,
- physical works,
- environmental and social aspects of the project, and
- technology transfer.

5. The project division or mission gives the EA a copy of the TA report or the report and recommendation of the President (RRP), plus the project administration memorandum (PAM) setting out the implementation arrangements that are specific to the project (paragraph 15). During implementation, the project division or mission provides the EA with copies of the periodically updated TA progress report (TAPR) and PPR. The project division or mission also gives the government and EA copies of relevant documents such as ADB's Anticorruption Policy, to help prevent problems associated with graft and corruption during implementation.

6. The project division or mission cooperates with the EA and improves communication by holding regular frank discussions to identify and solve problems, and sharing lessons learned from projects in other sectors and countries.

7. When ADB administers a loan or TA on behalf of a co-financier, ADB's agreement with the co-financier usually describes ADB's project administration responsibility. When ADB acts on behalf of the co-financier, the project division or mission shares relevant project information with the co-financier.

C. Administration Actions during Loan Processing

8. The following paragraphs provide procedures for administering a loan project up to the date the loan becomes effective. PAI 5.11 provides procedures for administering a TA project.

1. Preliminary Agreements on Implementation

9. It is important to implement projects efficiently and on schedule. ADB promotes project readiness to facilitate this.

10. Project divisions and missions should aim to complete the following good practices by the end of the loan negotiations. The conditions in ADB's developing member countries vary but divisions and missions should complete as many items on the list as possible:

- Make sure the government establishes a project implementation or management unit and appoints a project manager, project accountant, and procurement specialist. If possible, the project manager should be involved in the loan processing and participate in the loan negotiations.
- Assess the EA's capacity to manage the project and procure the required goods and works and recruit the consultants. The Central Operations Services Office's (COSO's) *Guide on Procurement Capacity Assessment* provides more information.

- Develop project monitoring and evaluation indicators and get the government's approval.
- Assess the EA's financial management capacity and set up the necessary audit, financial, and procurement arrangements and systems.
- Make sure the government provides funds to establish the EA and for implementation. If the government approves the project before its budget cut-off date, it should include the funds required for the first year of implementation in its budget as a line item. If the government approves the project after its budget cut-off date, it should include funds for implementation in its central lump-sum fund.
- Help the EA prepare a procurement plan for at least the first 18 months of implementation and ideally for the whole project. The EA should prepare the bidding documents for at least the first year of implementation. COSO's *Guide on Procurement Planning* provides more information.
- Make sure the EA prepares the required resettlement plans and ADB approves them.
- Make sure the EA obtains the land and rights of way required for the first year of implementation and they are secure and un-encumbered. Help the EA prepare a plan for acquiring the remaining land and rights of way required for the project.

11. The project division or mission should also remind the government and the EA to comply with ADB's procedures, particularly for:

- recruiting consultants,
- procuring goods and works,
- withdrawing loan proceeds,
- submitting progress reports, un-audited and audited project accounts, and agency financial statements,
- monitoring and evaluating performance, and
- preparing the borrower's project completion report (PCR).

The PAIs and relevant ADB publications describe these procedures. The project division or mission must give the government and EA copies of the format for the PCR, which is shown in Appendix 1. The division or mission's assessment of the EA states whether ADB will provide additional assistance to strengthen its capacity to follow ADB's procedures.

12. Four critical activities requiring preparatory action to expedite project implementation are:

- recruiting consultants,
- procuring goods and works,
- providing special disbursement facilities (if required), and
- finalizing the PAM.

13. To ensure the flow of funds from ADB to the EA, the project division or mission examines the need for special disbursement facilities such as imprest accounts and statements of expenditure.

14. The project division or mission identifies the prospective project manager and the other key EA staff who will implement the project. Whenever possible, the project division or mission involves the project manager in loan processing and loan negotiations, to make sure the manager understands the project and the agreements between the borrower, the EA, and ADB on implementation.

2. Preparing the Project Administration Memorandum

15. A good quality PAM is one of the most basic requirements for successful project implementation. The appraisal mission should discuss the PAM with the government and EA in as much detail as possible, including project data and information that allows the government, EA, implementing agency, and ADB to monitor project implementation. The project division or mission usually drafts the PAM before the inception mission, in consultation with the other concerned divisions in ADB. The division or mission discusses it with the government, EA and implementing agency during the inception mission and attaches it as an appendix to the memorandum of understanding of the mission. The division or mission then finalizes the PAM, the director of the division or mission approves it, and the division or mission gives copies to the government, EA, implementing agency, the government's external auditor, and the resident mission. PAI 1.05 provides further details of the PAM.

3. Reporting Progress

16. During loan processing, the government, EA, and ADB agree on the content, format, and timing of the EA's progress reports. The contents of the reports should be restricted to summary information that is useful to ADB as the funding agency. The format should allow ADB staff to quickly find information to input into the PPR, which the project officer will prepare and list at the latest by one month after the loan is approval. PAI 5.01, Appendix 1, provides the suggested format and contents of progress reports.

D. Administration Actions after Loan Approval

17. After the loan is approved, project administration involves monitoring that the government and EA:

- signs the loan agreement,
- complies with the conditions for loan effectiveness,
- has adequate records and accounting systems, and
- starts implementing the project.

18. Staff of the operations coordination division or resident mission liaise with the government to make sure it signs the legal agreements and complies promptly with the conditions for loan effectiveness. The legal agreements include the loan agreement and any project or guarantee agreement.

19. The project division or mission makes sure the required project administration systems are in place and starts helping the EA with implementation.

20. After the government signs the loan agreements, the project division or mission:

- reminds the government of the conditions and procedures to make the loan agreement effective,
- reminds the government of ADB's requirements for progress reports, including establishing and maintaining records and accounting systems for the loan,
- makes sure the performance monitoring and evaluation framework is in place, responsibilities assigned, and resources provided,
- makes sure the EA is on schedule with recruiting consultants, procuring goods and works, and implementing any resettlement or environmental plan,
- makes sure the government has provided the budget the EA needs,
- makes sure the government has completed any other actions required before the EA starts project implementation, such as providing land,
- advises the government and EA of the director of ADB's project division or mission, the head of the project administration unit, and the project officer responsible for administering the project (for at least one year the loan processing mission leader is responsible for administering the project), and
- prepares to field the inception mission.

Project Administration Instructions

PAI 1.01
Revised August 2009
Appendix 1, page 1

ADB Documents Relevant to Project Administration

A. General

Anticorruption Policy (2 July 1998)
Anticorruption Policy: Description and Answers to Frequently Asked Questions (2000)
Guidelines for Economic Analysis of Projects (revised February 1997)
Guidelines for the Financial Governance and Management of Investment Projects Financed by ADB (revised October 2005)
Handbook on Management of Project Implementation (revised 1988)
Operations Manual (Policies and Procedures) (updated October 2003 – latest updates of individual BPs and OPs apply)
Ordinary Operations Loan Regulations (Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources) (dated 1 July 2001)
Ordinary Operations Loan Regulations (Applicable to Loans Made by the Bank from its Ordinary Capital Resources) (dated 1 July 1986)
Regulations of the Asian Development Fund (revised 7 February 2005)
Special Operations Loan Regulations (Applicable to Loans Made by ADB from its Special Funds Resources) (revised 1 May 2004)

B. Consultants

Guidelines on the Use of Consultants by the Asian Development Bank and Its Borrowers (revised April 2006)
Handbook for Users of Consulting Services (revised February 2005)

C. Procurement

Procurement Guidelines (revised April 2006)
Guide on Bid Evaluation (August 2005)
Handbook on Problems in Procurement for Projects Financed by the Asian Development Bank (Revised November 1987, reprinted October 1995)
Standard Bidding Documents – Procurement of Goods (including related services)
(Posted on the ADB web site – can be downloaded as: *Single-Stage: One-Envelope*
Single-Stage: Two-Envelope
Two-Stage: Two-Envelope
Two Stage Bidding Document
User's Guide)
Standard Procurement Document, User's Guide - Prequalification of Bidders (Revised September 2005)
Standard Bidding Documents – Procurement of Works (September 2005)
Standard Bidding Documents – Procurement of Works (Small Contracts) (September 2005)
Standard Bidding Documents – Procurement of Plant-Design, Supply, Install (September 2005)

Project Administration Instructions

PAI 1.01
Revised August 2009
Appendix 1, page 2

D. Disbursement

Loan Disbursement Handbook (January 2001)
Guidelines for Disbursement of Technical Assistance Grants

E. Environment and Social Dimensions

Economic Evaluation of Environmental Impacts (March 1996)
Environmental Assessment Requirements and Environmental Review Procedures of the Asian Development Bank (updated March 1999)
Environmental Guidelines for Selected Agricultural and Natural Resources Development Projects (1993)
Environmental Guidelines for Selected Industrial and Power Development Projects (1993)
Environmental Guidelines for Selected Infrastructure Projects (1993)
Environmental Loan Covenant Handbook (December 1993)
Handbook on the Use of Pesticides in the Asia-Pacific Region (1987)
Guidelines for Incorporation of Social Dimensions in Bank Operations (October 1993)
Handbook on Poverty & Social Analysis (December 2001 – working document)
Handbook on Resettlement (1998)
Summary of the Handbook on Resettlement (1998)
Gender Checklists (2000/2003)

F. Others

Executing Agency Progress Report (PAI 5.01)
Project Performance Management System