

# Project Administration Instructions

PAI 1.01  
Revised January 2010  
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## INITIAL PROJECT ADMINISTRATION ACTIVITIES

### A. Introduction

1. The Project Administration Instructions (PAIs) outline ADB's policies and procedures for administering loan<sup>1</sup> and technical assistance (TA) projects. For information on specific issues, read the relevant PAIs and operational documents including the applicable *Loan and Grant Regulations*, *Operations Manual (OM)*, *Procurement Guidelines*, *Guidelines on the Use of Consultants by the Asian Development Bank and Its Borrowers (Guidelines on the Use of Consultants)*, *Technical Assistance Disbursement Handbook*, *Loan Disbursement Handbook*, and the *Guidelines for Preparing the Design and Monitoring Framework (DMF)*. If these documents are inconsistent, read the relevant policy paper or Board document to determine the original intent. Appendix 1 provides a list of key references.

### B. Scope of Project Administration

2. Project administration starts from the date the Board or Management approves the loan or TA project and is based on the implementation schedule contained in the project administration manual (PAM).<sup>2</sup> The PAM is mandatory (except for program lending<sup>3</sup> and TAs) and is the main document describing implementation details.

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,
- conducting review missions
- monitoring the government's compliance with loan effectiveness conditions,
- updating of the PAM,
- procuring goods, works, and consulting services,
- monitoring implementation and development performance, using the elements of the project performance management system (PPMS) – DMF, the PAM, the project performance report (PPR) for loans, and the technical assistance performance report (TPR) for TAs,
- analyzing progress reports,
- disbursing loan and TA proceeds, and monitoring project cash flows, both from ADB and other financing sources,
- reviewing unaudited and audited project accounts and agency financial statements,

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<sup>1</sup> Policies and procedures described in the PAIs are also applicable to projects financed by Asian Development Fund (ADF) grants and all other grants except Japan Fund for Poverty Reduction and Japan Fund for Information and Communications Technology grants.

<sup>2</sup> For a multitranche financing facility, a facility administration manual (FAM) is developed and is subject to the same general considerations and guidelines as the PAM, subject to particularities of the MFF. References to the PAM shall be understood to include reference to the FAM in cases of multitranche financing facilities.

<sup>3</sup> In case of a program loan, the development policy letter and policy matrix presented as part of the report and recommendation of the President (RRP) should specify required actions in the form of reform implementation and the PAM would be optional.

- supporting and monitoring the government's compliance with applicable ADB policies as set out in the loan and TA agreements, including TA letters,
- preparing project and TA completion reports, and
- assessing the achievement of the project outcome and outputs, and the contribution to achieving the development impact.

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 safeguards,
- social dimensions and gender development, and
- technology transfer.

5. The sector division or mission gives the EA a copy of the TA report or the RRP, including the PAM setting out the implementation arrangements that are specific to the loan project (paragraph 15). During implementation, the sector division or mission provides the EA with copies of the periodically updated TPR for TAs and PPR for loans. The sector 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 sector 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 sector division or mission shares relevant project information with the co-financier.

### **C. Administration Actions during Loan Project 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. Project readiness filters are incorporated in the PAM and cover major pre-project implementation actions (e.g. government approvals,

procurement and ADB's review and clearance of safeguard plans and/or frameworks) to ensure project quality-at-entry.

10. Although the conditions in ADB's developing member countries vary, sector divisions and missions should complete at a minimum, the following prior to commencement of loan negotiations:

- An EA financial management capacity assessment and circulate to relevant reviewers the assessment report together with the draft RRP and the draft PAM before the MRM or SRM. Set up the necessary project implementation arrangements including audit, financial, and procurement systems and procedures.
- Ensure that the borrower/client has prepared the (i) environmental management plan(s) and/or environmental assessment and review framework, (ii) resettlement plan(s) and/or resettlement framework, (iii) Indigenous Peoples plan(s) and/or Indigenous Peoples planning framework, (iv) agreed environmental and social management system arrangement, and/or other applicable instruments, and that ADB has reviewed and cleared them.
- Ensure that the summary poverty reduction and social strategy and gender action plan are prepared and approved.
- An EA procurement capacity assessment and circulate the assessment report with the draft RRP and the draft PAM before the Management Review Meeting (MRM) or Staff Review Meeting (SRM). COSO's *Guide on EA Procurement Capacity Assessment* provides more information.
- Based on the EA procurement capacity assessment report, help the EA prepare a procurement plan for at least the first 18 months of implementation and ideally for the whole project. The procurement plan should be approved by the sector director in concurrence with COSO, and the approved procurement plan included in the PAM. COSO's *Guide on Procurement Planning* provides more information.
- For advance contracting and retroactive financing, ensure that the EA has the capacity to carry out the actions needed.
- Based on the DMF, assist the government to refine the performance targets over the implementation period.

11. As far as possible at loan negotiations, a draft legal opinion acceptable to ADB will be agreed.

12. The sector division or mission should ensure government and EA commitment to comply with ADB's procedures, particularly for:

- procuring goods, works, and consulting services,
- 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.

The PAIs and relevant ADB publications describe these procedures. The sector division or mission's assessment of the EA should normally state whether ADB will provide additional assistance to strengthen its capacity to follow ADB's procedures.

13. To ensure the flow of funds from ADB to the EA, the sector division or mission examines the need for special disbursement facilities such as imprest accounts and statements of expenditure based on the results of the EA financial management assessment.

14. The sector division or mission identifies the prospective project manager and the other key EA staff who will implement the project. Whenever possible, the sector 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 Manual**

15. The PAM is prepared in the course of loan processing and initially agreed with the government at loan fact-finding. It is reviewed at the MRM or SRM, during loan negotiations, and by inception, midterm, and other review missions. Information related to project implementation as set out in the PAM template in PAI 1.05 should be contained in the PAM<sup>4</sup> and cross-referenced (not repeated) in other key project documents, such as the RRP. The PAM is agreed with the government during loan negotiations, and is subsequently provisionally approved by the sector director pending Board approval of the loan.

### **D. Administration Actions after Loan Approval**

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

- sign the loan agreement,
- comply with the conditions for loan effectiveness and loan disbursement (if any), and
- start implementing the project.

17. 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.

18. The sector division or mission ensures the required project administration systems are in place and assists the EA with implementation.

19. After the government signs the loan agreements, the sector division or mission supports the government to:

- implement the conditions and procedures to make the loan agreement effective;

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<sup>4</sup> In case of a program loan, the development policy letter and policy matrix presented as part of the RRP should specify required actions in the form of reform implementation and the PAM would be optional.

- implement ADB's requirements for progress reports, including establishing and maintaining separate records and accounting systems for the loan;
- implement the performance monitoring and evaluation framework including assignment of responsibilities, and provision of resources;
- remain on schedule with procuring goods, works, and consulting services, establishing any imprest accounts (including second generation imprest account), and implementing any (i) environmental management plan(s) and/or environmental assessment and review framework, (ii) resettlement plan(s) and/or resettlement framework, (iii) Indigenous Peoples plan(s) and/or Indigenous Peoples planning framework, (iv) agreed environmental and social management system arrangement, and/or other applicable instruments;
- provide the budget the EA needs; and
- complete any other actions required before the EA starts project implementation, such as providing land.;

The sector division or mission advises the government and EA of ADB counterparts responsible for administration such as ADB's sector director, the head of the project administration unit, and the project officer responsible for administering the project; and prepares to field the inception mission..

20. To maintain the focus on timely loan delivery, the milestone for the operational department's completion of processing should be loan effectiveness, rather than Board approval. The divisional key results areas and staff performance development plans should reflect loan effectiveness as the target output.

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## Key ADB Documents<sup>5</sup> Relevant to Project Administration

### A. General

*Anticorruption and Integrity (revised December 2007)*  
*Anticorruption Policy: Description and Answers to Frequently Asked Questions (revised 2008)*  
*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)*  
*Guidelines for Preparing the Design and Monitoring Framework (July 2007)*  
*e-Handbook on Project Implementation (March 2008)*  
*Second Governance and Anticorruption Action Plan (July 2006)*  
*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 (dated 7 February 2005)*  
*Special Operations Loan Regulations (Applicable to Loans Made by ADB from its Special Funds Resources) (dated 1 January 2006)*  
*Special Operations Grant Regulations (Applicable to Grants Made by ADB from its Special Funds Resources) (dated 7 February 2005)*

### B. Consultants

*Guidelines on the Use of Consultants by the Asian Development Bank and Its Borrowers (revised Feb 2007)*  
*Harmonized RFP for TA (updated 28 August 2009)*  
*Harmonized RFP for Loans - (updated 28 August 2009)*  
*Consulting Services Operations Manual - 2008*

### C. Procurement

*Procurement Guidelines (revised February 2007)*  
*Guidelines on the Use of Consultants (revised February 2007)*  
*Guide to EA Procurement Capacity Assessment*  
*Guide to Completing Procurement Plans*  
*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)*  
*Standard Bidding Documents – Procurement of Works*

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<sup>5</sup> This is not an exhaustive list and users are advised to check [www.adb.org](http://www.adb.org) for additional references and latest updates.

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*Standard Bidding Documents – Procurement of Works (Small Contracts)*  
*Standard Bidding Documents – Procurement of Plant-Design, Supply, Install*  
*Standard Procurement Document – Prequalification of Bidders*  
*Standard Procurement Document – Prequalification of Bidders, User’s Guide (Revised October 2009)*  
*Guide on Bid Evaluation (October 2009)*

## **D. Disbursement**

*Loan Disbursement Handbook (January 2007)*  
*Technical Assistance Disbursement Handbook (January 2008)*  
*Guidelines for Disbursement of Technical Assistance Grants (December 1992)*

## **E. Environmental and Social Safeguards**

*Safeguard Policy Statement (2009)*

## **F. Social Dimensions and Gender Development**

*Handbook on Social Analysis: A Working Document (2007)*  
- *Technical Note on Social Analysis for Transport Project (2009)*  
- *Technical Note on Social Analysis for Multi Tranche facility (2009)*  
- *Technical Note on Social Analysis for Private Sector Projects (2009)*  
*Poverty Handbook Analysis and Processes to Support ADB Operations: A Working Document (2006)*  
*Core Labor Standards Handbook (2006)*  
*Strengthening Participation for Development Result: A Staff Guide to Consultation and Participation (2006)*  
*Interacting with Workers' Organization: A Primer for ADB Staff (2009)*  
*Sector Gender Checklists:*  
- *Gender Checklist on Agriculture (2001)*  
- *Gender Checklists on Education (2000)*  
- *Gender Checklist on Health (2000)*  
- *Gender Checklist on Resettlement (2003)*  
- *Gender Checklist on Urban Development and Housing (2001)*  
- *Gender Checklist on Water Supply and Sanitation (2007)*  
*Quick Reference Guide on Gender and Project Performance Management System (2009)*  
*Project Gender Action Plans: Lessons for Achieving Gender Equality and Poverty Reduction Result (A Briefing Note, 2009)*  
*Gender, Law, and Policy Toolkit (2006)*  
*Good Practices Guide for Incorporating Legal Empowerment into Operations (2009)*

## **G. Others**

*Executing Agency's Project Progress Report (PAI 5.01)*