

Project Administration Instructions

PAI 1.05
Revised January 2009
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PROJECT ADMINISTRATION MEMORANDUM

A. Objective and Scope

1. The project administration memorandum (PAM) contains project data and information that allows the borrower, executing agency (EA), implementing agency, and ADB to monitor project implementation and evaluate project impact. To ensure ownership commitment, staff must prepare the PAM by closely consulting with the borrower, EA, and implementing agency. The PAM must be detailed enough to be self-contained, and comprehensive enough to provide a valuable reference for the project completion report.

2. The PAM

- provides concise and accurate detail, including maps and diagrams, on major aspects of project implementation;
- specifies roles and responsibilities of the EA, implementing agency, consultants, and ADB for the various actions required for satisfactory project implementation;
- assists project administration staff of the EA, implementing agency, and ADB to anticipate problems and initiate timely remedial actions or recommendations;
- contains a design and monitoring framework, including subsequent revisions that confirm the impact, outcome, outputs, activities, inputs, performance targets and indicators, assumptions, and risks;
- provides a framework and checklist for monitoring progress to allow remedial actions and midstream modifications to meet project objectives;
- promotes systematic monitoring and evaluation of the project outcome, and assessment of impacts on project beneficiaries through surveys, studies, and periodic and midterm reviews;
- provides the format and instructions for the EA and implementing agency to periodically update the project performance report in its current revised format; and
- references ADB's Anticorruption Policy, indicating how ADB may be contacted about allegations of corruption and fraud.

B. Timing of the PAM

3. One of the most basic requirements for successful project implementation is the preparation of a good quality PAM. The appraisal mission should initiate detailed discussions with the borrower and EA on the content of the PAM, including project data and information that allows the borrower, EA, implementing agency, and ADB to monitor project implementation. If advance actions to recruit consultants and procure

goods and works are allowed, the related discussions should be specified in the appraisal memorandum of understanding along with an abbreviated PAM until the full-length PAM is prepared.

4. The PAM is generally drafted prior to the inception mission in consultation with other offices (Central Operations Services Office and Loan Administration Division) for discussion with the borrower, EA, and implementing agency during the mission. To minimize potential disagreement on project implementation arrangements, the PAM is attached as an appendix to the inception mission's memorandum of understanding, and signed by the borrower or EA, and the mission. The draft is finalized with the approval of the director concerned after the mission's return. If an inception mission is not fielded (for example, for repeat or follow-up loans with the same EA), the PAM will be finalized immediately after loan effectiveness by having prior discussions with the borrower and EA by mail or electronic communication.

5. To maintain its usefulness, the PAM should be an active document, progressively updated and revised as and when necessary, particularly during midterm review and following any changes in project costs, scope, or implementation arrangements. Such a change should be added to the PAM as an addendum, rather than replacing the earlier portion. This will help in reconciling historical records and preparing the future project completion report.

C. Preparing the PAM

6. The appraisal mission leader prepares the PAM with the assistance of other mission members. In general, a separate mission is not required, and information is gathered during project formulation. The PAM format is outlined in Appendix 1.

7. The PAM should be brief yet informative, providing a checklist of all activities related to project implementation along with the necessary procedures for the borrower, EAs, and implementing agencies to effectively implement and monitor the project.

D. Intended Use of the PAM

8. When the PAM is finalized, the director, sector division ensures that the original is kept in the sector division and a copy is given to the borrower, EAs, implementing agencies, external auditor of the borrower, and the regional or resident mission concerned for monitoring implementation and compliance with the agreed implementation arrangements and covenants. The PAM is also given to the concerned government agencies for monitoring external assistance programs. This will assist any government intervention in project implementation issues.

9. The PAM is particularly useful for local governments and implementation agencies in non-English-speaking developing member countries. As their access to and understanding of the report and recommendation of the President (RRP) and loan agreements may be limited, the PAM is their main source of information for project administration. When necessary, the EA may translate relevant portions of the PAM into the local language to make it more accessible and more easily referenced. When translation is deemed necessary, and considering that many EAs lack adequate financial resources for translation, the appraisal mission should provide practical arrangements for translation during project appraisal.

PROJECT ADMINISTRATION MEMORANDUM

CURRENCY EQUIVALENTS, ABBREVIATIONS, NOTES [place on the inside front cover]

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LOAN PROCESSING HISTORY [Page ii]

Date(s)

- a. Approval of project or program preparatory technical assistance, if any
- b. Feasibility study
- c. Fact-finding
- d. Management review meeting (MRM)
- e. Appraisal mission
- f. Staff review committee (SRC)
- g. Loan negotiations
- h. Board circulation
- i. Board consideration and approval
- j. Loan agreement signing
- k. Cofinancing arrangement finalized and agreements signed, if any
- l. Loan effectiveness, including conditions (include available dates)

DESIGN AND MONITORING FRAMEWORK OF THE PROJECT (or PROGRAM)

I. PROJECT DESCRIPTION

A. Project Area and Location

B. Impact and Outcome

Be brief and concise.

C. Outputs

Describe each output including any technical assistance. Outline major activities for each output and identify implementation responsibilities.

D. Design Criteria (if necessary)

E. Special Features

Briefly describe environmental, poverty reduction, and gender aspects, and any other crosscutting issues given special attention under the project. Include the role of any beneficiaries and nongovernment organizations in project implementation.

II. COST ESTIMATES AND FINANCING PLAN

A. Detailed Cost Estimates

Summarize cost estimates in the text, and if available, include a detailed spreadsheet attached as an appendix. Use a tabular presentation, indicating local currency and foreign exchange breakdown; and ADB, government, or cofinancing for each component. The appropriate matrix for tabular presentation will depend on the type of project, and number of EAs involved, etc.

B. Financing Plan

Summarize the financing plan in the text, and if available, include a detailed spreadsheet attached as an appendix. Identify, by component, the percentage of costs to be borne by the borrower or EA, ADB, and any cofinanciers. Indicate annual counterpart fund requirements, and projected annual expenditures and disbursements.

C. Allocation of Loan Proceeds

Identify allocations by component with related percentages of ADB financing by using a tabular presentation and referring to the loan agreement. This is often included in A or B of this chapter.

III. IMPLEMENTATION ARRANGEMENTS

A. Executing and Implementing Agencies

Identify specific responsibilities of multiple EAs and implementing agencies for outputs and technical assistance.

B. Project Management Organization

Describe the structures and processes envisaged, including coordination mechanisms at various levels. List the staffing requirements of the project management organization, EAs, and implementing agencies, and the time frame for their recruitment and appointment.

IV. IMPLEMENTATION SCHEDULE

Summarize the schedule in the text with a detailed Gantt (bar) chart attached as an appendix. Prepare a detailed schedule Gantt chart, showing all project activities—including preimplementation activities such as consultant recruitment, establishment of the project management unit or project implementation unit, advance procurement activities, prequalification of contractors, and bidding procedures—along with standard preparation, evaluation, review, and approval processes.

V. COST ESTIMATES AND FINANCING PLAN DURING IMPLEMENTATION

Describe all financial information, including allocation tables and progressive changes during implementation, referring to the *Guidelines for the Financial Governance and Management of Investment Projects financed by Asian Development Bank*, if necessary.

VI. CONSULTANT RECRUITMENT

Describe the consultant positions to be recruited and the terms of reference, making reference to the implementation schedule, which should show each step of the recruitment process and its timing, for example, terms of reference, shortlist, evaluation criteria, draft contract, ADB approval and concurrence, invitation letter, proposed submission, evaluation, negotiation, and mobilization. This may not be applicable to program-related loans.

VII. PROCUREMENT

Describe the mode of procurement, contract packages, estimated contract costs, bidding procedures, bidding period, and any special arrangements like advance action and retroactive financing. Provide updated details, to the extent known at the time of PAM preparation. Indicative information is sufficient for sector loans.

VIII. DISBURSEMENT PROCEDURES

Describe the disbursement procedures to be used under the project, i.e., direct payment, reimbursement, imprest account, and commitment procedures. Indicate if the statement of expenditures procedure will be utilized, together with the limit. Indicate the ceiling of any imprest account identified in the loan agreement.

IX. PROJECT MONITORING AND EVALUATION

Identify the key parameters to be monitored and reviewed by ADB and the borrower, the frequency of and the responsibility for monitoring for each indicator, and the sources of financing for the monitoring and evaluation activity. Key performance targets and indicators should be taken from the design and monitoring framework description of the project, where relevant. Define the schedule and general requirements of any midterm review.

Project risk management plans, prepared in accordance with ADB's Second Governance and Anticorruption Action Plan (GACAP II) and Guidelines for Implementing GACAP II, should be included as an appendix to the PAM, and monitored during project review missions. The risk management plan appendix will include guidelines on the requirements for implementation of the risk management plans.

X. REPORTING REQUIREMENTS

Consider the design and monitoring framework when outlining the report format. Use a graphical presentation, where appropriate. State achievements during the period, and list problems with time-bound actions by whom and when. Design progress reports so that ADB staff can readily capture key information for inputting into the attached project performance report, which will be prepared and listed in the ADB Lotus Notes by the appraisal mission leader within one month after loan approval. The suggested format and content of EA progress reports is provided in Appendix 1, PAI 5.01.

XI. AUDITING REQUIREMENTS

Specify the financial reporting and auditing requirements in the attached audit letter, to be issued to the borrower and copied to the EAs and their appointed auditor.¹ Outline the time frame for submitting audit reports and ADB action plans to improve compliance with PAI 5.09.

¹ Appendix 1 of PAI 5.09 provides a sample audit letter.

XII. MAJOR LOAN COVENANTS

List the major and project specific covenants and action plans, in tabular form, with deadlines according to the loan documents. Identify agencies from which compliance is required and the timing of actions to be taken.

XIII. IMPLEMENTATION OF THE ACCOMPANYING TA (if applicable)

Describe briefly the scope of work, consultant and government inputs (by discipline and person-months), implementation arrangements, and schedule.

XIV. KEY PERSONS INVOLVED IN THE PROJECT

List the names, positions, and addresses, including e-mail, telephone, and facsimile numbers, of the key personnel of the borrowers, EA, implementing agency, cofinanciers, and ADB. Update this listing promptly when changes occur.

XV. ANTICORRUPTION

The institutional arrangements and reporting mechanisms referred to in the PAM are put in place to enable monitoring and accounting of the use of ADB resources. Include a reference to ADB's Anticorruption Policy, noting that anyone coming across evidence of corruption associated with the project must contact ADB's Office of the General Auditor, which will investigate such allegations.

APPENDIXES

The following core appendices are to be attached:

1. Project Organization Chart
2. Detailed Cost Estimates, Financing Plan, and Allocation
3. Implementation Schedule (Gantt or Bar Chart)
4. Implementation Schedule by Years (graph for appraisal estimate versus actual)
5. Contract Awards Projections by Years (graph for appraisal estimate versus actual)
6. Disbursement Projections by Years (graph for appraisal estimate versus actual)
7. Terms of Reference for Consulting Services
8. Procurement Plans
9. Disbursement Modalities (statement of expenditure, imprest fund)
10. Risk Management Plan
11. Project Performance Report
12. Reporting Requirements
13. Sample Progress Report
14. Sample Audit Letter
15. Copy of ADB's Anticorruption Policy