

Project Administration Instructions

PAI 5.08
Revised December 2001
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LOCAL COST FINANCING BY BORROWERS

A. Introduction

1. During processing, project expenditure is estimated in terms of foreign exchange and local currency, and reflected in the report and recommendation of the President (RRP). Normally the borrower finances local currency expenditures. Expenditure financed by the borrower is referred to as counterpart funds. The borrower's obligation to provide counterpart funds is contained in the loan agreement whereby the borrower undertakes promptly to make available funds and other resources, in addition to ADB loan proceeds, required for the project. Counterpart funding is the borrower's share of the financing plan in the RRP (PAI 5.05 deals with changes to the agreed financing plan).

B. Follow Up by ADB

2. Delays by the borrower in releasing counterpart funds impact adversely on implementation, invariably cause hardship to contractors or suppliers, delay the project, and increase project costs.

3. The cycle, procedures, regulations, and mechanism for budgetary allocation and release of public funds by the borrower, and their relationship to the project cycle and implementation schedule, are examined closely during project processing and implementation.

4. Arrangements for providing and releasing counterpart funds are monitored to ensure they are adequate and released on time. The annual budgetary provision for the project is reflected in the project performance report and serves as one of the criteria for rating project implementation progress and identifying potential problem projects. In the absence of data, such inadequacy of counterpart funds will result in a "partly satisfactory" rating (PAI 5.10, Appendix 1). Regional departments are responsible for following up on this with the borrower and executing agency.