

## OPERATIONS MANUAL POLICIES AND PROCEDURES

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These policies and procedures were prepared for use by ADB staff and are not necessarily a complete treatment of the subject. This *Operations Manual* was prepared and issued by the Strategy, Policy, and Partnerships Department (SPD) with the approval of the President. Questions may be directed to the director of the Strategy, Policy, and Business Process Division of SPD.

### SOVEREIGN AND SOVEREIGN-GUARANTEED FINANCING<sup>1</sup>

#### A. Scope

1. The Agreement Establishing the Asian Development Bank (the Charter) provides that operations of the Asian Development Bank (ADB) will principally finance specific projects, including those forming part of a national, subregional, or regional development program. ADB may provide or facilitate financing to any member; any agency, instrument, or political subdivision thereof; any entity or enterprise operating in the territory of a member; and international or regional agencies or entities concerned with economic development of Asia and the Pacific. In selecting suitable projects, ADB prioritizes regional, subregional, and national projects and programs that will contribute most effectively to the harmonious economic growth of the region, giving special regard to the needs of smaller or less-developed member countries (endnote i). ADB's Strategy 2030 sets guiding principles for ADB's operations and key operational priorities (endnote ii), which is discussed in further detail in the country partnership strategies.<sup>2</sup>

#### B. Procedures

2. Before a loan<sup>3</sup> is granted, the Charter requires the loan applicant to submit an adequate loan proposal and the President to present to the Board of Directors a written report regarding the proposal, together with his recommendation, on the basis of a staff study (endnote iii). The President's recommendation and the staff study are integrated into a single report and recommendation of the President (RRP) (endnote iv). Specific Board-approved policies and procedures, such as those on anticorruption, combating money laundering and the financing of terrorism, cost sharing, expenditures eligibility, gender, governance, poverty reduction, procurement, use of consultants, and safeguards, as well as due attention to considerations of economy and efficiency as required by the Charter (endnote iii), guide the scope of such staff studies through the respective *Operations Manual* sections. The RRP is posted on ADB's website following the *Operations Manual* section on the access to information policy (OM L3).<sup>4</sup>

3. The Board makes decisions concerning loans and guarantees following the Charter (endnote v). These may be considered by the Board through the no-objection procedure following the *Operations Manual* section on the no-objection procedure (OM L4).<sup>5</sup>

4. After Board approval, any proposal for a change in project scope or project implementation arrangements, which requires Board consideration, follows OM L4.

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<sup>1</sup> Sovereign financing refers to any financial assistance to a developing member country (DMC) or other financing arrangement that is guaranteed by a DMC under terms that allow ADB, upon default by the guarantor, to accelerate, suspend, or cancel any other loan or guarantee between ADB and the related DMC.

<sup>2</sup> ADB. 2023. Country Partnership Strategy. *Operations Manual*. OM A2. Manila.

<sup>3</sup> The terms "lending" and "loan(s)" include Asian Development Fund grants(s).

<sup>4</sup> ADB. 2023. Access to Information Policy. *Operations Manual*. OM L3. Manila.

<sup>5</sup> ADB. 2023. No-Objection Procedure. *Operations Manual*. OM L4. Manila.

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**Bases**

- i ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila (Articles 2, 11, and 14).
- ii ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila (R69-18).
- iii ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila (Article 14).
- iv ADB. 1992. *Streamlining Board Documents on Project Loan and Technical Assistance*. Manila (R212-92).
- v ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila (Article 31).