

## 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* is issued by the Strategy, Policy and Review Department with the approval of the President. Questions may be directed to the Director, Strategy, Policy and Business Process Division, Strategy, Policy and Review Department.

### SOVEREIGN OPERATIONS<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, or any agency, instrument, or political subdivision thereof, or any entity or enterprise operating in the territory of a member, as well as to international or regional agencies or entities concerned with economic development of the region. 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, and gives special regard to the needs of the smaller or less-developed member countries in the region. (endnote i). ADB's Midterm Review of Strategy 2020 provides the strategic priorities (endnote ii), which is discussed in further detail in the respective 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 recommendations, 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, combatting 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 respective *Operations Manual* sections. The RRP is posted on ADB's website in accordance with *Operations Manual* section L3 (Public Communications).<sup>4</sup>

3. The Board makes decisions concerning loans, and guarantees in accordance with the Charter (endnote v). These may be considered by the Board through the no-objection procedure in accordance with *Operations Manual* section L4 (No-Objection Procedure).<sup>5</sup>

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<sup>1</sup> Sovereign operations refer 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> OM section A2 (Country Partnership Strategy).

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

<sup>4</sup> OM section L3 (Public Communications).

<sup>5</sup> OM section L4 (No-Objection Procedure).

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4. After Board approval, any proposal for a change in project scope or project implementation arrangements, which requires Board consideration, follows *Operations Manual* section L4 (No-objection procedure).

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**Basis**

- i ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila (Articles 2, 11, and 14).
- ii ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila (R33-14).
- iii ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila (Article 14).
- iv ADB. 1992. *Streamlining Board Document on Project Loan and Technical Assistance*. Manila (R212-92).
- v ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila (Article 31).