

OPERATIONS MANUAL POLICIES AND PROCEDURES

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

TECHNICAL ASSISTANCE

A. Scope

1. Under the Agreement Establishing the Asian Development Bank (the Charter), the Asian Development Bank (ADB) provides technical assistance (TA) for preparing, financing, and executing development projects and programs, including formulating specific project proposals. It may also provide TA to members for coordinating their development policies and plans to achieve better use of their resources, make their economies more complementary, and promote the orderly expansion of their foreign trade, particularly intra-regional trade. The Charter stipulates that ADB shall not finance any undertaking in the territory of a member if that member objects to such financing (endnote i).

2. TA facilitates the channeling of ADB's financial assistance to developing member countries (DMCs).¹ TA also improves the capacity of DMCs to absorb external assistance and further their economic development by (endnotes ii, iii, and iv)

- (i) preparing projects to induce investment financing by other development agencies, apart from preparing projects that ADB itself might finance;
- (ii) improving the technical, managerial, and administrative capabilities of entities within DMCs that may not be directly linked to ADB-financed projects;
- (iii) paying increased attention to sector- and problem-oriented studies that may or may not relate to specific projects and could benefit one or more DMCs;
- (iv) promoting technical cooperation among DMCs through TA operations; and
- (v) recognizing the situation of the least developed countries where constraints on project development and implementation capacity may be of a pronounced nature and giving special attention to their needs.

3. TA may be prepared as a TA cluster (package of TA subprojects) to address related constraints in a sector and/or subsector in a DMC through a comprehensive and holistic approach with a longer-term perspective and partnership between ADB and the DMC concerned.² TA may also adopt pilot testing of a project approach (normally not exceeding 30% of ADB financing of an individual TA) (endnote iii).

4. Small-scale TA may be provided when substantial logistical support or undertaking from the recipient DMC is not required.³ As such, small-scale TA does not require a TA agreement (endnote v). The ceiling for small-scale TA is \$225,000 (endnote vi).

¹ This includes any agency, instrumentality, or political subdivision of the DMC; any entity or enterprise operating in the territory of such member; and any international, regional, or subregional agency or entity concerned with development in the region served by ADB (endnote iv).

² TA clusters may be for project preparation, advisory, and general institution building. TA clusters may also be regional in nature to address the same set of issues in more than one country (endnote x).

³ Small-scale TA may cover all types of TA, such as project preparatory, advisory, and general institution building (endnote viii).

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B. Financing Technical Assistance

5. Project preparation assistance financed from the Technical Assistance Special Fund is generally provided on a grant basis and not subject to cost recovery (endnote vii). For private sector operations, such assistance is provided initially on a grant basis with a provision for full cost recovery if it results in a loan from ADB or other sources (endnote viii).

6. Project implementation support for the express and exclusive purpose of facilitating the operation and management of a project financed by an ADB loan⁴ will normally be financed as part of that loan (endnote ii). Project preparation assistance (para. 5) may support the implementation of build–own–operate and build–operate–transfer projects through advice on project financing and legal structuring; and assistance for packaging projects for bidding, evaluating bids, and negotiating deals with project sponsors (endnote iii).

7. Support for detailed engineering design is financed by a loan,⁵ and such loan may be separate from the construction loan for the corresponding project (footnote 4). This limitation does not apply to regional TA for detailed engineering of subregional projects, which is provided as a grant initially and subject to appropriate arrangements for reimbursement (endnotes ii and iii).

8. Other TA, including advisory or general institution building, may be provided on a grant basis if (endnote ii)

- (i) ADB is likely to have continuing contacts with the entity,
- (ii) no other source of financing is likely,
- (iii) the entity is relatively new and financially weak, and/or
- (iv) the activities are of high national importance and priority for development purposes.

9. Notwithstanding paras. 5 and 8,

- (i) following the regulations of the respective funding sources, ADB may arrange, in agreement with the recipient of such financing, that all or part of such financing will be reimbursed by the recipient if a loan will subsequently be made for the concerned project by ADB or any other external source (endnote iv); and
- (ii) ADB may provide TA on a reimbursable basis to graduated DMCs, should they so desire, for reviews of sector plans and policies, institution building, and staff training (endnote ix).

10. Cost sharing under TA is described in the *Operations Manual* section on Cost Sharing and Eligibility of Expenditures for ADB Financing (OM H3).

C. Procedures

11. The Board takes decisions concerning TA in accordance with the Charter through a no-objection procedure (endnotes i and iii). Subject to the criteria in the *Operations Manual* section

⁴ The term "loan(s)" includes Asian Development Fund grant(s).

⁵ This limitation applies only to TA financed by Special Funds (e.g., the Technical Assistance Special Fund) and does not apply to sources other than ADB.

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on the No-Objection Procedure (OM L4), the President is authorized to approve TA up to \$5 million and may further delegate approval authority to vice-presidents and heads of departments and offices (endnote x). The director general of the Independent Evaluation Department is authorized to approve TA up to \$750,000 (endnote vi). The Board approves TA that has an exception to or deviates from an ADB policy or involves an unusual obligation under a cofinancing agreement (endnote x).

12. A TA cluster is approved by the President if the amount does not exceed the ceiling of the President's TA approval authority, or the Board if the amount is above that ceiling. The head of the concerned department determines the timing and implementation arrangements of the subprojects of a TA cluster based on the scope and indicative budget in the TA report, with appropriate adjustment (if required) within the total funds and overall implementation time frame of the cluster (endnote iii).

13. The TA report and the consultants' final reports prepared under the TA will be disclosed following the *Operations Manual* section on the Access to Information Policy (OM L3).

14. The President approves and may assign to the vice-presidents the approval of a major change in TA scope.⁶ Such change is reported to the Board (endnote vii).

BASIS

- i ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila (Articles 2[iii], 2[iv], 21[vi], and 31[ii]).
- ii ADB. 1977. *Technical Assistance Operations*. Manila (R51-77).
- iii ADB. 1997. *Review of the Bank's Technical Assistance Operations* (R119-97). Manila.
- iv ADB. 1981. *Regulations of the Technical Assistance Special Fund*. Manila (R80-81).
- v ADB. 1980. *Streamlining of Loan and Technical Assistance Processing Work of the Bank*. Manila (R48-80).
- vi ADB. 2008. *Increasing the Impact of the Asian Development Bank's Technical Assistance Program*. Manila (R87-08).
- vii ADB. 2002. *Review of Management and Effectiveness of Technical Assistance Operations*. Manila (R225-02).
- viii ADB. 1986. *Technical Assistance Operations and Funding Arrangements*. Manila (R42-86).
- ix ADB. 1998. *A Graduation Policy for the Bank's DMCs*. Manila (R204-98).
- x ADB. 2015. *Enhancing Operational Efficiency of the Asian Development Bank*. Manila (R167-15).

⁶ A major change in scope that involves an increase in the TA budget is considered in conjunction with para. 11.