

OPERATIONS MANUAL POLICIES AND PROCEDURES

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.

TECHNICAL ASSISTANCE

A. Scope

1. Under the *Agreement Establishing the Asian Development Bank* (the Charter), ADB provides technical assistance (TA) for the preparation, financing, and execution of development projects and programs, including the formulation of specific project proposals. It may also provide TA to assist members in the coordination of their development policies and plans with a view to achieving better use of their resources, making their economies more complementary, and promoting the orderly expansion of their foreign trade, in particular, 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 the 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, or to any entity or enterprise operating in the territory of such member, as well as to any international, regional, 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 provided on a grant basis and not subject to cost recovery (endnote vii), except that such assistance for private sector operations 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, however, 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) in accordance with 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 training of staff (endnote ix).

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

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 set out in *Operations Manual*

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

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

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section L4 (No-Objection Procedure), the President approves TA up to \$5 million (endnote x), the Director General of the Independent Evaluation Department is authorized to approve TA up to \$750,000 (endnote vi), and heads of departments are authorized to approve small-scale TA (para. 4). The President may further delegate approval authority to vice-presidents and heads of departments and offices (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. Timing and implementation arrangements of subprojects of a TA cluster is determined by the head of the department concerned based on the scope and indicative budget provided 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 as well as consultants' final reports prepared under the TA will be disclosed in accordance with *Operations Manual* section L3 (Public Communications).

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 increase in the TA budget is considered in conjunction with para. 11.