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.

PROJECT READINESS FINANCING

A. Scope

1. The technical assistance loan has been refined by incorporating streamlined features of
the project design facility and renamed project readiness financing.

2. Project readiness financing, in the form of a loan,\(^1\) finances project preparation and design
activities for investments that are expected to be financed under one or more ensuing Asian
Development Bank (ADB)-financed projects. Eligible expenditures include
   (i) consulting services for project preparation, such as detailed engineering design,
       feasibility study, and capacity building for future projects, and limited project start-
       up activities; and
   (ii) pilot testing of project designs, including the cost of equipment and works.

3. ADB may also consider project readiness financing for preparing a series of projects. The
   specific projects in such a series may be finalized after loan approval and do not need to be
   confined to a particular sector.

4. The following are not within the scope of project readiness financing and are processed
   as project loans in accordance with the Operations Manual section on Sovereign and Sovereign-
   Guaranteed Financing (OM D11): (i) stand-alone capacity building activities unrelated to the
   preparation of one or more ensuing ADB-financed projects; and (ii) project preparation for one or
   more ensuing projects that are not expected to be financed by ADB.

B. Financing Terms

5. Project readiness financing may be financed by regular ordinary capital resources (OCR),
   concessional ordinary capital resources (COL), Asian Development Fund (ADF) grants, or
   cofinancing sources. The financing terms for project readiness financing are standardized as
   follows:
      (i) a 15-year amortization period, including a 3-year grace period for regular OCR
          loans, with no commitment charge;
      (ii) standard COL terms for COL loans; and
      (iii) standard ADF grant terms for ADF grants.

6. A project readiness loan may be refinanced by (i) an ensuing ADB loan to the same
   borrower; or (ii) surplus loan proceeds from an ongoing ADB loan, to the same borrower, in lieu
   of loan cancellation. A project readiness loan may not be refinanced under an ensuing or ongoing
   project that is financed by an ADF grant.

---
\(^1\) The term “loan” also includes Asian Development Fund grants and ADB-administered grant cofinancing.
C. Approval Authority and Board Reporting

7. Approval authority is differentiated by the total project readiness financing amount. The Board approves project readiness financing proposals with a value exceeding $15 million. If eligible, the no-objection procedure may be used for the proposal following the Operations Manual section on the No-Objection Procedure (OM L4). The President is authorized to approve small-scale project readiness financing proposals with a value not exceeding $15 million, under a total annual commitment not exceeding $100 million. The President has further delegated such approval authority to the relevant vice-presidents.

8. Management will inform the Board of approval of each small-scale project readiness financing proposal by circulating an information paper that summarizes such small-scale project readiness financing proposal. Management will also provide the Board with an annual summary of the approved small-scale project readiness financing proposals, which may be consolidated with other operational statistics for reporting purposes.

D. Procedure

9. A change in a project readiness loan is considered major if the proposed change fundamentally alters the overall objective of such financing, otherwise the change is considered minor. Major changes to a project readiness loan are submitted to the Board for approval, generally on a no-objection basis, and minor changes to a project readiness loan are approved by the director general of the relevant regional department. Major changes to a small-scale project readiness loan are approved by the relevant vice-president, and minor changes to a small-scale project readiness loan are approved by the director of the relevant division.

10. Board approval is required to increase the project readiness loan amount following the Operations Manual section on Additional Financing (OM H5). However, as an exception to processing additional financing to increase the amount of a project readiness loan, one or more small-scale project readiness loans may be provided for the same project up to a maximum cumulative amount of $15 million.

Bases