

OPERATIONS MANUAL POLICIES AND PROCEDURES

These policies 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 Partnerships Department with the approval of the President and is subject to compliance review. Questions may be directed to Director, Strategy, Policy and Business Process Division, Strategy, Policy and Partnerships Department.

EMERGENCY ASSISTANCE LOAN

A. Scope

1. The emergency assistance loan policy emphasizes the rapid approval of loans¹ to help rebuild high-priority physical assets and restore economic, social, and governance activities after emergencies. It is an instrument for emergency support approved in the aftermath of disasters triggered by natural hazards, health emergencies, food insecurity, technological and industrial accidents, and post-conflict situations. Along with the revised Disaster and Emergency Assistance Policy (DEAP), it aims to support the efforts of developing member countries (DMCs) to build back better and thereby enhance resilience to future emergencies.

2. The focus of the emergency assistance loan (EAL) is on immediate short-term requirements that can be completed within a maximum implementation period (para. 17). This includes early recovery activities, such as rehabilitating critical infrastructure and meeting basic needs, as identified by a post-disaster needs assessment (PDNA), and reconstruction activities that may be needed to build back better. The EALs may involve policy dialogue, particularly in post-conflict situations.

3. The Asian Development Bank (ADB) may also be requested to support longer-term reconstruction activities that may not necessarily be completed within the fixed maximum implementation period. In such cases, additional financing of the EAL will be used following due diligence (para. 18).

B. Eligibility

4. The five conditions for a DMC's eligibility to receive an EAL are:

- (i) the government has made an official request for assistance;²
- (ii) the potential impact on the economic, social, and governance needs and priorities have been identified in a PDNA, as appropriate;³
- (iii) the event involves significant economic dislocation; and the EAL is intended to address immediate needs, expedite the preparation of a regular project, or both;⁴
- (iv) the security of ADB staff undertaking operations in conflict-affected areas is guided by United Nations security norms and clearances, including the establishment of formal arrangements between ADB and concerned United Nations agencies

¹ In this *Operations Manual*, the term "loan" also refers to grants and ADB-administered cofinancing.

² The request may also be made by an internationally legitimate governing authority where a DMC is in a transitional situation and does not have a permanent government.

³ ADB does not necessarily have to be involved in the PDNA. The focus of such an assessment should be commensurate with the type of hazard experienced.

⁴ In the case of chronic natural hazards (e.g., flooding or drought), normal reconstruction and development investments should be used if possible.

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- regarding such matters as sharing security-related information, monitoring staff movements, and providing emergency evacuation, when necessary; and ensuring that the security risks to ADB staff are at an acceptable level for engagement; and
- (v) the level of burden and risk sharing among partners, especially shareholders and other key local and international actors, is appropriate.⁵

C. Financing Terms and Conditions

5. The terms and conditions for an EAL are:
- (i) **Concessional ordinary capital resources.** Interest rate of 1% per year throughout the term of the loan and a maturity of 40 years, including a grace period of 10 years, with repayment of the principal at 2% per year for the first 10 years after the grace period and 4% per year thereafter.⁶
- (ii) **Regular ordinary capital resources.** The same loan terms (including commitment charges, maturity premiums, interest rates, and effective contractual spread) as are applicable to regular investment projects,⁷ provided that a grace period of up to 8 years and a maturity of up to 32 years may, at the request of the DMC, be applied (subject to the payment of applicable maturity premiums).
6. Under an EAL, ADB financing may exceed the country's cost-sharing limit because of the exceptional circumstances.⁸
7. **Resources.** To mobilize resources for emergency assistance, regional departments may review their ongoing portfolio to identify any surplus loan proceeds from projects and discuss possible cancellations and their use for emergency needs. Further, additional financing for an ongoing nonemergency project can be provided in the form of an EAL.
8. **Loan amount and duration.** A clear relationship between the cost and the proposed EAL amount should be established, along with the specified implementation period (para. 17).

D. Processing and Implementing Emergency Assistance Loans

9. **Procedural flexibilities.** Various flexibilities are provided under EALs to help deliver rapid assistance in supporting early recovery and reconstruction. Financial and economic internal rates of return are used flexibly, with the emphasis on least life-cycle cost solutions not prejudicial to quality assurance in early recovery and reconstruction work. Because post-disaster response activities are generally nonrevenue generating, ADB does not insist on cost recovery practices.

⁵ Eligibility conditions (i), (iv), and (v) are criteria for ADB involvement in emergency assistance, as defined in the DEAP. Conditions (ii) and (iii) are specific to the EAL.

⁶ For EALs financed by concessional ordinary capital resources, the same financing terms apply to group A and B DMCs.

⁷ ADB. 2022. [Lending Policies for Sovereign and Sovereign-Guaranteed Borrowers \(Regular Ordinary Capital Resources\)](#). *Operations Manual*. OM D1. Manila; and ADB. 2022. [Lending and Grant Policies \(Concessional Assistance\)](#). *Operations Manual*. OM D2. Manila.

⁸ ADB. 2002. *Review of Cost-Sharing Limits for Project Financing as an Element of ADB's 1998 Graduation Policy*. Manila.

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10. Standard ADB procedures—including on procurement, financial management, and disbursement—apply to the EALs. These will be liberally interpreted where possible to ensure that EALs contribute to speedy and effective early recovery and reconstruction during emergency assistance, while maintaining the integrity, quality, effectiveness, and sustainability of ADB projects.

11. The ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time) allow flexibility in the design and implementation of a project's procurement arrangements to expedite the procurement process in emergency situations.

12. For EALs, the completion of environmental assessments, environmental management plans, resettlement plans, and indigenous peoples plans may not be possible before approval by ADB's Board of Directors. In such cases, an environmental assessment and review framework, a resettlement framework, and an indigenous peoples planning framework will be prepared, following ADB's Safeguard Policy Statement (2009). After Board approval, the standard environmental and social impact assessment and mitigation documents will be prepared based on the time frame stipulated in the safeguard frameworks.

13. **Retroactive financing and advance disbursement.** ADB may allow retroactive financing of expenditures of no more than 30% of loan proceeds of the EAL, unless the Board approves a higher ceiling in exceptional cases. Expenditures must have been incurred after the emergency occurred and not earlier than 12 months before the date of the loan agreement. Where existing loans are reallocated, expenditures will have to be incurred between the occurrence of the emergency and the effective date of the reallocation to be eligible for ADB financing. Following the standard disbursement practice for regular investment projects in the *Loan Disbursement Handbook* (2017, as amended from time to time), ADB may also allow advance disbursement using advance fund procedures.

14. **Climate change and gender.** In line with the DEAP, ADB will support the synchronization of plans and approaches strengthen disaster and climate resilience, as well as integrated actions to strengthen climate and disaster resilience.⁹ ADB will also address the gender dimensions of risk management, including the heightened vulnerability of women and girls but also the contribution of women as leaders in building resilience and responding to disasters and emergencies.¹⁰

15. **Fast-track preparation and processing.** Responding to emergencies requires a rapid response and streamlined procedures to ensure timely delivery of assistance. EAL processing should be expedited and be commensurate with the emergency nature of the assistance. The PDNA will be followed by the preparation of a report and recommendation of the President (RRP). ADB's fast-track process via the One ADB approach will be applied in processing EALs, helping ensure that ADB acts rapidly and effectively to deliver high-quality projects and strong results.

⁹ DEAP, para 63.

¹⁰ DEAP, para 64.

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16. **Approval.** A special abbreviated Board consideration period of 1 week after circulation of the RRP will apply.

17. **Emergency assistance loan implementation.** Project implementation readiness will be assessed as part of the initial fact-finding mission. Appropriate actions for improving readiness may include (i) establishing project implementation bodies; (ii) developing a project communications strategy; (iii) supporting the implementation of agreed procurement action plans, safeguard frameworks, and financial management systems; (iv) specifying monitoring and evaluation indicators; and (v) providing for the timely release of funds to ensure accelerated implementation. The EAL maximum implementation periods will be limited to 4 years from the approval of the loan or 5 years from loan approval for EALs supporting post-conflict emergencies. Extensions beyond the maximum period will generally not be considered. RRP for EALs with an implementation period beyond 2 years for disasters triggered by natural hazards or beyond 3 years for post-conflict emergencies will include justification for the longer implementation period. The project completion report will include an assessment of the adequacy of the implementation period and the results of build-back-better measures.

18. **Additional financing of emergency assistance loans.** Additional financing to an EAL within the applicable maximum implementation period will follow ADB's EAL financing terms and conditions, while additional financing of an EAL beyond the applicable maximum implementation period will follow ADB's regular financing terms and conditions.¹¹ Consistent with the additional financing policy, due diligence will involve technical, economic, procurement, financial, safeguard, capacity, social, and poverty aspects for the added and/or changed components.¹² The applicable integrity due diligence requirements should likewise be complied with.

19. **Supervision and monitoring.** An EAL will require more resources to prepare, appraise, and supervise than ordinary loans because of the need for a speedy and transparent response. The supervision and monitoring of EALs must be enhanced to accommodate conditions of urgency and flexibility to ensure project effectiveness. This will require paying special attention to expedited procurement arrangements, flexible financial management and disbursement arrangements, and the implementation of the Safeguard Policy Statement.

20. **Performance evaluation and audit.** Standard ADB financial reporting and auditing requirements for investment projects should be applied to EALs, but a special independent audit focusing on governance, financial accountability, and transparency should, if requested by ADB, be carried out soon after the completion of EALs.

¹¹ If additional financing of an ongoing EAL is proposed to support activities that fall entirely within the applicable maximum implementation period, the financing terms will be those applicable to an EAL. However, if additional financing is proposed to support any part of the activities that will be implemented after the maximum implementation period, regular ADB financing terms and conditions will apply, unless otherwise approved by the Board.

¹² Additional financing for scaling up or expanding the scope of an ongoing project can only be provided to a project that is performing well.

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Basis:

- (i) ADB. 2021. *Revised Emergency Assistance Loan Policy*. Manila.
- (ii) ADB. 2021. *Revised Disaster and Emergency Assistance Policy*. Manila.
- (iii) ADB. 2010. *Additional Financing: Enhancing Development Effectiveness*. Manila; ADB. 2015. *Enhancing Operational Efficiency of the Asian Development Bank*. Manila; and ADB. 2018. *Proposal for ADB's New Products and Modalities*. Manila.
- (iv) Anticorruption Policy (1998, as amended to date).
- (v) ADB Procurement Policy (2017, as amended from time to time); and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).
- (vi) Safeguard Policy Statement (2009).