These policies and procedures were prepared for use by ADB staff and are not necessarily a complete treatment of the subject. Questions may be directed to the Head, Operations Management Unit, Operations Services and Financial Management Department.

**RETROACTIVE FINANCING**

**A. Scope**

1. Asian Development Bank (ADB) financing of any expenditure incurred by the borrower prior to the effective date of the related loan agreement is referred to as retroactive financing and is only permitted within the limits specified in the loan agreement (endnote i). The retroactive financing amount is up to 20% of the total ADB loan amount (endnote ii). For an immediate emergency response in case of a disaster, the limit is no more than 30% of the total ADB loan for the expenditures incurred after the disaster occurred (endnote iii).

2. In cases where the initial steps of procurement are undertaken before signing the related loan agreement, for the eventual contracts to be eligible for ADB financing, the requirements for advance contracting must be met (endnotes v and vi).

**B. Procedures**

3. Advance contracting and retroactive financing are allowed by default for all financing and TA proposals involving the procurement and/or recruitment of consultants whereby relevant departments or offices ensure compliance with the requirements applicable to advance contracting and retroactive financing (endnote i).

**Basis**


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1 The terms “lending” and “loan(s)” include Asian Development Fund grants(s).

2 Retroactive financing is also applicable to technical assistance operations (endnote iv).

3 Management's approval for retroactive financing is no longer required (endnote i).