

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* was prepared by the Procurement, Portfolio, and Financial Management Department (PPFD) and 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 the director, Public Financial Management Division of PPFD.

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 loan¹ 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

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, vi, and vii, as applicable).

B. Procedures

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

Bases

- i. ADB. 2015. *Enhancing Operational Efficiency of the Asian Development Bank*. Manila (R167-15).
- ii. ADB. 2005. *Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach*. Manila (R193-05).
- iii. ADB. 2021. *Revised Emergency Assistance Loan Policy*. Manila.
- iv. ADB. 1991. *Streamlining of Loan Administration Procedures and Reporting Requirements*. Manila (R34-91).
- v. ADB. 2017. *ADB Procurement Policy*. Manila.
- vi. ADB. 2017. *Procurement Regulations for ADB Borrowers*. Manila.
- vii. For projects with concept notes approved prior to 1 July 2017: ADB. 2015. *Procurement Guidelines*. Manila; and ADB. 2013. *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers*. Manila.

¹ The terms "lending" and "loan(s)" include Asian Development Fund grant(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).