

## OPERATIONS MANUAL POLICIES AND PROCEDURES

This *Operations Manual* was prepared for use by ADB staff and is not necessarily a complete treatment of the subject. It is prepared by the Office of the General Counsel and 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 the Office of the General Counsel.

### EFFECTIVENESS OF THE LOAN AGREEMENT

#### A. Introduction

1. The loan<sup>1</sup> agreement<sup>2</sup>, to which ADB is a party, becomes effective after its signing by all the parties, upon the borrower's<sup>3</sup> compliance with the conditions specified in the loan regulations made applicable thereto (endnotes i, ii, iii, iv and v) and any additional conditions specified in the loan agreement (together, "the conditions of effectiveness").

#### B. Conditions of Effectiveness

2. The conditions of effectiveness are to ensure that ADB's interests as a development financing institution are protected before any proceeds of the loan are drawn down. The borrower is to satisfy the conditions of effectiveness within a period of time agreed upon with ADB and as specified in the loan agreement. This period may be extended by ADB, usually upon the request of the borrower. ADB does not waive fulfillment of a condition of effectiveness unless exceptional circumstances exist. In such cases, prior approval of the Board of Directors is required for waiver of the condition of effectiveness.

3. Standard conditions of effectiveness are stipulated in the loan regulations. They primarily relate to the legal validity of the relevant legal agreements<sup>4</sup> for the project,<sup>5</sup> such as receipt of a legal opinion satisfactory to ADB. Project-specific conditions of effectiveness, if any, are set forth in the loan agreement. These are typically conditions critical for the smooth and efficient implementation of an ADB-financed project, such as cross-effectiveness of cofinancing for the project.<sup>6</sup>

<sup>1</sup> In this Operations Manual (OM) section, the term "loan" includes grants (other than technical assistance grants), unless the context requires otherwise. This OM section also applies to loans and grants from trust funds and other external sources that are administered by ADB, unless agreed otherwise between ADB and the applicable cofinanciers.

<sup>2</sup> In this OM section, the term "loan agreement" includes the grant agreement and the guarantee agreement.

<sup>3</sup> In this OM section, the term "borrower" also refers to guarantors and recipients of grants, unless the context requires otherwise.

<sup>4</sup> As used in this OM section, the term "legal agreements" refers to all or any of the project-related legal agreements, including the loan agreement, grant agreement, guarantee agreement, and project agreement.

<sup>5</sup> In this OM section, the term "project" includes projects or programs under OM section D3 (Sector Lending), OM section D4 (Policy-Based Lending), OM section D5 (Sector Development Programs), OM section D6 (Financial Intermediation Loans), OM section D7 (Disaster and Emergency Assistance), OM section D11 (Sovereign Loans), OM section D14 (Multitranches Financing Facility), OM section H5 (Additional Financing), and OM section D18 (Results-Based Lending for Programs), project readiness financing under OM section D16 (Project Readiness Financing), small expenditure financing facilities under OM section D17 (Small Expenditure Financing Facility), and other modalities financed by a sovereign loan, except where indicated otherwise.

<sup>6</sup> The operational procedures for this OM section are contained in the Project Administration Instructions, No. 1.05 on Conditions and Declaration of Loan Effectiveness, as well as the documents cited therein.

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**Basis:**

- i. ADB. 2021. *Revised Ordinary Operations Loan Regulations*. Manila. (R75-21).
- ii. ADB. 2022. *Ordinary Operations Loan Regulations*. Manila.
- iii. ADB. 2022. *Ordinary Operations (Concessional) Loan Regulations*. Manila.
- iv. ADB. 2022. *Special Operations Grant Regulations*. Manila.
- v. ADB. 2022. *Externally Financed Grant Regulations*. Manila.