

OPERATIONS MANUAL BANK POLICIES (BP)

These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.

MULTITRANCHE FINANCING FACILITY

A. Introduction

1. The multitranche financing facility (MFF) is a flexible financing instrument offered by the Asian Development Bank (ADB). It enables ADB to provide assistance programmatically by aligning the provision of financing with project readiness and the long-term needs of a client. The MFF facilitates long-term partnerships between ADB and its clients, and provides opportunities for constructive dialogue on physical investments as well as nonphysical (thematic and sector) interventions. The MFF provides critical mass, predictability, and continuity to clients.

2. The MFF contributes to ADB's development agenda of inclusive economic growth as set out in ADB's long-term strategic framework 2008–2020 (Strategy 2020).¹ It enables ADB to respond better to the needs of its clients by tailoring its assistance. The MFF also supports the creation and expansion of social and economic opportunities for the impoverished in Asia and the Pacific, and enables broader access to these opportunities.

B. Definitions

3. The term “facility” refers to the MFF.

4. The term “instrument” refers to the generic means of providing or facilitating financing—loans, guarantees, or grants.

5. The term “modality” involves the specific application of these instruments within a defined legal, policy, and operational structure—financial intermediation loans, MFF, program loans, sector development programs, etc.

6. The term “tranche” may comprise a loan, grant, guarantee, or ADB-administered cofinancing to finance a project or a component under the facility.

C. Policy²

7. An MFF is a financing modality made available by ADB to a client to support its medium- to long-term investment program or investment plan. As for other sovereign and sovereign-

¹ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

² ADB. 2008. *Mainstreaming the Multitranche Financing Facility*. Manila.

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guaranteed loans, the MFF is subject to scrutiny, safeguards, disclosure and cost-sharing requirements.³ The ADB Board of Directors (Board) approves a maximum amount for each MFF, as well as the specific terms and conditions under which financing will be provided. On the basis of the Board's approval, Management converts this facility amount into a series of tranches to finance eligible investments when the client requests financing.

D. Scope

8. An MFF can be used to provide financing in any of the sectors, services, industries, and thematic areas that are covered by ADB in a developing member country (DMC) and are considered priorities under the relevant country partnership strategy (CPS).⁴ It can be provided directly to a client that is a DMC or an entity guaranteed by a sovereign. The MFF can finance multiple projects under an investment program in a sector or in several sectors, or large stand-alone projects with substantial and related individual components with long-term implementation plans. The MFF can also finance slices of long-term contract packages in such investment programs or large stand-alone projects.

9. The amount approved for an MFF can be converted into loans, grants, guarantees from ADB's own resources, or cofinancing administered by ADB, which can also be in the form of loans, grants or guarantees. The loans can be funded from ordinary capital resources (OCR) or Special Funds resources.⁵ Grants can be funded from Special Funds resources or any fund administered by ADB. MFF loans may include a financial intermediation loan or a sector loan, but not a program loan or a sector development program. Loans to financial intermediaries can be utilized for a range of projects consistent with ADB's policy on financial intermediation loans.⁶ Similarly, sector loans will be processed in compliance with the requirements of ADB's sector lending policies.⁷ Guarantees can be partial credit guarantees or political risk guarantees. Equity financing is not considered appropriate for MFFs at this stage. Each tranche will offer standard ADB financial terms and conditions applicable at the time of the legal agreement, including variations on tenors, currency options, swaps, and fixed and variable repayment schedules.

10. Any loans or grants from the Asian Development Fund (ADF) will require financing packages to be synchronized with the ADF availability cycle, and to take into account possible changes resulting from the performance-based allocation exercise.

³ See ADB. 2010. Processing Sovereign and Sovereign-Guaranteed Loan Proposals. *Operations Manual*. OM D11. Manila.

⁴ See ADB. Country Partnership Strategy. *Operations Manual*. OM A2. Manila.

⁵ Loan, grants, and guarantees are subject to ADB's policies (OCR terms, Asian Development Fund framework, etc.).

⁶ ADB. 1987. *Review of ADB Policies on Credit Lines to Development Finance Institutions*. Manila; ADB. 2003. Financial Intermediation Loans. *Operations Manual*. OM D6. Manila.

⁷ ADB. 1984. *A Review of Sector Lending Operations*. Manila; ADB. 1980. *Sector Lending*. Manila; ADB. 2003. Sector Lending. *Operations Manual*. OM D3. Manila.

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11. Financing terms and conditions can differ between tranches.⁸ Tranches can be provided in sequence or simultaneously, and some may overlap. The specific financing terms and repayment arrangements will depend on, among other things, (i) the financing needs of the client and the investment to be financed, (ii) the capital market conditions at the time, and (iii) ADB's financing policies at the date of signing of the related legal agreements. In determining the size of an MFF, and the number and size of individual tranches, factors to be considered will include the financing needs and readiness of the investments to be financed, the technical reasons for sequencing the activities, economic and administrative efficiency, and the absorptive and implementation capacity of the clients and other parties that may be involved.
12. Commitment charges or guarantee fees are not payable on the MFF amount. These are payable only on the financing amount committed to in the legal agreement for the loan or guarantee that is signed between the client and ADB. The rules regarding commitment charges and guarantee fees that are in effect when the legal agreements are signed for any tranche will apply with respect to such a tranche.
13. If financing under an MFF is made available to an entity other than a sovereign, that tranche must be guaranteed by the sovereign.

E. Multitranche Financing Facility Constituents

1. Road Map

14. An MFF requires a road map (i.e., a sector strategy). Only investments consistent with the road map will be financed under the related MFF. The road map should define (i) the strategic directions for a sector, service, or industry; (ii) its importance to growth, poverty reduction, gender and development, and inclusiveness (or the extent to which it is a binding constraint); and (iii) the list of success factors for better performance. The road map needs detailed assessments of physical and nonphysical investments. These assessments highlight the main investment and non-investment bottlenecks, risks, and mitigation measures. Such information then informs the strategic context, policy framework, and investment programs (the so-called enablers), as well as the interventions needed and their sequencing.
15. If an investment program encompasses several sectors, the road map should justify the multisector approach and include relevant information about each of the sectors that are proposed to be supported. The road map will take into account the strengths and risks identified

⁸ For example, the first tranche may be provided as a US dollar loan, repayable over 15 years, at a fixed rate of interest. The second tranche may be provided as a Japanese yen loan, repayable over 10 years, at a floating rate of interest, coupled with a third tranche in the form of a 10-year partial credit guarantee. Project cost-sharing ceilings will be based on specific sector, client, and project considerations and sound banking principles. See ADB. 2014. Lending Policies for Sovereign and Sovereign-Guaranteed Borrowers (Ordinary Capital Resources) *Operations Manual*. OM D1. Manila; and ADB. 2013. Lending and Grant Policies (Asian Development Fund). *Operations Manual*. OM D2. Manila.

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in the sector assessments.⁹ For example, as with traditional sector loans, the assessments supporting the road map should consider the factors that affect sector performance and service delivery, including (i) policy, institutional, legal, and regulatory frameworks; (ii) institutional capacity; (iii) recent trends in current and capital expenditures; (iv) type and composition of expenditures; (v) roles of the public and private sectors; (vi) pricing policy; (vii) sustainability of investments; and (viii) the possibility of resource allocation with the sector. The road map should also address poverty and social dimensions,¹⁰ environmental considerations, safeguards, and governance issues in sector management.

2. Strategic Context

16. An MFF needs a clear strategic context, which could be sourced from the CPS or an associated knowledge products repository managed by the concerned regional department¹¹ or elsewhere. The MFF sets out a long-term partnership for the chosen sector(s) and thematic areas.¹² The strategic context should include key quantitative and qualitative principles, as well as targets.

3. Policy Framework

17. An MFF requires a policy framework that goes beyond the relevant technical or operational aspects. It needs to summarize the strategic vision for the sector, and then the principles and targets for change. The policy framework should focus on the main challenges and operating conditions in the relevant sectors to ensure efficiency, cost recovery, sustainability, and competition, as appropriate. This information leads to reforms over the short, medium, and long term that help create the right environment for public and private investment. The changes or reforms should address financial, economic, commercial, legal, regulatory, and institutional matters. Where a policy framework is not available, or its content is considered unsatisfactory, other modalities that allow for policy dialogue, development, and implementation—program lending, sector development programs, advisory mandates financed through technical assistance loans and/or grants, sector loans, or stand-alone projects—should be considered. The MFF finances physical and nonphysical investments. Although nonphysical investments can include policy changes, these should occur only within an existing policy platform.

⁹ Consideration may be given to ADB's three thematic governance priorities (ADB. 2008. Governance. *Operations Manual*. OM C4/OP. Manila)

¹⁰ The key social dimensions supported by specific ADB policies or strategies include (i) participation; (ii) gender and development; (iii) social safeguards; and (iv) management of social risks, especially among vulnerable groups. ADB. 2007. Incorporation of Social Dimensions into ADB Operations. *Operations Manual*. OM C3/BP. Manila.

¹¹ Information in this system generally includes macroeconomic reviews, detailed sector diagnostics, and crosscutting thematic assessments, usually at national level.

¹² Depending on the scope of the MFF, the analysis may be conducted at national or subnational levels

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4. Investment Program

18. The MFF client should have a detailed investment program, specifying the physical and nonphysical investments, as well as the corresponding resources needed. Where there is no investment program, a large stand-alone project will still be eligible for financing under an MFF, provided it has substantial and related individual components with a long-term implementation plan. In such cases, the MFF will require a detailed investment plan instead of an investment program.

19. An investment program is a set of projects and activities that are eligible for financing under an MFF over time. Individual investments within the investment program may be physical investments, such as civil works, equipment, or rolling stock, or nonphysical investments or activities, such as capacity development and advisory work.

20. The physical part of an investment program can be split into medium-term and long-term investments. A medium-term investment plan often breaks down the longer-term vision into more immediate priorities, in most cases covering periods of 7–12 years. An MFF generally finances a portion of medium-term plans. Nonphysical investments address thematic and institutional issues, such as capacity development, governance, gender, private sector development, environment, safeguards, and regional cooperation.

5. Financing Plan

21. An MFF needs separate financing plans for the overall facility and for individual tranches. Where feasible, financing plans should specify the sources of finance, availability, period of financing, and amounts. They should distinguish between internally generated resources (e.g. by the executing agencies), national and local government budgets, domestic sponsors and financial institutions (banks and nonbanks, including capital markets), and international financiers (sponsors, banks, private equity, venture capital, capital market operators, export credit agencies, export–import banks, and international financing institutions). Cofinancing can be provided on a joint or parallel basis and may or may not be administered by ADB.

6. Undertakings

22. To blend investment (physical) with thematic matters (nonphysical), MFFs require facility-level undertakings, including any representations and warranties where necessary, relating to principles and actions on sector, operational, thematic, financial, legal, institutional, policy, and other areas. Facility-level undertakings are reflected in the framework financing agreement, and capture basic principles and criteria under which financing will be made available by ADB. They will also cover ADB operating policies and procedures, as applicable. Facility-level undertakings are different from tranche-level covenants, which are project-specific and are described in the individual legal agreements.

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23. Undertakings are commitments by clients to take or maintain certain actions over the term of the MFF. For example, the client should (i) remain committed to the road map and the policy framework; (ii) maintain its investment program and implement the financing plan; (iii) notify ADB of any changes to the road map, policy framework, investment program, and financing plan; (iv) consult with ADB in a policy dialogue affecting any of these elements; (v) select investments for financing in accordance with the agreed-upon selection criteria; and (vi) comply with ADB's relevant policies and procedures, including those on procurement, disbursement, safeguards, social dimensions, gender, governance, and anticorruption measures, in the preparation and implementation of investments. Breach of undertakings will trigger ADB's right to hold back financing, and to suspend or terminate the MFF.

F. Decision-Making Filters

24. An MFF has two stages at which financing approvals are made. The first is when the Board approves an MFF. The second is when Management approves financing for an individual tranche. At each stage the decision is subject to certain filters relating to the relevant road map, strategic context, policy framework, investment program, financing plan, and undertakings. Details of the process that will be followed are set out in OM Section D14/OP.

Basis: This OM section is based on:

ADB. 2008. *Mainstreaming the Multitranche Financing Facility*. Manila.

This OM section is to be read with OM Section D14/OP.

Compliance: This OM section is subject to compliance review.

For inquiries: Questions on how to apply the MFF criteria can be directed to the Strategy and Policy Department.

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MULTITRANCHE FINANCING FACILITY

A. Introduction

1. The multitranche financing facility (MFF) allows the Asian Development Bank (ADB) to offer financial resources to a client under a specific set of conditions, in a series of separate financing tranches (loans, grants, guarantees, or administered cofinancing) over a fixed period of time.

2. Unless modified in this Operations Manual (OM) section and/or the related Board policy paper,¹ the preparation, processing,² and implementation of projects under the individual tranches will be governed by the applicable ADB policies and operational procedures, including compliance requirements, prevailing at that time. Specifically, all policies and operational procedures³ with respect to loans (including sector loans and financial intermediation loans), grants, guarantees, cofinancing, eligibility of expenditures, disbursement, social dimensions, safeguards, procurement, use of consultants, and disclosure will apply.

3. For the first tranche, the project should have generally been identified and appraised, and be ready for implementation when the MFF is submitted to the Board of Directors (Board) for approval. For second and subsequent tranches, this should have been completed by the time the tranche is submitted to the President for approval.⁴ An MFF involving a stand-alone project with substantial and related individual components should have been fully appraised before the MFF is submitted to the Board. An MFF using the “time-slicing” approach should also be fully appraised before it is submitted to the Board. For loans to financial intermediaries, the portfolio of subprojects under a tranche need not be fully identified or fully prepared at the time the tranche is approved by the President. The processing and implementation of tranches of this nature will be governed by ADB’s policy on financial intermediation loans.⁵

B. Concept Clearance

4. At the concept clearance stage, a decision is taken on whether the MFF is the most appropriate modality. All MFF concept papers will be cleared in accordance with the prevailing

¹ ADB. 2008. *Mainstreaming the Multitranche Financing Facility*. Manila.

² ADB. 2010. Processing Sovereign and Sovereign-Guaranteed Loan Proposals. *Operations Manual*. OM D11. Manila.

³ These include relevant policies, loan and grant regulations, operations manuals, staff instructions, project administration instructions, handbooks, and guidelines.

⁴ Additional procedures apply for projects classified as category A for environmental impact. See Para 34.

⁵ ADB. 1987. *Review of ADB Policies on Credit Lines to Development Finance Institutions*. Manila; ADB. 2003. Financial Intermediation Loans. *Operations Manual*. OM D6. Manila.

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ADB business processes for stand-alone loan projects⁶ (requiring the approval of the relevant vice-president) after conducting project classification and assigning the appropriate risk category.⁷ The format of the concept paper will be similar to that used for stand-alone loan projects, with variations to accommodate the additional information needs for MFFs—indicative road map, strategic context, policy framework, matrix explaining why the MFF is more suitable than other modalities, investment program or investment plan (separated into physical and nonphysical investments), financing plan, list of key issues and constraints, likely undertakings, and the proposed due diligence plan. In addition to the indicative size of the MFF, the estimated investment requirements for the first periodic financing request (PFR) should be indicated. As for project processing, the concept paper will be backed by a problem tree analysis to highlight key issues or root causes of problems and their consequences. Appendix 1 illustrates the methodology involved in a problem tree analysis.⁸

5. Project preparatory technical assistance should only be used for the preparation of the MFF and the first tranche but not subsequent tranches, except in exceptional circumstances. Preparation of subsequent tranches and financing of capacity development should be incorporated into earlier tranches.

C. Due Diligence on the MFF and Individual Tranches

6. Due diligence will be conducted on each MFF and on its individual tranches.⁹ The MFF requires defining of a road map, strategic context, policy framework, investment program or investment plan, and financing plan. Due diligence will also cover (i) frameworks addressing environmental, involuntary resettlement, indigenous peoples safeguard issues, and poverty and social dimensions; (ii) corresponding undertakings; (iii) required policy refinements; (iv) action plans on given themes; (v) planning and phasing of interventions; (vi) reporting requirements; and (vii) mechanisms for monitoring, evaluating, and measuring results.

7. The first tranche should not exclusively finance detailed design and due diligence advisory services to clients. These services can only be financed as a complement to physical investments and capacity development assistance within the same tranche. For exclusive financing of these services for the entire MFF or for the first few tranches, a TA loan¹⁰ or a project design advance (PDA)¹¹ should be used. Where a TA Loan or a PDA is not proposed for an entire MFF, the detailed design of subsequent tranches should be financed by earlier tranches.

⁶ ADB. 2009. *Better and Faster Loan Delivery: Report of the Loan Delivery Working Group*. Manila.

⁷ Based on their nature, scope and their average size, MFFs are likely to be categorized as "complex". Project teams should plan for the associated quality assurance requirements and associated resources.

⁸ See also ADB. 2007. *Guidelines for Preparing a Design and Monitoring Framework*. Manila (Section II.B.2).

⁹ MFF and tranche due diligence requirements and completed assessments will be reflected in the report and recommendation of the President, the framework financing agreement and period financing requests (and their reports to management).

¹⁰ ADB. 2013. *Technical Assistance. Operations Manual. OM D12*. Manila.

¹¹ ADB. 2011. *Establishing the Project Design Facility*. Manila.

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8. Due diligence on individual tranches will cover, as applicable, technical, commercial, legal, regulatory, financial, economic, and social dimensions; and managing social risks, governance, fiduciary oversight, capacity, procurement, anticorruption aspects, implementation, safeguards, sustainability and other matters. To the extent possible, the design of the first tranche should be indicative of the entire MFF, including from a safeguards perspective. The due diligence will help ADB determine whether the investments are ready for financing, i.e., whether they have been suitably prepared and can be implemented in compliance with the relevant ADB policies and agreed criteria.

9. The report and recommendation of the President (RRP) for an MFF will include a comparative matrix that provides justification for the MFF as the preferred financing modality for the proposed intervention. The comparative matrix will also be included in a linked document to the RRP. The RRP should include sufficient indicative information on subsequent tranches, such as on the geographical scope, type of investment, safeguard categorization and financing needs. Eligible expenditures under the MFF should also be specified in the RRP.

D. MFF Panel of Experts

10. Prior to concept paper clearance and management review meeting (MRM) or staff review meeting (SRM), an MFF proposal should be reviewed by a member of the MFF panel of experts to ensure the adequacy of the MFF as a modality and compliance with MFF policy requirements. The expert will provide guidance and advice to the team during all stages of MFF processing.

E. Design and Monitoring Framework

11. A design and monitoring framework (DMF) will be prepared for the entire MFF, and for each tranche.¹² The overall DMF should have theoretical linkage with the DMFs for each tranche. An initial draft framework for the MFF will be attached to the concept paper. The DMF for the entire MFF will capture the MFF impact and direction of the road map, policy framework, and reflect information relating to the specific results (outcomes, outputs), investment program or investment plan, financing plan, safeguards framework requirements, and any other inputs; and the nonphysical components, including crosscutting themes and regional cooperation. Indicators to be measured under MFFs may include those measuring cost recovery, efficiency, competition, resource management, transparency, and sector development. Review mission reports will update this information.

12. Projects under individual tranches will be monitored in the same way as stand-alone projects, with DMFs tracking inputs, activities, outputs, results, and outcomes. The DMFs will

¹² ADB. 2007. *Guidelines for Preparing a Design and Monitoring Framework*. Manila (Section III.G.6). The DMF for the MFF will be an appendix to the report and recommendation of the President, whereas the DMF for each tranche will be an annex of the PFR.

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also show the details of the investment and the link between the tranches and the overall MFF.¹³ Review mission reports will cover the design, commercial and operational matters, status of policy actions, undertakings, covenants, compliance with ADB policies and procedures (including safeguard requirements), capacity development actions, procurement, fiduciary oversight, anticorruption measures, and governance. Noncompliance with these may lead Management to terminate or suspend the MFF, reject PFRs, or suspend or cancel a tranche.

F. Capacity Development

13. Given the substantial capacity constraints in most sectors of developing member countries (DMCs), and in the institutions overseeing them, regional departments should incorporate financing for capacity development into individual MFF tranches. Exceptions to this should be clearly justified in the RRP for that MFF. Assessment of capacity constraints, at the level of both the MFF and individual tranches, should follow ADB's capacity development medium-term framework and action plan.¹⁴ Depending on the capacity constraints identified, capacity development should be included in the overall design and may include: (i) assistance with the implementation of a project approved under the first tranche; (ii) due diligence advisory services to help clients prepare investments or projects for the second and subsequent tranches; and (iii) special advisory services to work on policy framework refinements, planning assistance, institutional change management, monitoring and evaluation of the overall investment program, results measurement, and reporting to the authorities and ADB. The first of these capacity development components may be structured to include technical and nontechnical expertise, such as project design and supervision, safeguards, governance, procurement, and financial management. The second component may cover standard ADB project finance requirements, including technical, financial, commercial, legal, regulatory, social, safeguard, operational, governance, implementation, and disbursement requirements. The third component may focus on planning; policy reformulations; results measurement; and entire MFF monitoring, evaluating, and reporting.

14. Such capacity development arrangements require proper due diligence followed by sound structuring. Overall mandates should be formulated and divided among advisory teams—each managed by a team leader and comprising long-term advisors and short-term experts. The budgets should not be viewed as fixed, i.e. they should contain a contingency to enable clients to engage additional experts as required at short notice. If necessary, shortages of experts and budget deficiencies can be corrected in subsequent tranches.

G. Framework Financing Agreement

15. A framework financing agreement (FFA) records the basic understandings between the client and ADB with respect to an MFF. It describes the principal features of the investment

¹³ It is expected that the outputs in the overall DMF will be the tranches' outcomes.

¹⁴ ADB. 2007. *Integrating Capacity Development into Country Programs and Operations: Medium-Term Framework and Action Plan*. Manila. This Plan is currently being updated.

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program or the project (if the MFF is for a stand-alone operation), and the principles by which ADB may provide financing and the client may avail itself of such financing. However, the FFA does not constitute a legal obligation on the part of ADB to provide financing, nor is the client obliged to request or accept any financing. The legal rights and obligations of the parties with respect to each tranche arise only out of the legal agreements in respect of such tranche. Consequently, ADB has the right to deny any financing request made by a client, cancel the uncommitted portion of the MFF, and withdraw the client's right to request any uncommitted tranche under the MFF. Similarly, the client has the right not to request any financing or to cancel any uncommitted portion of the MFF. The FFA will also record that ADB may cancel the MFF or reject a financing request when there is a material noncompliance with ADB policies or FFA undertakings; or there are significant delays in the submission of the financing requests or the implementation of the investment program.

16. The FFA will provide information on the road map, including the specific sector investment plans, strategic context, policy framework, investment program or investment plan, the financing plan, and the undertakings. The FFA should also provide information on cofinancing, whether as part of the MFF or otherwise, whether joint or parallel, and indicate the extent to which it may be administered by ADB.

17. The FFA will record

- (i) whether the tranches will be provided as loans, grants, guarantees, or cofinancing, or as a combination of these instruments;
- (ii) whether tranches will be funded out of ordinary capital resources, Special Funds resources, or both (in the event of any financing from the Asian Development Fund, the FFA will emphasize the indicative nature of the funding commitment against the availability of funds);
- (iii) the projected tranche schedule, if possible, indicating the most probable frequency and size of the tranches;
- (iv) the understandings with respect to whether and how the repayment of amounts due and payable to ADB under any tranche will be guaranteed (where applicable);
- (v) facility-level undertakings by the client, including any representations and warranties, if necessary, by the clients relating to sector issues, fiduciary oversight, financial management plans, capacity and institutional development, implementation arrangements, disbursements, safeguards, governance, anticorruption measures, policy reforms and dialogue, among others;
- (vi) criteria for selecting specific components or projects for financing and the implementation framework; the criteria may include design and operational characteristics, financial and economic viability (including least-cost choices),

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and compliance with ADB's policy on social dimensions, safeguard policies, and the social and environmental legislation and regulations of the client; and

- (vii) the social and safeguard frameworks agreed between the client and ADB and incorporated by reference.

18. An FFA will have the following mandatory schedules: Schedule 1: MFF constituents—road map, strategic context, policy framework, investment program or investment plan, and financing plan; Schedule 2: design and monitoring framework for the facility; Schedule 3: implementation framework; Schedule 4: selection criteria; Schedule 5: social dimensions and safeguard requirements; and Schedule 6: undertakings.

19. To minimize duplication with the FFA, the RRP for the MFF will provide a summary of the key features of the road map, strategic context, policy framework, and the investment program or investment plan.

H. Periodic Financing Request

20. A periodic financing request (PFR) is a formal request to ADB by the client to finance a tranche under an MFF. The investments must have been technically prepared, financially appraised, and processed in compliance with the applicable social and safeguard frameworks for them to be included in the PFR.

21. Each PFR will specify the tranche amount, the conversion instruments, the financing terms, cost estimates and financing plan, implementation arrangements, advance contracting, and the amount and purpose of retroactive financing, if any, requested. The PFR should also specify the actions necessary (and those already accomplished) to make the project ready for financing.

22. The client should submit to ADB, along with the PFR, the summaries of feasibility studies and engineering designs (as necessary), terms of reference for the engagement of consultants, results of any advance actions, and economic and financial assessments (where necessary).

23. The PFR will refer to and attach the procurement plan and the appropriate safeguard documents, including safeguard plans required under the safeguard frameworks prepared for the MFF.

24. The PFR will confirm that the general understandings under the FFA remain true. It will describe the client's compliance with the FFA undertakings and the loan covenants for previous tranches, as well as any representations and warranties included in the FFA.

25. If a guarantee is envisaged pursuant to the FFA, the PFR will include confirmation that a guarantee, in form and substance acceptable to ADB, will be issued to secure repayment of all

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amounts that may become due to ADB under that tranche.

26. Depending on the capacity constraints identified, the first PFR may include a request to finance capacity development through (i) assistance with the implementation of the investment program, and the activities under the first tranche (covering safeguards, governance, and technical and other areas); (ii) assistance with the preparation of subsequent physical and nonphysical investments for inclusion under the second PFR; and (iii) special advisory services to work on policy framework refinements, planning assistance, institutional change management, monitoring and evaluation of the investment program, results measurement, and reporting to the authorities and ADB. If necessary, all or part of such assistance may be replicated under subsequent PFRs and tranches. This approach will help blend physical and nonphysical actions and ensure the provision of expert support for capacity development (at all levels); due diligence; and help with evaluations, monitoring and reporting for results. If this approach is not adopted, the project team concerned will have to provide suitable justifications in the relevant proposals (i.e., in the RRP for the first tranche or in the PFR report for the second and subsequent tranches).

27. The final signed PFR should be provided during the loan/grant negotiations at the latest. Any significant differences between the signed PFR and MFF documents should be agreed during the loan/grant negotiations. Such differences should either be reflected in the minutes of the negotiations or a revised signed PFR may be submitted by the client.

28. A DMF will be prepared for the investments included in a PFR to show how they relate to the overall DMF for the MFF. The DMFs will be attached to the PFR report.

29. For second and subsequent PFRs, the project team will prepare and submit to Management a PFR report describing the specific part of the investment program supported under the PFR, the broad and specific strategic objectives that will be met, and the nature and characteristics of the projects identified in the PFR. The PFR report will also provide information on cost estimates, financing plans, and implementation plans. It will describe the project executing and implementation agencies (including their capacity, financial management capabilities, evaluation, and monitoring and reporting systems and procedures) and the disbursement plans. The PFR report will discuss benefits, impacts, assumptions, and risks. It will also (i) cover implementation achievements, including rate of contract award and disbursement, under the previous tranches; (ii) assess compliance with the loan covenants under previous tranches and the undertakings in the FFA; and (iii) provide an update on the status of implementation of the road map, investment program, and the policy framework.

30. Each tranche will undergo a separate risk categorization, and will be processed accordingly. Since the facility and the first tranche are generally processed together, risk categorization of the first tranche will be simultaneously undertaken as part of the concept paper (see para. 4). For subsequent tranches, the PFR report submitted to Management will clearly

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assign a suitable risk category to the specific tranche.¹⁵

31. A facility administration manual (FAM) will be agreed at the time of negotiations for the FFA and the first tranche legal agreements. The FAM will fully articulate the implementation arrangements for the entire MFF, including the indicative tranche sequencing and number and amounts of the loans/grants. Agreement will be recorded in the minutes of negotiations. In preparing PFRs for subsequent tranches, the FAM may be updated and/or renamed and agreement to the contents recorded in the minutes of negotiations for the respective PFR documentation. Project administration manuals (PAM) may also be prepared, as necessary, for implementation issues of projects under individual tranches. The facility administration manual and PAM will be developed early during MFF and tranche preparation (for second and subsequent tranches, where applicable) and reviewed at the MRM or SRM and subsequently throughout key project processing and implementation stages.

I. Availability Period

32. Financing under an MFF can be extended only within the availability period agreed between the client and ADB. The availability period refers to the maximum utilization period for the MFF; therefore, loan or grant closing dates of individual tranches under the MFF must fall within the availability period.¹⁶ The availability period should be no longer than 10 years from the date on which the MFF is approved by the Board. Extensions of the availability period beyond 10 years will generally not be considered, but if so considered will be subject to approval by the Board.

J. Safeguard Compliance and Social Dimensions

33. For purposes of complying with safeguard policies, the following shall apply:

- (i) Appropriate safeguard frameworks must be prepared for the entire MFF,¹⁷ agreed between the client and ADB, and incorporated by reference in the FFA. Safeguard frameworks provide guidance on social and environmental screening and categorization, safeguard compliance audit for existing facilities if any, impact assessments, development of management plans, public consultation and information disclosure, monitoring and reporting, and institutional arrangements (including budget and capacity development) to be followed for components and

¹⁵ Risk categorization criteria requirements for tranches are defined in ADB. 2010. Processing Sovereign and Sovereign-Guaranteed Loan Proposals. *Operations Manual*. OM D11. Manila.

¹⁶ The availability period of the MFF does not include the winding-up period, which ADB may allow for up to 4 months from the loan or grant closing dates (i) for the client's withdrawal application to be submitted to ADB for expenditures incurred on or before the loan or grant closing dates; and (ii) for the client to fully liquidate expenditures incurred on or before the loan or grant closing dates. ADB. 2012. *Loan Disbursement Handbook*. Manila (para. 4.17).

¹⁷ Safeguard frameworks will not be used for highly complex and sensitive subprojects of sector loan tranches of MFFs (see ADB. 2009. *Safeguard Policy Statement*. Manila.)

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projects that are prepared after Board approval of the MFF, including the criteria used in component or project selection. The regional departments will assist the client to prepare the safeguard frameworks and will send them to the Environment and Safeguards Division (RSES) of the Regional and Sustainable Development Department, for review

- (ii) The entire MFF is not categorized as to its environment, involuntary resettlement, or indigenous peoples impacts. Safeguard categorization will be made at the level of individual tranches. The regional department will be responsible for proposing the categorization of all tranches and submitting the checklist and categorization results, through RSES, to the chief compliance officer for concurrence or further discussion, as required.
- (iii) For any tranche classified as category A for any of its environment, involuntary resettlement, or indigenous peoples impacts, the regional department reviews the environmental impact assessment (EIA) and/or environmental assessment and review framework (EARF), resettlement plan and/or resettlement framework, and/or indigenous peoples plan (IPP) and/or indigenous peoples planning framework (IPPF). The regional department seeks comments on these documents from RSES, which issues a safeguard policy compliance memorandum (SPCM) before the MRM/SRM for the tranche.
- (iv) For any tranche classified as category B or FI, the regional department reviews the initial environmental examination (IEE) and/or EARF, resettlement plan and/or resettlement framework, and/or IPP and/or IPPF, or environmental and social management system.¹⁸
- (v) For all tranches, the regional department confirms that all applicable safeguard requirements have been met before Management considers the PFR.
- (vi) In addition, where significant sector or regional environmental impacts from the investments under an MFF are anticipated, ADB requires the client to undertake a strategic environmental assessment to identify mitigation measures to be built into the MFF design.
- (vii) The regional department ensures the following documents are posted on ADB's website: (i) EARF, resettlement framework, and IPPF prepared for the MFF before the appraisal of the MFF; (ii) the draft EIA report for the tranche, where applicable, at least 120 days before the approval of the MFF or tranche, as applicable; (iii) the draft resettlement plan and draft IPP before appraisal, in case of the first tranche, and before Management's consideration of the related PFR in the case of a subsequent tranche; and (iv) the final or updated EIA, IEE,

¹⁸ A regional department may request an RSES review to supplement its own review for category B and FI project.

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resettlement plan and/or IPP upon receipt for all tranches

- (viii) Social dimensions will be addressed in the DMFs of the MFF and of its tranches, as applicable. This will form the basis for monitoring of and reporting on social dimensions during implementation.
- (ix) The summary poverty reduction and social strategy (SPRSS) will be prepared before approval of the MFF. It will set out the broad magnitude of the scope and criteria for carrying out further poverty and social analysis and developing more specific plans or measures in future. The SPRSS will be updated for the second and subsequent tranches, and revisions incorporated into the PFR submitted to Management.
- (x) Project and gender mainstreaming classification will be done for each tranche.

K. Tranche Projects Classified as Category A Environmental Impact¹⁹

34. Projects with an environmental impact category A classification in a subsequent tranche will be submitted to the Board for its decision as to whether to authorize the President to convert the tranche. Management will approve the conversion of the facility amount originally approved by the Board into a tranche to finance that project only if the Board decides to authorize such conversion. The regional department will prepare a paper for Board consideration. The paper will be edited by OSEC and circulated to the Board on a no-objection basis with at least 21 calendar days between the circulation of the paper and Board consideration.

L. Approvals

35. All MFF proposals will be submitted to the Board for approval, following standard ADB rules and procedures for sovereign project processing. A signed compliance checklist should be submitted to the President with the regional department's request to circulate the RRP to the Board. A detailed workflow is set out in Appendix 2.

36. The Director General of the regional department will ensure that all key MFF documentation is readily accessible prior to seeking approval of the RRP for Board circulation or the tranche, as applicable, and is uploaded on the electronic documentation system prior to effectiveness of the relevant tranche.

37. When the FFA negotiations are held at ADB headquarters, the negotiated FFA will be signed by an authorized representative of the client and the concerned director general (or an authorized representative). When negotiations are held in the field, an authorized representative of the client and the relevant country director (or an authorized representative) will sign it. The

¹⁹ This requirement applies to the processing of all second or subsequent tranches of existing and new MFFs.

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FFA and first PFR will be attached to the RRP for an MFF. The FFA should be signed before the Board considers a proposed MFF. If this is not achievable due to the operation of any local law or government policy or to any other exceptional circumstance, the FFA may be signed after Board approval, but any material change must be resubmitted to the Board for approval. In such cases, the RRP should set out the circumstances which prevented the FFA from being signed. The legal agreement for the first tranche must be executed within 12 months of Board approval of the MFF; otherwise the validity of the MFF will lapse. MFF extensions will require Board approval.

38. Management will convert the facility amount approved by the Board into financing for individual tranches. Tranches will be processed by the regional departments and approved by the President.²⁰ MRMs (for MFFs categorized as "complex") or SRMs (for MFFs categorized as "low-risk") are required for all MFFs. Similarly, MRMs (for tranches categorized as "complex") or SRMs (for tranches categorized as "low-risk") are required for the second and subsequent tranches. In deciding whether to approve the second and subsequent tranches, Management will consider, among other things, compliance with the FFA undertakings and loan covenants of previous tranches and the status of the road map, investment program, and policy considerations.

39. If advance contracting is requested by a client, it must be set out in the PFR.

40. Management can approve the advance contracting in accordance with the *Project Administration Instructions* section on preparatory work and procurement supervision.²¹ If retroactive financing is also requested by a client for any or all tranches, the RRP must discuss the nature and extent of the retroactive financing requested such that it is part of the approved MFF. Management may then approve retroactive financing on a case-by-case basis when the request is included in any PFR and described in the related PFR report.

41. A project performance monitoring system (PPMS) will be established for the entire MFF, and for its individual tranches. The performance reports in respect of individual tranches will be compiled for the purpose of preparing the facility-level performance report that will form part of the annual report to the Board. Individual project completion reports shall be prepared for each tranche, except for the last tranche which will be part of the facility completion report. The facility completion report will cover the entire MFF. For an MFF that uses the time-slice financing approach, one facility completion report will be required. Post-evaluation reviews may be undertaken of the overall MFF or any of its tranches.

M. Change in Scope and Implementation Arrangements

42. Any change in scope of the facility or any of its tranches will be handled in accordance with the *Project Administration Instructions* section on change in project scope or

²⁰ For subsequent tranches classified as Category A for environment, additional procedures apply. See section K.

²¹ ADB. 2007. Preparatory Work and Procurement Supervision. *Project Administration Instructions*. PAI 3.01. Manila.

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implementation arrangements.²² Changes requiring Board consideration will include a substantial and material change in the strategic direction of the road map, a change in the policy framework that negatively affects the viability or sustainability of the investment program or investment plan, a change in the sectors covered by the investment program, or a substantial and material change in the type of the investments contemplated under the investment program or investment plan.

N. MFF and Tranche Cancellation

43. ADB may cancel the MFF or reject a financing request in case of a material non-compliance with ADB policies, FFA undertakings or due to significant delays in the submission of a financing request or in implementation of the investment program. Any amount under an individual tranche that is canceled will replenish the overall facility by an equivalent amount. The relevant regional department will immediately notify the Controller's Department of any decision to cancel a portion of the facility. In the event facility cancellation is contemplated by a regional department, a consideration is whether the facility and the ongoing tranches will be cancelled immediately or the facility will be cancelled pursuant to the completion of the ongoing tranches. Further to written confirmation that the client agrees on the proposed cancellation, the regional department will submit for approval by the President the request for MFF and tranche (if applicable) cancellation. Pursuant to such approval, the FFA will be terminated. The Board will be informed of such cancellation in the annual report on MFFs that is circulated to the Board.

O. Additional Financing

44. Additional financing may apply to MFF in three ways.²³

45. First, additional financing may be provided from an MFF to another project. Here, any portion of the facility amount may be used to provide additional financing for purely price or financing arrangement changes in prior ADB interventions in the same sector. The likely requirement for such additional financing should be included in the assessments leading to the preparation of the MFF road map with respect to the quality of existing and future assets. Such additional financing will be processed according to the requirements set out in this OM in relation to the processing of second and subsequent tranches.

46. Second, additional financing may be provided for individual projects under an MFF within the overall facility amount. Where additional financing is needed for individual projects under an MFF (to scale up, change the scope and/or implementation arrangements, and/or meet cost overruns and/or financing gaps) but is within the original facility amount approved by the Board, such additional financing may be processed according to the requirements set out in this OM for processing the second and subsequent MFF tranches.

²² ADB. 2011. Change of Loan and/or Grant Funded Projects. *Project Administration Instructions*. PAI 5.02. Manila.

²³ The provisions on the application of additional financing in MFFs in paras. 44-47 supersede paras. 65-66 of ADB. 2011. *Additional Financing*. Operations Manual. OM H5. Manila.

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47. Third, additional financing may be provided to increase the overall facility amount. Additional financing may be needed for individual projects under an MFF (to scale up, change the scope and/or implementation arrangements, and/or meet cost overruns and/or financing gaps), but the financing requirement exceeds the original facility amount that was approved by the Board. In such cases, Board approval will be required for additional financing beyond the original facility amount based on the processes set out in OM H5.

P. Administration of Cofinancing

48. Any portion of the facility amount approved for an MFF may be converted into cofinancing to be administered by ADB.²⁴ Such cofinancing may be joint or parallel. The administration of such cofinancing by ADB does not need to be separately approved by the Board but shall be reported to the Board for information as part of the MFF annual report.

Q. Country Cost-Sharing Ceiling

49. Individual tranches provided under an MFF may finance any portion of the cost of the financed transactions, provided such financed portion is less than 100% of such cost, and provided, further, that when the availability period ends, the sum of ADB's financing under the MFF is within the country cost-sharing ceiling applied at the time the MFF was approved.

R. Reporting

Periodic Financing Request Monthly Report

50. Except for a tranche that is classified as category A for environmental impact, upon receiving a signed PFR from the client requesting a new tranche, the regional department should complete the Tranche at a Glance template and submit it to SPD for consolidation and further communication to the Board no later than the last day of the month of receipt. SPD will prepare an ADB-wide consolidated PFR monthly report and will submit it to the Board within the first 6 working days of each month.

51. In parallel, public disclosure requirements, including updates to the project information document should be met. The regional departments must ensure that all hyperlinks to disclosure documents that are included in the PFR monthly report are active.

52. PFR reports should be submitted for the President's approval at least 10 calendar days after the PFR monthly report has been received by the Board.

53. For tranches classified as Category A for environmental impact, upon receiving a signed

²⁴ See ADB. 2008. *Mainstreaming the Multitranche Financing Facility*. Manila (para. 79).

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PFR from the client requesting approval, the regional department shall prepare a paper for Board consideration whether to authorize the President to convert the tranche (See Para 34).

Multitranche Financing Facility Annual Report

54. Based on the information provided by the regional departments, a consolidated MFF annual report will be prepared by SPD for all approved MFFs in each country and submitted to the Board in February each year. The annual report will provide (i) statistical information on the MFFs; (ii) latest development of the modality; (iii) status of compliance with FFA undertakings and loan covenants; (iv) any changes in circumstance or material facts relating to the investment program or investment plan; and (v) information on cofinancing administered. The regional departments will also report on the implementation of measures to improve internal quality control for MFFs. New MFFs may only be submitted to the Board for approval at least 10 working days after the MFF annual report has been circulated to the Board of Directors.

55. The consolidated MFF annual report will incorporate a scorecard system reflecting the performance of each MFF. Each MFF will be rated on the basis of three separate parameters: (i) MFF delays, (ii) tranche performance, and (iii) compliance with undertakings. Poor performance (red rating) on account of the three indicators will place the facility at risk and may lead to its suspension and possible cancellation. Poor performance (red rating) on account of two parameters will indicate potential problems and would require regional departments to draw an action plan to rectify the facility's performance.

S. Disclosure

56. In compliance with ADB's Public Communications Policy 2011, the following documents will be made publicly available: (i) RRP, and its linked documents such as the FFA at the same time the RRP is circulated to the Board (Subject to the concurrence of the DMC client) or upon approval of the MFF by the Board; (ii) legal agreements upon signing; (iii) project data sheet of the MFF upon approval of the concept paper and for each tranche upon completion of loan fact-finding or, if no fact-finding, upon receipt of signed PFR;²⁵ (iv) PFR report (but not the PFR itself)²⁶ and updated FAM or PAM for each subsequent tranche upon approval of such tranche;²⁷ (v) the annual report on all approved MFFs upon circulation to the Board; (vi) facility completion and project completion reports upon circulation to the Board; (vii) safeguard

²⁵ The PDS of each tranche should be updated at least twice a year (by end of March and September). The PDS of the facility is not required to be updated as long as one MFF tranche is under implementation. However, the PDS of the facility should be updated in case of (i) a major change, and (ii) completion of the facility. For other disclosure requirement, please refer to Appendix 2.

²⁶ Please refer to the MFF policy paper (para 91). ADB. 2008. *Mainstreaming the Multitranche Financing Facility*. Manila.

²⁷ Processing departments required to have the PFR report edited by the Office of the Secretary prior to disclosure of the report.

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frameworks for the MFF before appraisal;²⁸ (viii) the draft environmental impact assessment, where applicable, 120 days before the approval of the tranche,²⁹ or final or updated IEE upon receipt; (ix) the draft resettlement plan and draft indigenous peoples plan before appraisal, in case of the first tranche, and before MRM or SRM, in case of the second or subsequent tranches; (x) updated or final safeguard documents and safeguard monitoring reports of each tranche upon receipt by ADB from borrower or client; (xi) audited project financial statements of each tranche within 30 calendar days of ADB's receipt from borrower;³⁰ and (xii) major changes of the MFF facility upon Board approval of such change.

T. Effectiveness

57. The mainstreamed MFF policy became effective from 11 July 2008. It applies to MFF proposals and to subsequent tranches under MFFs approved prior to 11 July 2008.

Basis: This OM section is based on OM Section D14/BP and the documents cited therein.

This OM section is to be read with OM Section D14/BP.

Compliance: This OM section is subject to compliance review.

For inquiries: Questions on how to apply the MFF criteria can be directed to the Strategy and Policy Department.

²⁸ In line with OM F1, (ADB. 2013. Safeguards Policy Statement. *Operations Manual*. OM F1. Manila), the project appraisal process refers to an overall assessment of the relevance, feasibility, and potential sustainability of a project before its approval. Where appraisal is not undertaken, the related disclosure requirements have to be met by MRM or SRM.

²⁹ The memo to the President for approval of the tranche must mention compliance with the 120-day disclosure rule, where applicable.

³⁰ Country-specific circumstances that could affect the timing of disclosure will be agreed upon either during country-level discussions or project processing, and they will be documented in the FAM or PAM, as appropriate.

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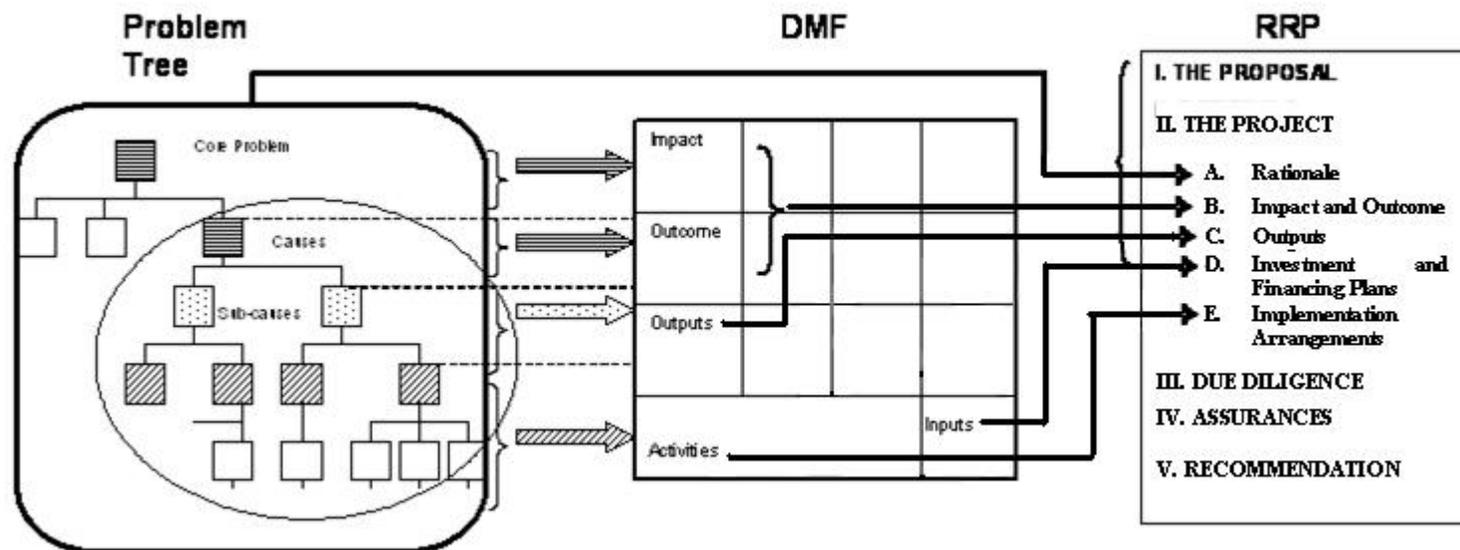
**OPERATIONS MANUAL
OPERATIONAL PROCEDURES (OP)**

17 February 2015
This supersedes OM Section D14/OP
issued on 1 February 2014.

Prepared and issued by the
Strategy and Policy Department
with the approval of the President.

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PROBLEM TREE ANALYSIS



DMF = design and monitoring framework, RRP = report and recommendation of the President.
 Source: Asian Development Bank.

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MULTITRANCHE FINANCING FACILITY APPROVAL PROCESS WITH DISCLOSURE REQUIREMENTS

Milestones		Responsible Persons	Actions	Disclosure Requirements
A. Processing a Multitranche Financing Facility and the first Periodic Financing Request¹				
1.	Concept clearance	Vice-president (as per standard business processes)	<p>A concept paper for the entire facility is prepared by the project team and submitted to the vice-president for approval. A reconnaissance mission may be fielded prior to concept clearance approval.</p> <p>The MFF as a whole is categorized as either "low-risk" or "complex" based on criteria set forth in Operations Manual Section D11.</p>	<p>Initial PDS of the facility and IPSA should be posted no later than 14 calendar days after concept paper approval.</p> <p>The PDS of the facility should be translated and posted (i) within 6 months after concept paper approval and (ii) within 6 months after approval of the facility.²</p>
2.	Fact finding	Project team	<p>The project team conducts due diligence in respect of the MFF constituents and the first tranche. Draft safeguard frameworks for the facility are discussed and agreed. Drafts of the FFA, RRP (including FAM) and first PFR are also discussed with the client. The safeguard classifications of the project under first PFR are confirmed. This will typically coincide with the interim review of the feasibility study and/or project preparatory technical assistance.</p>	<p>Initial PDS of the MFF tranche 1 should be posted no later than 14 calendar days after completion of fact-finding.</p> <p>PDS of tranche 1 should be translated and posted within 6 months after completion of fact-finding (footnote 2).</p>

¹ If PFR 1 is accompanied by another PFR, the two will be processed together as provided herein.

² DER's Public Information and Disclosure Unit (InfoUnit) will coordinate and shoulder the translation cost of the PDS.

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Milestones		Responsible Persons	Actions	Disclosure Requirements
			The FAM is agreed upon with the client. It will fully articulate the implementation arrangements.	
3.	Management review meeting (MRM) - applicable to MFFs classified as "complex" and/or category A first tranches for safeguards.	Vice-president	<p>Interdepartmental and sector-focused reviews (with COP) on the draft RRP (including FAM), FFA and legal agreements for the first tranche are conducted prior to quality assurance meetings. Safeguards categorization for the first tranche is confirmed.</p> <p>SPCM is issued for first tranches categorized A for safeguards.</p> <p>Consideration of key issues and specific recommendations or guidance on content and structure are discussed at the MRM. At the MRM, the vice-president considers the draft RRP (including the FAM and other linked documents), FFA, first PFR, and draft legal agreements, checks on all preconditions and status of the recommendations made at MRM, and then decides whether (i) to proceed with negotiations of the FFA and the legal agreements, or (ii) to recommend follow-up missions and/or SRM.</p> <p>Minutes of the MRM are signed off by the director general and copied to the vice-president.</p>	Refer to the Safeguard Policy Statement (2009) and OM Section F1/OP and OM Section L3/OP for the disclosure requirements of safeguard documents.

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Milestones		Responsible Persons	Actions	Disclosure Requirements
4.	Staff review meeting (SRM) - applicable to MFFs classified as "low-risk" and first tranches categorized other than A for safeguards.	Director general	<p>The draft RRP (including FAM and other linked documents), FFA, first PFR, and the legal agreements are circulated by the project team for interdepartmental review. Safeguards categorization for the first tranche is confirmed.</p> <p>SPCM is issued for first tranches categorized A for safeguards.</p> <p>At the SRM, the director general considers the draft RRP (including FAM and other linked documents), FFA, first PFR, and draft legal agreements, checks on all preconditions and status of the recommendations made at SRM, and then decides whether (i) to proceed with negotiations on the FFA and legal agreements for the PFR, or (ii) to recommend follow-up missions and/or a second SRM.</p> <p>Minutes of the SRM are signed off by the director general and copied to the responsible vice-president.</p>	Refer to the Safeguard Policy Statement (2009) and OM Section F1/OP and OM Section L3/OP for the disclosure requirements of safeguard documents.
5.	Negotiation of FFA, PFR, and the legal agreements	Project team	The legal agreements are negotiated. The FFA and PFR are signed, while the RRP and FAM are agreed upon.	

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Milestones		Responsible Persons	Actions	Disclosure Requirements
	Execution of FFA and PFR	Director general or authorized representative (if negotiations in headquarters) Country director or authorized representative (if negotiations in-country)		
6.	Editing RRP and linked documents	Project team	The project team leader submits the RRP and the linked documents that require editing to OSEC for editing and subsequently to OGC and OSEC (in that order) for final clearance.	
7.	Submission of RRP, FFA, and PFR for Board consideration	President	The project team leader prepares a memo, channeled through sector director, director general, vice-president, and President requesting approval to circulate the RRP to the Board. Board of Directors considers the proposal.	The RRP and its linked documents ³ should be posted either (i) at the same time they are circulated to the Board (with government's consent for early disclosure during negotiations) or (ii) no later than 14 calendar days after Board consideration.
8.	Approval of the tranche, and execution of legal agreements	President	A memo is submitted to the President through the vice-president requesting approval of the tranche and the legal agreements.	Legal agreements should be posted no later than 14 calendar days after signing.

³ The procurement plan of tranche 1 is disclosed and included in the FAM, which is a linked document to the facility's RRP.

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Milestones		Responsible Persons	Actions	Disclosure Requirements
			The director general of the regional department will ensure that all key documentation for the MFF is uploaded electronically before the tranche becomes effective.	
B. Project Execution and Processing of Subsequent Tranches				
1.	Project execution	Executing agency	The project team engages in dialogue with the client, and monitors and reviews execution of first tranche, preparation of subsequent tranches, and the proposed safeguard classifications. The project team works with the client and/or its advisors on the road map, policy framework, investment program, financing arrangements, status of safeguards framework, undertakings, etc. The client is regularly advised to ensure consistency, completeness and adherence to ADB policies and procedures. DMFs are tracked and the reports prepared.	Initial PDS of subsequent tranches should be posted no later than 14 calendar days after completion of fact-finding for such tranche. If no fact-finding is held, the PDS should be posted no later than 14 calendar days after receipt of the signed PFR for the tranche. PDS of tranches should be translated and posted within 6 months after completion of fact-finding (footnote 2).
2.	Preparation of subsequent tranches	Executing agency		
3.	Submission of PFR to ADB	Client and executing agency	Client sends PFR to director general. The submission includes a government letter and all relevant attachments required to assess feasibility, detailed design and safeguards, as relevant.	

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Milestones		Responsible Persons	Actions	Disclosure Requirements
4.	Draft PFR report to management	Project team	<p>Includes comprehensive information on the proposed tranche; reports on ongoing tranche implementation and the status of compliance with the undertakings in the FFA and covenants of the earlier legal agreement(s); provides information on client's and/or executing agency's capacity; and governance and policy issues; recommends either approval or denial. Tranche risk categorization is included in the PFR report to Management, and an updated SPRSS and FAM (or new PAM), if applicable.</p> <p>In parallel, safeguards categorization of the tranche is conducted. For tranches classified as category B or FI, the regional department reviews the IEE and/or EARF, resettlement plan and/or resettlement framework, and/or IPP and/or IPPF, or environmental and social management system, respectively. For category A on environmental safeguard, major change in MFF facility is required.</p>	<p>The updated FAM or new PAM should be posted no later than 14 calendar days after approval of such tranche.</p> <p>Refer to the Safeguard Policy Statement (2009) and OM Section F1/OP and OM Section L3/OP for the disclosure requirements of safeguard documents.</p>
5.	Interdepartmental review	COSO, CTL, ERD, IED, OGC, OREI (for projects with regional cooperation) and	To be completed in 5 working days. Project team addresses points raised, brings them to Management's attention, and submits the revised PFR report to the vice-	

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Milestones		Responsible Persons	Actions	Disclosure Requirements
		OCO (for cofinancing), RSES ⁴	president or director general, with the draft legal agreements for this tranche.	
6.	MRM/SRM	Vice-president (applicable to tranches categorized “complex”), or director general (applicable to tranches categorized “low-risk”)	After reviewing the PFR report and related documentation, the vice-president will convene an MRM for tranches categorized as “complex” or the director general will convene an SRM for tranches categorized as “low risk.” The project team prepares an issues note (summary of points for guidance and decisions). An SPCM is issued by RSES before this stage for category A projects. A decision to proceed with loan negotiations for the specific tranche is made at the MRM or SRM.	
7.	Negotiation of documents	Project team and OGC	The legal agreements are negotiated. The PFR is signed while the changes to the FAM are agreed upon.	
8.	Submission of documents to Management	President	Submissions for President’s approval should specifically request approval of (i) the tranche, (ii) and legal agreements, as applicable.	PFR Report should be posted on ADB.org no later than 14 calendar days after approval of such tranche.

⁴ For any tranche classified as category A for any of its environment, involuntary resettlement, or indigenous peoples impacts, the operations department reviews the EIA and/or EARF, resettlement plan and/or resettlement framework, and/or the IPP and/or IPPF. The operations department seeks comments on these documents from RSES, which issues an SPCM before the MRM for the first tranche and before Management considers the periodic financing request (PFR) for the second and subsequent tranches. For any tranche classified as category B or FI, the operations department reviews the IEE and/or EARF, resettlement plan and/or resettlement framework, and/or IPP and/or IPPF, or environmental and social management system (ESMS), respectively.

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Milestones		Responsible Persons	Actions	Disclosure Requirements
			Director general of the regional department will ensure that all key documentation for the tranche are uploaded electronically before the tranche becomes effective.	Legal agreements should be posted on ADB.org no later than 14 calendar days after signing.

ADB = Asian Development Bank, , CTL = Controller's Department, DER = Department of External Relations, DMF = design and monitoring framework, EARF = environmental assessment and review framework, EIA = environmental impact assessment, ERD = Economic Research Department, FAM = facility administration manual, FFA = framework financing agreement, ICM = investment committee meeting, IED = Independent Evaluation Department, IEE = initial environmental examination, IPP = indigenous peoples plan, IPPF = indigenous peoples planning framework, IPSA = initial poverty and social analysis, MFF = multitranche financing facility, MOU = memorandum of understanding, MRM = management review meeting, OCO = Office of Cofinancing Operations, OGC = Office of the General Counsel, OREI = Office of Regional Economic Integration, OSEC = Office of the Secretary, OSFMD = Operations Services and Financial Management Department, PAM = project administration manual, PDS = project data sheet, PFR = periodic financing request, RRP = report and recommendation of the President, RSES = Regional and Sustainable Development Department, Environment and Social Safeguards Division, SPCM = safeguard policy compliance memorandum, SRM = staff review meeting.