INITIAL PROJECT ADMINISTRATION ACTIVITIES

1. This Project Administration Instruction (PAI) describes initial project preparatory and implementation actions.

A. Project Administration-Related Actions prior to Loan Approval

2. Although the conditions in ADB’s developing member countries vary, the sector division\(^1\) should complete the following prior to commencement of loan negotiations:

   i. An executing agency (EA)\(^2\) procurement and financial management capacity assessment to be circulated to relevant reviewers, together with the draft report and recommendation of the President (RRP) and project administration manual (PAM), prior to the Management Review Meeting (MRM) and/or Staff Review Meeting (SRM). The necessary project implementation arrangements including audit, disbursement, financial, and procurement systems and procedures must be in place. Procurement and Financial Management Department’s (PPFD’s) *Guide on Assessing Procurement Risks and Determining Project Procurement Classification* and *Technical Guidance Note on Financial Management Assessment* provides more information.

   ii. Based on the project procurement risk assessment report, help the EA prepare a procurement plan for at least the first 18 months of implementation and ideally for the whole project. The procurement plan should be approved by the head of the sector division in concurrence with PPFD. PPFD’s *Guide to Preparing and Maintaining the Project Procurement Plan* provides more information.

   iii. For advance contracting and retroactive financing, ensure that the EA has the capacity to carry out the actions needed.

   iv. Ensure that the EA has prepared and disclosed,\(^3\) as necessary, the: (i) environmental management plan(s) and/or environmental assessment and review framework, (ii) resettlement plan(s) and/or resettlement framework, (iii) Indigenous Peoples plan(s) and/or Indigenous Peoples planning framework, (iv) agreed environmental and social management system arrangement, and/or other applicable instruments, and that ADB has reviewed and cleared them.

   v. Ensure that the summary poverty reduction and social strategy and gender action plan, as necessary, are prepared and approved.

   vi. Based on the design and monitoring framework (DMF), assist the government to refine the performance targets over the implementation period.

3. During loan negotiations, the government confirms and initials the PAM including the section on the procurement plan. The sector division provisionally approves the PAM pending Board approval of the loan.

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\(^1\) The term “sector division” also refers to the office or resident mission primarily administering the project.

\(^2\) In this PAI, the term “executing agency (EA)” also refers to implementing agencies, unless the context requires otherwise.

\(^3\) Refer to the *Safeguard Policy Statement* (2009).
4. The sector division should ensure the borrower’s commitment to comply with ADB’s procedures, particularly for:

i. procuring goods, works, and consulting services;
ii. withdrawing loan proceeds;
iii. submitting progress reports, audited project financial statements and/or audited entity financial statements;
iv. monitoring and evaluating project performance including EA, contractors and consultants; and
v. preparing the project completion report.

5. The sector division’s assessment of the EA should state whether additional assistance will be provided to strengthen its capacity to implement the project.

6. To ensure the smooth flow of funds from ADB to the EA, the sector division examines the need for advance accounts and statements of expenditure procedures based on the results of the EA financial management assessment.

7. Upon project approval, the sector division provides the borrower\(^4\) a copy of the TA report, the RRP including its linked documents, or other project approval documents.\(^5\) The sector division coordinates and conducts regular discussions with the EA to identify and solve issues, and share lessons learned from projects in other sectors and countries.

**B. Project Administration-Related Actions after Loan Approval**

8. After loan approval, the EA should complete any other actions required before the start of project implementation including making available in-kind contributions as part of the financing plan. The sector division liaises with the EA to ensure timely signing of the legal agreements, compliance with the conditions for loan effectiveness and loan withdrawal (if any), and prompt project implementation. The legal agreements include the loan agreement and any project or guarantee agreement.

9. After signing of the legal agreements, the sector division ensures that the required project administration systems are in place and supports the EA to:

i. implement ADB’s requirements for progress reports, including establishing and maintaining separate records and accounting systems for the loan;
ii. implement the performance monitoring and evaluation framework including assignment of responsibilities, and provision of resources; and
iii. remain on schedule with procuring goods, works, and consulting services, establishing any advance accounts (including subaccount), and implementing any:

\(^4\) In this PAI, the term “borrower” also refers to recipients of grants, executing agencies, and/or implementing agencies, unless the context requires otherwise.

\(^5\) Includes Periodic Financing Request Reports, Presidential approvals of purely externally financed projects, and Small-Scale TA. The required templates and linked documents can be found in
(a) environmental management plan(s) and/or environmental assessment and review framework, (b) resettlement plan(s) and/or resettlement framework, (c) Indigenous Peoples plan(s) and/or Indigenous Peoples planning framework, (d) gender action plan and (e) agreed environmental and social management system arrangement, and/or other applicable instruments.

10. The sector division advises the EA of ADB counterparts responsible for administration such as ADB’s sector director, the head of the project administration unit, and the project team leader responsible for administering the project; and prepares to field the inception mission.

11. To maintain the focus on timely loan delivery, the milestone for completion of processing is the signing of the legal agreements.