

Project Administration Instructions

PAI 4.03
Revised in December 2023
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LOAN CLOSING DATES¹

1. This Project Administration Instruction (PAI) discusses procedures for loan closing and extension of the loan closing date.

A. Loan Closing

2. Projects are expected to be completed by project completion date, which is normally 6 months before the loan closing date. The loan agreement specifies a loan closing date on which the Asian Development Bank (ADB) may terminate the right of the borrower² to withdraw from the loan account. The borrower and ADB can agree to extend the loan closing date at any time.

3. If at the loan closing date an amount of the loan has not been withdrawn from the loan account, ADB notifies the borrower that withdrawals can no longer be made and the unwithdrawn amount will be cancelled. If ADB does not take any action at the loan closing date, the loan account remains open for withdrawals and the borrower is billed commitment charges on the undisbursed loan amount under conditions for regular ordinary capital resource (OCR) loans until ADB sends a cancellation notice to the borrower.

4. ADB may allow up to 4 months after the loan closing date as a winding-up period (i) for the borrower to submit withdrawal applications to ADB for expenditures incurred on or before the loan closing date, and (ii) for the borrower to fully liquidate expenditures incurred on or before the loan closing date. No new contract awards or commitments are allowed after the loan closing date nor can eligible expenditure be incurred in ongoing contracts after the loan closing date. Within 2 months after the winding-up period, the borrower should fully refund any unliquidated advance account balance to ADB. A loan is classified as an active loan (and not as a closed loan) until the financial closing date. The financial closing date is the date on which all project-related financial transactions financed from the loan account are finalized and the respective loan account is closed in ADB's books. No withdrawal of proceeds is made from the loan account after the financial closing date, and no further financial transactions may be charged to the loan account.

5. To avoid a loan account remaining open unnecessarily after its loan closing date (without any agreed extension and no notice of termination), the project team reviews the disbursement position, including the advance account, if any, in coordination with the Loan Administration Division (CTLA) of the Controller's Department at least 2 months before the loan closing date. If no withdrawals from the loan account are expected after the loan closing date, outstanding advance to the advance account, if any, is either fully liquidated or refunded. The borrower is advised immediately that the loan account has been financially closed in ADB's books and any remaining amount is cancelled. The effective date of cancellation of undisbursed amount and the

¹ In this PAI, the term "loan(s)" includes grant(s) and the term "project(s)" includes program(s), unless the context requires otherwise. This PAI also applies to loans from external sources that are administered by ADB, unless agreed otherwise between ADB and cofinancier(s).

² The term "borrower" also refers to recipients of grants, executing agencies, and/or implementing agencies, unless the context requires otherwise.

date of financial closing is the date specified in the notice to the borrower, or from the date of ADB's notice to the borrower, if not specifically indicated in such notice.³

6. For fully disbursed loans, the value date of the last financial transaction (e.g., disbursement or refund, etc.) is usually regarded as the financial closing date (i.e., effective date of financial closing of the loan). For loans with undisbursed balances, the financial closing date is usually the date of the final cancellation of the loan.

7. The project team notifies CTLA of the financial closing date of the loan by submitting a Loan and Grant Milestone and Change Event (LGMCE) form as early as possible but not later than 2 working days from such date.⁴ For regular OCR loans, the LGMCE form should indicate the unwithdrawn amount cancelled to ensure that the borrower is not billed for commitment charges on the cancelled amount after the cancellation date.

B. Extending the Loan Closing Date

8. A realistic loan closing date is agreed during project processing, and the project team guides the borrower to ensure completion of the project by the loan closing date.

9. Loan closing dates are extended only in justifiable cases to achieve project outcome and outputs and after ensuring that arrangements exist for completing the project within the extended time.⁵ Delays in project implementation may necessitate extending the loan closing date. When considering an extension, the project team ascertains if the project can be completed successfully within the proposed extension and the remedial measures taken or proposed to be taken by the executing agency (EA)⁶ are adequate.

10. If the loan closing date needs to be extended, the project team leader (PTL) should remind the borrower to submit a written request for extension to ADB at least 6 months before the loan closing date. If no request from the borrower is received, the PTL, in consultation with regional sector project administration unit head and the country operations head, communicates with the borrower and proposes a revised loan closing date to confirm for further ADB's approval. An extension proposal includes the following:

- (i) proposed period of extension, cumulative period of extension, and number of extensions;
- (ii) justification for the extension;
- (iii) updated schedule of projected future contract awards and disbursements;
- (iv) updated project cost estimates and financing plan; and
- (v) steps taken to ensure project completion and disbursement within the extended period.

³ See PAI 4.02 (*Suspension and Cancellation of Loans*).

⁴ See PAI 6.04 (*Loan Milestone and Change Event*).

⁵ For project readiness financing under ongoing loans, refer to *Staff Instruction on Business Processes for Project Readiness Financing*.

⁶ The term "executing agency" also refers to implementing agency, unless the context requires otherwise.

11. Upon receipt of the request or confirmation from the borrower, the project team prepares a memorandum recommending approval of the extension of the loan closing date in consultation with the Partner Funds Division of the Climate Change and Sustainable Development Department, if the project is cofinanced. The memorandum should attach the revised design and monitoring framework reviewed with the EA which includes updated target years of affected indicators.

12. The PTL submits the memorandum to the country director, through the sector director, for approval of cumulative extensions of not more than 2 years from the original loan closing date. The PTL submits the memorandum to the regional director general, through the senior sector director, for approval of cumulative extensions beyond 2 years. The memorandum is circulated to all relevant departments/offices after it is approved. The country director writes to the borrower advising of the extended loan closing date. A copy of the approved memorandum for extension of loan closing date and ADB's advice to the borrower should be attached to the LGMCE form for submission to CTLA as early as possible but not later than 2 working days after the approval of such extension (footnote 4).

13. When an extension results from any change in the project, the necessary approval of the proposed change must be obtained following PAI 5.02 (*Change in Loan Projects*). Such proposals for closing date extension and project change(s) may be combined in a single processing for approval by the higher approving authority provided under either this PAI or PAI 5.02.

14. **Multitranche Financing Facility (MFF).** An extension of the MFF availability period should follow the *Staff Instruction on Business Processes for the Multitranche Financing Facility*. Extension of the closing date of a tranche of an MFF follows section B of this PAI and section E of the *Staff Instruction on Business Processes for the Multitranche Financing Facility*.

15. **Emergency Assistance Loan (EAL).** To extend the loan closing date, the project team should extend through a memorandum, before or simultaneously with, the project completion date:

- (i) The regional sector project administration unit head will approve the extension of the project completion date in consultation with country operations head if the revised project completion date is within 2 years from loan approval for a natural disaster-related EAL or within 3 years for a post-conflict situation.
- (ii) The respective regional director general through sector director will approve revised project completion dates falling between 2 and 4 years from the loan approval date for a natural disaster-related EAL and between 3 and 5 years for a post-conflict related EAL.
- (iii) Board approval for a waiver of the Disaster and Emergency Assistance Policy and Revised Emergency Assistance Loan Policy will be sought on a no objection basis if the revised project completion date extends beyond 4 years from the loan approval date for a natural disaster-related EAL or beyond 5 years for a post-conflict related EAL.