

Project Administration Instructions

PAI 4.03
Revised in December 2018
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LOAN CLOSING DATES

1. This Project Administration instruction (PAI) discusses procedures for loan¹ 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 six months before the loan closing date. The loan agreement specifies a loan closing date on which 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 If at the loan closing date an amount of the loan has not been withdrawn from the loan account, ADB notifies the borrower that withdrawals can no longer be made and the unwithdrawn amount will be cancelled.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, 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.

4. During the four-month winding-up period after the loan closing date, ADB may allow the borrower to submit withdrawal applications to ADB for expenditures incurred on or before the loan closing date. No new contract awards or commitments are allowed after the loan closing date. Within two months after the winding-up period, the borrower should fully refund any outstanding 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.

5. To avoid a loan account remaining open unnecessarily after its loan closing date (without any agreed extension and no notice of termination), the sector division³ 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 two 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 by ADB is the date on which ADB's notice is served to the borrower or the date specified in such notice to the borrower.⁴

6. For fully disbursed loans, the last financial transaction (i.e., disbursement or refund) date is usually regarded as the financial closing date (i.e., effective date of financial closing of the loan).

¹ The term "loan" includes grants, unless the context requires otherwise, but does not include technical assistance grants. This PAI also applies to loans and grants from external sources that are administered by ADB, unless agreed otherwise between ADB and cofinanciers.

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

³ The term "sector division" also refers to the regional office or resident mission primarily administering the project.

⁴ See PAI 4.03 (Suspension and Cancellation of Loans).

For loans with undisbursed balances, the financial closing date is the date of the final cancellation of the loan.

7. The sector division notifies CTLA of the financial closing date of the loan by submitting a loan or grant milestone event dates (LMED or GMED) form within 10 working days from such date. For regular OCR loans, the LMED or GMED 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 sector division 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 sector division 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 borrower submits a written request to ADB. If no request is received, the sector division proposes a revised loan closing date to the borrower and asks it to confirm the proposal. 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; and
- (iv) steps taken to ensure project completion and disbursement within the recommended period.

11. Upon receipt of the request or confirmation, the sector division prepares a memorandum recommending approval of the extension of the loan closing date in consultation with other relevant offices (Procurement, Portfolio and Financial Management Department; Office of the General Counsel; and Office of Cofinancing Operations, if the project is cofinanced).

12. The head of the sector division approves cumulative extensions of not more than two years from the original loan closing date. The director general approves extensions beyond two years. The submission is circulated to all relevant departments after it is approved. Justification of the extensions is indicated in the project performance reports.

⁵ For project readiness financing under ongoing loans, an extension of the ongoing project closing date should not be sought solely for the purposes of refinancing the project readiness loan.

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

13. When an extension results from any change in project, the necessary approval must be obtained following PAI 5.02 (Change in Loan Funded Projects).

14. **Multitranche Financing Facility (MFF).** The MFF availability period may be extended up to 10 years from the MFF approval date. Extension of an MFF follows the procedures in *Table 6: Extensions in the Staff Instruction on Business Processes for Multitranche Financing Facility*. Extension of a tranche of an MFF follows section B of this PAI.

15. **Retention Money.** Payments of retention money under civil works and supply contracts are usually made at the end of a warranty or operational acceptance or after the issuance of a performance certificate. Where payment of retention money is due beyond the loan closing date and no extension of the date is intended,

- (i) ADB may disburse the retention money to the contractor or supplier against an unconditional bank guarantee provided by the contractor or supplier to the EA, or based on other financial arrangements acceptable to ADB;⁷
- (ii) the unconditional bank guarantee is issued in accordance with the borrower's financial regulations by a reputable bank in a manner acceptable to ADB; and
- (iii) if applicable, the agreement of the contractor or supplier to the revised payment arrangements is evidenced by an amendment, variation order, or side letter to the contract.

⁷ Such other arrangement should be approved by the Assistant Controller, CTLA.