

# Project Administration Instructions

PAI 5.02  
Revised in December 2018  
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## CHANGE IN LOAN PROJECTS

1. Projects are expected to be implemented as approved by the Asian Development Bank (ADB). However, flexibility may be required to allow for changes to the project's scope,<sup>1</sup> implementation and financial arrangements, in response to unexpected changes in circumstances during implementation. This would include changes that would improve the development impact and reflect stakeholder interests during implementation.

2. This Project Administration Instruction (PAI) describes how changes proposed by the borrower<sup>2</sup> and/or ADB to a sovereign loan<sup>3</sup> are approved.<sup>4</sup> This PAI should be read in conjunction with (i) PAI 4.03 (Suspension and Cancellation of Loans); (ii) PAI 5.03 (Reallocation of Loan Proceeds, Change in Counterpart Funding and Change in Disbursement Percentage), (iii) PAI 5.04 (Utilizing Surplus Loan Proceeds), (iv) PAI 5.05 (Project Cost Overruns for Loan Projects); and (v) Operations Manual (OM) Section D14 and relevant staff instructions for changes in multitranche financing facility (MFF). This PAI is not applicable to changes due to, or that cause, additional financing OM Section H5 (Additional Financing), and is not applicable to changes that relate to the release of tranches under policy-based loans (OM Section D4 [Policy-based Lending]).

### A. Definition of Major and Minor Change

3. A major change materially alters or fundamentally affects the approved scope and project outcome.

4. A minor change is defined as any change with respect to an ADB approved project that does not result in a major change. Minor changes include, but are not limited to: changes to the project's cost estimates<sup>5</sup> and financing plan,<sup>6</sup> changes to project outputs or their performance target(s), changes in implementation arrangements, including changes in the executing and/or

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<sup>1</sup> Scope refers to investment and/or activities including capacity development actions to achieve the project outcome.

<sup>2</sup> In this PAI, the term "borrower" also refers to recipients of grants, executing agencies, and/or implementing agencies, unless the context requires otherwise.

<sup>3</sup> In this PAI, the reference to "loan" also includes grants, unless the context requires otherwise. This PAI also applies to loans and grants from external sources that are administered by ADB unless agreed otherwise between ADB and cofinanciers.

<sup>4</sup> Change in nonsovereign projects is addressed in OM D10: Nonsovereign Operations. Change in technical assistance projects is addressed in PAI 5.09: Administering Grant-Financed Technical Assistance.

<sup>5</sup> A change to the cost estimates refers to changes among the existing categories of the project's cost and financing tables.

<sup>6</sup> A financing plan is defined as "the plan which identifies the different sources of financing for the project; if appropriate in relevant cases, it will also describe the different loan currencies and lending terms (i.e. short-term, medium-term, and long-term maturities)" (OM Section H3 [Cost Sharing and Eligibility of Expenditures for ADB Financing]).

implementing agencies, implementation period, procurement and consulting services,<sup>7</sup> disbursement arrangements, and reporting arrangements, including project performance monitoring and evaluation.

## **B. Approval and Reporting**

5. When proposing a change, due diligence is conducted and the following matters are confirmed in the request for approval memorandum or board paper:

- (i) Changes in cost, financing plan, counterpart funding, disbursement arrangements, or expenditures originally approved for ADB financing have been consulted and agreed with Controller's Department (CTL), and the Office of Cofinancing Operations (OCO) if the project is cofinanced;<sup>8</sup>
- (ii) Requirements stipulated in PAI 2.02: Preparing Consultant Recruitment for changes in the method of consulting services recruitment have been satisfied;<sup>9</sup>
- (iii) Requirements stipulated in PAI 3.02: Preparatory Work for Procurement for changes in the method of procurement that decrease the competitiveness of the procurement activity have been satisfied;<sup>10</sup>
- (iv) In accordance with the procedures described in OM section F1/OP: Safeguard Review Procedures, social and environmental safeguards issues should be screened and classified, and the requirements on the impact assessments and safeguard planning, if any, have been fulfilled before the change is approved. Advice from the Sustainable Development and Climate Change Department (SDCC) has been incorporated as necessary;
- (v) That with any related change in the project's economic viability, the economic internal rate of return has been maintained consistent with the parameters set out in OM G1: Economic Analysis of Projects;
- (vi) Advice on all legal aspects of the proposed change from OGC has been incorporated;
- (vii) That whether or not a change in the tranche will cause any change to the Multitranche Financing Facility (MFF) has been agreed in consultation with SPD as set out in the *Staff Instruction on Business Processes for Multitranche Financing Facility*; and

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<sup>7</sup> Except for changes to the procurement plan that increase or decrease the number of contracts, decrease or increase the estimated value of contracts, or merely adopt the procurement method thresholds in Appendix 2 of PAI 3.03 (International Competitive Bidding) or [Staff Instructions on Procurement](#). These do not require a memorandum for a minor change and instead, are explained and processed through the Procurement Review System (PRS).

<sup>8</sup> In the specific case of a project cofinanced by a trust fund that is jointly managed by OCO and another department, the concurrence of both OCO and that department has been obtained.

<sup>9</sup> [Staff Instructions on Borrower-Administered Consulting Services](#) are effective for projects or delegated Technical Assistance with concept papers approved after 1 July 2017.

<sup>10</sup> [Staff Instructions on Procurement](#) are effective for projects or delegated Technical Assistance with concept papers approved after 1 July 2017.

- (viii) That integrity due diligence on the proposed changes has been carried out as appropriate in accordance with the related Staff Instruction on Integrity Due Diligence for Sovereign Operations and Cofinancing.

6. **Minor change in a project.** The sector division circulates a draft memorandum for comments to relevant departments such as CTL, OGC, PPF, SDCC, and OCO if the project is cofinanced, following the template provided in Appendix 1. Relevant departments will provide their comments within five working days of receipt. The head of the sector division submits the final draft memorandum with the comments matrix to the director general for approval (Table 1).

7. **Major change in a project.** The sector division circulates a draft Board paper to CTL, OGC, PPF, and OCO if the project is cofinanced and other relevant departments for comments, following the major change in project [template provided in e-Board documents](#). Relevant departments will provide their comments within five working days of receipt. The head of the sector division submits the edited Board paper, together with a comments matrix, to the director general for endorsement. After the endorsement, the sector division submits the draft Board paper to the Office of the Secretary (SEC) for clearance. The Board paper (on a no-objection basis) is submitted by the director general through the vice-president for the President's endorsement to circulate to the Board (Table 1).

8. If determination of whether the proposed change is major or minor is inconclusive, the director general decides in consideration of the views from relevant departments.<sup>11</sup>

9. **Major change in cofinanced loans administered by ADB.** The approval authority for changes in loans financed by cofinancing will be approved by the President.<sup>12</sup>

10. **Multitranches Financing Facility (MFF).** A change in an MFF or individual tranche under MFF, whether major or minor, should be evaluated based on provisions in Table 4: Changes in the *Staff Instruction on Business Processes for Multitranches Financing Facility*. The approval process will follow the procedure for changes in a project depending on the approval authority indicated in Table 1. Proposed changes to an MFF will be circulated for comments to SPD. Approved documents on changes to an MFF or tranche under an MFF will be copied to SPD.

11. **Project Readiness Financing (PRF).** A change in PRF is considered major if the proposed change fundamentally alters the overall objective of the financing, otherwise the change is considered minor. The change in PRF is evaluated whether major or minor based on provisions in the *Staff Instruction on Business Processes for Project Readiness Financing*. Refinancing of a PRF using savings from an ongoing loan to the same borrower will require approval of a change in the ongoing project and reallocation of surplus loan proceeds under the ongoing loan. The approval process will follow the procedure for changes in a loan project depending on the approval authority indicated in Table 1.

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<sup>11</sup> The director general may not delegate this authority.

<sup>12</sup> ADB. 2015. [Enhancing Operational Efficiency of the Asian Development Bank](#). Manila.

**Table 1: Approval Authority for Proposed Change**

		<b>Major Change</b>	<b>Minor Change</b>
(i)	Loan financed projects (excluding projects under a MFF)	Board	Director General <sup>a</sup>
(ii)	Loans sourced from cofinancing	President	Director General <sup>a</sup>
(iii)	Individual tranche under MFF	President	Director General <sup>a</sup>
(iv)	MFF	Board	President
(v)	PRF	Board	Director General <sup>a</sup>
(vi)	Small-scale PRF <sup>b</sup>	Vice President	Director

<sup>a</sup> The director general may delegate in writing the approval authority to an authorized director.

<sup>b</sup> Small-scale PRF does not exceed \$15 million.

12. After approval of the change, the sector division will send a copy of the approved memorandum or board paper to CTL, OGC, PPF, SPD, OCO if the project is cofinanced, and other relevant departments for information. The sector division will also update the project/facility administration manual and the eOperations project record. OGC will make any necessary amendments to the financing agreements. For any changes involving the cofinanced portion of the project, OCO will coordinate the amendment to the cofinancing agreements as needed. Major change documents approved by the Board will be disclosed in line with ADB's [Public Communications Policy](#).

13. All approved changes are reported by PPF to the Board in the quarterly portfolio updates. Changes in an MFF and/or tranche under an MFF are also reported annually to the Board by SPD.

{This template is used for a (i) minor change to a project, MFF or a tranche under an MFF; or (ii) major change to an individual project under an MFF}

## **FOR APPROVAL OF PARA. 1**

To: Approval Authority

From: User Division

**Subject: {Country, Project Title, Loan xxxx and/or Grant xxxx, MFF xxxx}  
— {[Request for Minor Change in [a Project] / [MFF] / [a Tranche under an MFF]] or  
[Major Change in a Tranche under an MFF]}**

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### **A. Matter for Consideration**

1. State precisely the proposed [minor or major] change.

### **B. Background Information**

2. Indicate the [loan or grant amount and dates of approval and signing, loan effectiveness, and loan closing] or [MFF amount, date of approval, and availability period].

3. Describe the project outcome and outputs, and provide names of agencies involved in the implementation.

### **C. Current Status of Implementation**

4. Describe the implementation status, what has been done and what remains to be done (including contract awards, disbursement and project rating status).

### **D. Proposed Change of the [Project]/[MFF]/[Individual Tranche under an MFF]**

5. Describe the proposed change and the reasons for it. Describe the implications for the cost, the financing plan, implementation schedule, disbursement arrangements, project benefits, implementation and procurement arrangements, and design and monitoring framework, where applicable.

### **E. Staff Views**

6. Confirm compliance with PAI 5.02, para 5, parts i–viii, and that comments from other departments have been incorporated.

{Attachments: Include revised financing plan, detailed cost estimates, reallocation of loan proceeds,<sup>1</sup> and design and monitoring framework, where applicable.}

cc: Vice President (relevant Operations Group) for Major Change  
Director General (relevant department)  
PPFD, CTL, OGC, other relevant departments and offices, including SPD for MFF or a tranche under an MFF  
OCO (if there is cofinancing)

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<sup>1</sup> See appendix 2 for format

**TABLE FOR REALLOCATION OF LOAN PROCEEDS<sup>a</sup>**

<b>Cat No.</b>	<b>Item</b>	<b>Current Allocation</b>	<b>Current ADB Disbursement %<sup>b</sup></b>	<b>Commitment</b>	<b>Disbursements</b>	<b>Proposed Increase/ (Decrease)</b>	<b>Proposed Allocation</b>	<b>Proposed ADB Disbursement %<sup>b</sup></b>
1			XX% of total expenditures claimed					XX% of total expenditures claimed
2			XX% of total expenditures claimed					XX% of total expenditures claimed
3			XX% of total expenditures claimed					XX% of total expenditures claimed
4			XX% of total expenditures claimed					XX% of total expenditures claimed
	<b>Total</b>	-		-	-	-	-	

<sup>a</sup> Indicate full amounts

<sup>b</sup> Column to be included if change in disbursement % is also proposed. Otherwise, omit.