

# Project Administration Instructions

PAI 5.02  
Revised in June 2023  
Page 1 of 8

---

## CHANGE IN LOAN PROJECTS<sup>1</sup>

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>2</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>3</sup> and/or ADB to a sovereign loan are approved.<sup>4</sup> This PAI should be read in conjunction with (i) PAI 4.02 (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 (Multitranche Financing Facility) 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 implementing agencies, implementation period, procurement and consulting services,<sup>7</sup> disbursement arrangements, and reporting arrangements, including project performance monitoring and evaluation. Changes made to design and monitoring framework (DMF) outcome

---

<sup>1</sup> 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).

<sup>2</sup> Scope refers to investment and/or activities including capacity development actions to achieve the project outcome.

<sup>3</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>4</sup> Change in nonsovereign projects is addressed in OM Section D10 (Nonsovereign Operations). Change in technical assistance projects is addressed in PAI 5.09 (Administering 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).

<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 [Procurement Staff Instructions](#). These do not require a memorandum for a minor change and instead, are explained and processed through the Procurement Review System.

indicators which do not materially alter or fundamentally affect the approved project scope and outcome may be processed as a minor change.<sup>8</sup>

## **B. Approval and Reporting**

5. When proposing a change, due diligence is conducted for the scope or implementation arrangements affected by the change and the following matters are confirmed with the relevant project team members and departments/offices concerned:

- (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 Partner Funds Division (CCPF) of the Climate Change and Sustainable Development Department (CCSD) if the project is cofinanced;<sup>9</sup>
- (ii) Requirements stipulated in PAI 2.02 (Preparing the Consultant Recruitment) for changes in the method of consulting services recruitment have been satisfied;<sup>10</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>11</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 Office of Safeguards has been incorporated as necessary;
- (v) In accordance with the procedures described in OM Section C2/OP (Gender and Development in ADB Operations), gender issues should be reviewed, classified, and monitored. Advice from CCSD has been incorporated as necessary;
- (vi) 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 Section G1: Economic Analysis of Projects;
- (vii) Advice on all legal aspects of the proposed change from the Office of the General Counsel (OGC) has been incorporated;
- (viii) That whether or not a change in the tranche will cause any change to the MFF has been agreed in consultation with the Strategy, Policy, and Partnerships Department (SPD) as set out in the *Staff Instruction on Business Processes for the Multitranches Financing Facility*; and

---

<sup>8</sup> Common examples of outcome indicator changes considered minor in scope include the addition of new or strengthened indicators to measure the project's outcome made possible by the availability of improved data, refinement of outcome indicators to increase their specificity or accuracy, revision of outcome indicators or their targets to a higher level of ambition.

<sup>9</sup> In the specific case of a project cofinanced by a trust fund that is jointly managed by CCPF and another department/office, the concurrence of both CCPF and that department/office has been obtained.

<sup>10</sup> [Procurement Staff Instructions \(Borrower-Administered Procurement of Consulting Services\)](#) are effective for projects or delegated Technical Assistance with concept papers approved after 1 July 2017.

<sup>11</sup> [Procurement Staff Instructions \(Borrower-Administered Procurement of Goods, Works, and Nonconsulting Services\)](#) are effective for projects or delegated technical assistance with concept papers approved after 1 July 2017.

- (ix) 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*;
- (x) That financial due diligence and the related financial management arrangements on the proposed changes should be carried out in accordance with the procedures described in OM Section G2: Financial Due Diligence in Sovereign Operations and OM Section J7: Financial Reporting, Auditing, Management, and Monitoring in Sovereign Operations has been incorporated; and
- (xi) That any other relevant due diligence has been carried out as appropriate for the proposed change, including due diligence which (a) was conducted for the approved project as reflected in the report and recommendation of the President or equivalent approval document, or (b) was not conducted for the approved project but is now required to be carried out under the *Staff Instruction on Business Processes for Sovereign Operations*.

6. The project team leader (PTL) should request relevant project team members<sup>12</sup> to review within their functional areas to assure due diligence. The project team members proactively contribute to and take responsibility within their functional area. The project team members will seek guidance and clearance from their functional reporting line, where necessary. The PTL retains the overall responsibility for ensuring compliance with relevant due diligence requirements.

7. In addition to the contribution from the project team members in their respective functional areas, the PTL should consult other departments/offices<sup>13</sup> to ensure relevant due diligence, if applicable. The role of other departments/offices is to review the proposed change as necessary, provide advice and support to the project team in meeting the requirements in their respective functional areas.

8. If any unresolved issue remains between the PTL and the concerned departments/offices, the sector director (SD) convenes a Resolution Meeting based on request from the PTL or director from concerned departments/offices to resolve the issues. The SD will chair the Resolution Meeting, facilitate the resolutions, and make the decision to proceed with the proposed change or instruct the project team to take further actions.

9. **DMF-related minor change in a project.** For minor changes requiring changes to the DMF outputs and indicators for outcome and outputs, the PTL should prepare a draft memorandum in consultation with the regional sector project administration unit head following the template provided in Appendix 1<sup>14</sup> and conduct due diligence specified in paras. 5–7. The SD, with the concurrence of the country operations head (COH), approves the memorandum (Table 1).

10. **Non-DMF-related minor change in a project.** For other minor changes that are non-DMF-related, the PTL can approve such changes after conducting due diligence as specified in paras. 5–7. The PTL should consult the regional sector project administration unit head, if

---

<sup>12</sup> For project team members, refer to refer to *Staff Instruction on Business Processes for Sovereign and Sovereign-Guaranteed Financing*.

<sup>13</sup> For other departments/offices to be consulted, refer to *Staff Instruction on Business Processes for Sovereign and Sovereign-Guaranteed Financing*.

<sup>14</sup> Or equivalent template following the initiative of the departments/offices to streamline the preparation of the memorandum.

needed. The PTL should record the changes with reasons/justifications in project documents such as back-to-office report, project administration manual, memorandum of understanding, aide-mémoire, and ADB's no-objection letter. The project team informs relevant departments/offices of the change.

11. **Major change in a project.** The project team will prepare a draft Board paper, in consultation with the regional head, operations coordination (RHOC) and COH, following the major change template provided in e-Board documents and conduct due diligence as specified in paras. 5–7. The SD submits the draft Board paper to the senior sector director (SSD) for endorsement. After endorsement, the project team submits the draft Board paper to the Office of the Secretary for editing and clearance. The edited Board paper (on a no-objection basis) is submitted by the SD through the SSD, regional director general, and regional vice-president for the President's approval to circulate to the Board (Table 1).

12. If determination of whether the proposed change is major or minor is inconclusive, the SSD decides in consideration of the views from RHOC, OGC, SPD and the Procurement, Portfolio, and Financial Management Department (PPFD).

13. **Major change in cofinanced loans administered by ADB.** The PTL should prepare a draft memorandum following the template provided in Appendix 1 and conduct due diligence as specified in paras. 5–7. The SSD submits the memorandum through the regional director general and regional vice president to the President for approval (Table 1).

14. **Multitranches Financing Facility.** A change in a tranche will follow the procedure for changes in a project depending on the approval authority indicated in Table 1 in consultation with SPD. If the proposed change affects the MFF (e.g., outputs and/or outcome), approval for changes to the MFF is sought concurrently. A change in an MFF, whether major or minor, should be evaluated based on provisions in *Table A4.4: Changes in the Staff Instruction on Business Processes for the Multitranches Financing Facility*.

15. **Project Readiness Financing (PRF).** A change in PRF may include changes to a project readiness loan's scope and implementation arrangements, including implementation period. A change in a PRF is considered major if the proposed change fundamentally alters the overall objective of such financing, otherwise the change is considered minor.<sup>15</sup> The PTL should conduct due diligence specified in paras. 5–7 and follow procedures outlined in paras. 9–11 and approval authorities in Table 1.

16. **Small Expenditure Financing Facility (SEFF).** After approval, the borrower may from time to time propose changes to the facility, or to an approved Activity. A change to the facility is considered major if the proposed change (i) fundamentally alters the scope of activities, and the nature of expenditures, to be financed under the SEFF;<sup>16</sup> (ii) an Activity is categorized as 'A' for environment, resettlement, and/or indigenous people in line with ADB's Safeguard Policy

---

<sup>15</sup> For example, a major change may include changing the scope of a project readiness loan which is supporting the preparation of an investment master plan for the transport sector and delivery capacity development support to strengthen a government agency's project implementation capacity, to instead using the PRF to finance the detailed engineering design of a complex hydropower project with significant anticipated environmental and social impacts, and high vulnerability to climate change.

<sup>16</sup> For example, if it is proposed to increase the scope of an existing facility to cover ongoing project support and post-project completion support, in addition to project preparation support.

Statement (2009); and/or (iii) results in an overall increase in the facility size. Otherwise, the change is considered minor. The PTL should conduct due diligence specified in paras. 5–7 and follow procedures outlined in paras. 9–11 and approval authorities in Table 1.

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

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

DMF = design and monitoring framework, MFF = multitranche financing facility, PRF = project readiness financing, SEFF = small expenditure financing facility.

<sup>a</sup> With the concurrence of the country operations head.

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

17. After approval of the major or minor change, the project team will send a copy of the Board paper, approved memorandum, or recorded documents to COH, RHOC, CTL, OGC, PPF, SPD for MFF or a tranche under an MFF, CCPF if the project is cofinanced; and other relevant departments/offices for information. The project team 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, CCPF will coordinate the amendment to the cofinancing agreements as needed. Major change documents approved by the Board and updated project/facility administration manual will be disclosed in line with ADB's Access to Information Policy.

18. All approved major and DMF-related minor 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:

Through:

From:

**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]}**

---

### **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, paras. 5–7.

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

cc: Vice President (relevant region) for Major Change  
Directors General (relevant regional departments, Sectors Group)  
Regional Sector PAU Head  
Country Operations Head  
PPFD, CTL, OGC, other relevant departments/offices, including SPD for MFF or a tranche under an MFF  
CCPF (if there is cofinancing)

---

<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.