



CENTRAL OPERATIONS SERVICES OFFICE
Project Coordination and Procurement Division

19 May 2004

FOR APPROVAL Paragraph 3

To: OIC, COSO

From: R. H. Marshall
Principal Portfolio Management Specialist

Subject: Minor Change to PAI 4.04: Suspension and Cancellation of Loans

1. Staff has encountered some uncertainty with the wording in PAI 4.04 as it relates to cancellation of loan proceeds by borrowers.

2. To improve clarity, the highlighted changes are proposed:

D. Cancellation of Loans

1. Cancellation by the Borrower

8. The borrower may cancel any amount of the loan that it has not withdrawn (the Regulations). The borrower may do this by notifying ADB after prior consultation with ADB. Outstanding amounts of commitment letters issued by ADB cannot be canceled except as expressly provided in such commitment letters. ADB's obligations under the commitment letter are indicated in the withdrawal application form for the commitment letter.²

2 ADB. 2001. Loan Disbursement Handbook, Appendix 5, Form ADB-CLf.

9. Consultation in this context may be informal. It may be verbal or written, and is handled at the ADB division or department level. Such consultation allows ADB to comment on the borrower's intent before it is put into effect. Once the borrower requests cancellation of all or part of a loan, ADB cannot delay or deny that request. ***If the ADB loan has associated cofinancing, each cofinancier must be consulted on a cancellation request. Staff should channel all communications with cofinanciers through OCO, and incorporate OCO's advice when finalizing the cancellation.***

E. Procedure for Cancellation

12. ***For paragraph 8/9, the concerned sector director or country director finalizes the cancellation – no higher-level approval is required – and informs the Operations Coordination Division/Unit (OCD/U) of the cancellation details.***

G. **Notification** of Loan Suspension and Cancellation

18. **For a suspension initiated by ADB or a cancellation initiated by ADB or the borrower, OCD/U writes to** the borrower and executing agency advising of the suspension or cancellation, **indicating the effective date and/or the cancelled amount, and copies** the concerned ADB offices (COSO, CTLA, OCO if the project is cofinanced, OGC, RM, and sector division). The sector division or RM concerned immediately completes a loan milestone event dates (LMED) form and routes the approved form to the Loan Administration Division for immediate encoding to the system, which automatically implements the suspension of withdrawals and processing of disbursement

3. The proposed changes are not considered to be substantive. OCO has been consulted on the cofinancing reference. Your approval is therefore sought to revise PAI 4.04, as noted in paragraph 2 above, in the Lotus Notes database.

cc: President
Vice Presidents
Heads of Department
Directors