

# LOAN DISBURSEMENT HANDBOOK 2017

ASIAN DEVELOPMENT BANK



# LOAN DISBURSEMENT HANDBOOK 2017



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# FOREWORD

The *Loan Disbursement Handbook* is a compilation of the Asian Development Bank (ADB) disbursement policies, guidelines, procedures, and practices. The handbook will serve as a useful reference guide for developing member country borrowers and officials, project staff from executing agencies and project management units, as well as ADB staff, in designing and using an efficient disbursement operation that will support project implementation.

The four pillars of an efficient disbursement operation are (i) funds flow structure, (ii) disbursement arrangements, (iii) staff capacity and systems, and (iv) internal controls. A good understanding of ADB's disbursement policies, guidelines, procedures, and practices is instrumental for building these pillars. The handbook endeavors to complement this need and thereby support project implementation.

The handbook applies to ADB-financed loan and grant investment projects, and provides a separate chapter for disbursement of policy-based loans and grants.

The handbook supersedes all previous editions and takes effect immediately; however, it does not override the specific arrangements stipulated in loan, grant, and financing agreements and related project administration manuals. The handbook is available electronically from the ADB website (<http://www.adb.org/documents/loan-disbursement-handbook>). The Controller's Department will update the handbook as deemed necessary and publish the revised version on the aforementioned website. The handbook is designed to allow for updates by chapter, with the date of issuance indicated at the top of each page. Readers are advised to visit this site regularly to ensure they have the latest version of the handbook.

# ABBREVIATIONS

ADB	Asian Development Bank
APFS	audited project financial statements
CTL	Controller's Department
CTLA	Loan Administration Division of Controller's Department
DMC	developing member country
EA	executing agency
FAM	Facility Administration Manual (for MFF)
FAW	force account for works
FIL	financial intermediation loan
GFIS	Grant Financial Information System
IA	implementing agency
LC	letter of credit
LFIS	Loan Financial Information System
MFF	multitranche financing facility
OM	Operations Manual
PAI	Project Administration Instruction
PAM	Project Administration Manual
PCSS	procurement contract summary sheet
PFI	participating financial intermediary
RRP	Report and Recommendation of the President
SDR	special drawing right
SOE	statement of expenditures
SWIFT	Society for Worldwide Interbank Financial Telecommunication
WA	withdrawal application



## Purpose

- 1.1 This *Loan Disbursement Handbook* on the disbursement policies and procedures of the Asian Development Bank (ADB) primarily guides borrowers in withdrawing loan proceeds from the loan account.<sup>1</sup>

## Scope and Applicability

- 1.2 The principles and procedures described in this handbook apply to ADB's loan- and grant-funded investment projects and policy-based loans and grants, in whole or in part from ADB's ordinary capital resources, ADB's Special Funds resources, and external funding sources that are administered by ADB, except when ADB and the relevant cofinancier agree otherwise. Chapter 13 of the handbook covers ADB's private sector (nonsovereign) operations. The handbook does not apply to disbursements under technical assistance provided through a technical assistance framework agreement or a technical assistance agreement, and small scale technical assistance.
- 1.3 The terms "ADB loan," "ADB share," "ADB-financed" or "ADB financing," and other conceptually similar or related terms in this handbook include ADB-administered grants or loans, unless the context requires otherwise. The term "loan(s)" as used in this handbook also refers to grants, for investment projects that are implemented by borrowers unless the context requires otherwise. The term "borrower(s)" in this handbook refers to borrowers, recipients of grants, and/or their executing agencies and/or implementing agencies, unless the context requires otherwise.
- 1.4 The handbook should be used in conjunction with the loan documents (section 3.5) and relevant ADB regulations and guidelines.
- 1.5 This handbook supersedes all previous handbooks and guidelines on loan disbursement.

## Inquiries

- 1.6 For further information, visit the ADB website (<http://www.adb.org>), inquire to the following address, or contact ADB's resident or regional missions or representative offices.

### Controller

Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

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Philippines Fax: +63 2 636 2586/636 2595  
E-mail: [lfis@adb.org](mailto:lfis@adb.org)  
SWIFT address: ASDBPHMM

## Online Training

- 1.7 Online training on ADB's disbursement policies and procedures is available at [http://wpqr4.adb.org/disbursement\\_elearning](http://wpqr4.adb.org/disbursement_elearning)

<sup>1</sup> References to Operations Manual/Staff Instructions/Project Administration Instructions, etc. in this handbook are for ADB staff guidance.

- 2.1 The Asian Development Bank (ADB) is a multilateral development finance institution founded in 1966 to promote social and economic progress in its developing member countries in Asia and the Pacific (see the ADB website: <http://www.adb.org/about/main>).
- 2.2 ADB's principal functions are
- lending funds,
  - providing grants,
  - providing technical assistance and advisory services,
  - promoting investments for development purposes, and
  - assisting in coordinating the development policies and plans of developing member countries.

## Inquiries

- 2.3 Loan disbursement is handled by the Loan Administration Division of the Controller's Department.
- 2.4 For loan service payments and billing matters, inquiries are addressed to the Accounting Division of the Controller's Department.

## Basic Principles

- 3.1 The Agreement Establishing the Asian Development Bank (the ADB Charter)<sup>1</sup> states three main principles of disbursement for development projects:
- The proceeds of any loan, investment, or other financing provided by the Asian Development Bank (ADB) shall be used only for procurement in member countries of goods and services produced in member countries unless specifically permitted by its Board of Directors (Article 14[ix]).
  - The borrower shall be permitted by ADB to draw its funds only to meet expenditures in connection with the project as they are actually incurred (Article 14[x]).
  - Proceeds of any loan made, guaranteed, or participated by ADB are used only for the purposes for which the loan was granted and with due attention to considerations of economy and efficiency (Article 14[xi]).
- 3.2 The borrower can withdraw loan funds only for eligible expenditures incurred after the loan agreement becomes effective, unless retroactive financing is approved in the loan documents.

## Definitions

- 3.3 The following terms are defined for the purpose of this handbook:
- |                         |   |
|-------------------------|---|
| • disbursement          | The withdrawal of proceeds from a loan account.   |
| • eligible expenditures | Project expenditures that can be financed through loans from ADB.   |
| • expenditures incurred | The borrower's obligation to pay either as a result of contractual terms or after goods and services have been provided.  |
| • loan account          | The account opened or to be opened by ADB on its books in the name of the borrower for the project, and to which the amount of the loan has been or will be credited. |

<sup>1</sup> ADB. 1965. *Agreement Establishing the Asian Development Bank*. Manila.

## Loan or Grant Regulations

- 3.4 The regulations<sup>2</sup> further set out general terms and conditions applicable to loan or grant made by ADB, or administered by ADB.<sup>3</sup> These documents are expressly incorporated in the associated loan agreement, guarantee agreement, or grant agreement. If any provision of a loan agreement, guarantee agreement, or grant agreement is inconsistent with a provision of these regulations, the provision of the loan agreement, guarantee agreement, or grant agreement governs.

## Loan Documents

- 3.5 Loan documents<sup>4</sup> include the following documents and agreements:
- The **Report and Recommendation of the President** (RRP) (or other loan proposal) presents the project proposal for consideration by the ADB Board of Directors.
  - The **Project Administration Manual** (PAM)<sup>5</sup> includes all the information and schedules describing project implementation and project readiness filters covering major preproject implementation actions (e.g., government approvals, procurement, and resettlement) to ensure a rapid start-up and enable early disbursement. It serves as the main document describing implementation details.
  - The **loan agreement** is an agreement between ADB and a borrower and sets out the loan's terms and conditions and primarily the obligations to be performed by the borrower of ADB-financed projects.
  - A **guarantee agreement** is an agreement between ADB and a member country as guarantor of the loan when ADB lends directly to a nonmember entity.
  - A **project agreement** is an agreement between ADB and the project executing agency or implementing agency of the borrower specifying requirements related to, among other things, physical implementation of the project, procurement provisions, and financial aspects, including the maintenance of project financial statements and audit arrangements.

## Loan Milestone Event Dates

- 3.6 Major loan milestone event dates include the following:
- The **approval date** is the date the loan is approved by the ADB Board of Directors. The expected approval date is used for determining the loan amortization schedule, as shown in the loan agreement. For a loan under a multitranche financing facility (MFF), the approval date is the date the respective tranche is approved by Management.
  - The **signing date** is the date the loan agreement is signed by the borrower and ADB. For regular loans made by ADB from its ordinary capital resources, commitment charges will start to accrue on the 60th day after the loan signing date.

<sup>2</sup> Includes Ordinary Operations Loan Regulations, Ordinary Operations (Concessional) Loan Regulations, Special Operations Grant Regulations, and Externally Financed Grant Regulations.

<sup>3</sup> ADB applies similar principles to those set out in Articles 14(ix), (x), and (xi) of the Charter to grants or loans from external funding sources that are administered by ADB, except when ADB and the cofinancier agree otherwise.

<sup>4</sup> See *Operations Manual* (OM) D11.

<sup>5</sup> A PAM is prepared for project loans, and a Facility Administration Manual (FAM) is prepared for multitranche financing facilities (MFFs). The term "PAM" in this handbook also refers to FAMs unless the context requires otherwise.



- The **effective date** is the date when ADB advised the borrower that all conditions of effectiveness of the loan agreement have been fulfilled by the borrower.
- The **project completion date** is the date on which the project is considered physically completed. This date precedes the loan closing date (normally 6 months before).
- The **loan closing date** is the date on which ADB may terminate the right of the borrower to make withdrawals from the loan account as specified in the loan agreement (see sections 4.18–4.27 for matters related to loan closing).
- 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. For regular loans made by ADB from its ordinary capital resources, commitment fees are chargeable on the undisbursed balance until the financial closing date.

## Retroactive Financing

- 3.7 Retroactive financing is the financing of project expenditures incurred by the borrower prior to the effective date of the related loan agreement.<sup>6</sup> Retroactive financing is specifically agreed by ADB and the borrower in the loan agreement, pursuant to the terms of the relevant agreement.
- 3.8 The borrower's request for retroactive financing (period and amount in percentage) is presented and justified in the loan proposal. Expenditures financed under retroactive financing are incurred prior to loan effective date but generally no earlier than 12 months before signing the loan agreement. A period longer than 12 months may be allowed, if justification is provided.
- 3.9 The retroactive financing amount is up to 20% of the total ADB loan amount. For an immediate emergency response in case of a disaster, the limit is no more than 30% of the total ADB loan for the expenditures incurred after the disaster occurred.<sup>7</sup>

## Loan Cancellation

- 3.10 The Loan Regulations (see section 3.4 for relevant regulations) provide that, after consultation with ADB and with the concurrence of the guarantor, if any, the borrower may, by notice to ADB, cancel any amount of the loan which has not been withdrawn.<sup>8</sup> The effective cancellation date is when ADB receives the borrower's notice of such cancellation.
- 3.11 Under the Loan Regulations, ADB may also, by notice to the borrower and the guarantor, if any, cancel<sup>9</sup> any unwithdrawn amount of the loan when
- the borrower's right to make withdrawals from the loan account has been suspended for a continuous 30 days;
  - ADB determines, at any time and after consultation with the borrower, that any amount of the loan will not be required for purposes of the project;
  - ADB determines, with respect to any contract to be financed out of the proceeds of the loan, that corrupt or fraudulent practices were engaged in by representatives of the

<sup>6</sup> See OM H4.

<sup>7</sup> See OM D7 for "Disaster and Emergency Assistance."

<sup>8</sup> See Project Administration Instruction (PAI) 4.03.

<sup>9</sup> The effective date of cancellation is the date of such notice by ADB to the borrower or the date specified in the notice to the borrower.

borrower, the guarantor, or any beneficiary of the loan during the procurement of goods or services, consultants' selection, or the execution of the contract without the borrower or guarantor having taken appropriate action to remedy the situation;

- ADB determines that the procurement of any goods and services to be financed out of the proceeds of the loan is inconsistent with the procedure set out in the loan agreement; or
- an amount of the loan remains unwithdrawn from the loan account by loan closing date.

3.12 Upon giving such notice to the borrower, ADB cancels any unwithdrawn amount of the loan.

## Suspending Withdrawals

3.13 ADB may suspend in whole or in part the borrower's right to withdraw from the loan account, as provided in the Loan Regulations, if after the date of the loan agreement there is<sup>10</sup>

- nonpayment of principal, interest, or any other charge;
- nonperformance of any obligation under the loan, guarantee, or project agreements;
- nonfulfillment by the borrower, the guarantor, or the executing agency of certain conditions necessary for carrying out its project successfully;
- suspension or cessation of membership of the borrower;
- misrepresentations made by the borrower or the guarantor;
- dissolution of the borrower or executing agency; or
- any other event as specified in the loan agreement.

## Accelerating Maturity

3.14 If certain events as indicated in the loan agreement or in the Loan Regulations occur and continue for the relevant period, ADB may declare as due and payable immediately the principal of the loan then outstanding, together with all accrued interest and other charges.

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<sup>10</sup> See PAI 4.03.

## General Guideline

- 4.1 The borrower is responsible for implementing the project according to the loan agreement and other loan documents. The Asian Development Bank (ADB) monitors the project and reviews its progress to ensure that the loan proceeds are spent as agreed upon.

## Loan Account

- 4.2 When a loan becomes effective, a loan account is opened in ADB's books in the name of the borrower for the project and the loan amount is credited to the loan account. Withdrawal from the loan account is approved only after fulfillment of the requirements mentioned in section 4.5.

## Discussion of Disbursement Procedures during Project Preparation

- 4.3 During project preparation and loan negotiations, ADB's different disbursement procedures are discussed in detail by the borrower and ADB and documented in the Project Administration Manual (PAM).<sup>1</sup> These discussions are important because these documents allow the borrower and ADB to identify the disbursement procedures most suitable for the project.

## Disbursement Notification

- 4.4 After the loan agreement is signed, ADB sends a loan effectiveness letter<sup>2</sup> to the borrower that will include a disbursement notification (formerly called "disbursement letter") to remind the borrower to submit sufficient evidence of the authority to sign withdrawal applications (WAs) (Appendix 4A) to the Loan Administration Division of the Controller's Department (CTLA).

## Basic Requirements for Disbursement

- 4.5 The first withdrawal from the loan account requires the following:
- ADB declared the loan effective;
  - the borrower submitted to ADB sufficient evidence of the authority of the person(s) who will sign WAs (Chapter 5) on behalf of the borrower, together with the authenticated specimen signature of each authorized person (Appendix 4A); any subsequent change

<sup>1</sup> A PAM is prepared for a project loan, and a Facility Administration Manual (FAM) is prepared for a multitranche financing facility (MFF). The term "PAM" in this handbook also refers to FAMs unless the context requires otherwise.

<sup>2</sup> See Project Administration Instructions (PAI) 1.03.

in the list of authorized representatives must be reported immediately and authenticated specimen signatures of new representatives must also be provided; and

- conditions for withdrawal (i.e., disbursement conditions [Appendix 3A]), if specified in the loan agreement, were met as appropriate.

## Eligible and Ineligible Expenditures

- 4.6 ADB will only finance eligible expenditures (Appendix 4B). Expenditures eligible for financing are generally detailed in the loan agreement (e.g., allocation and withdrawal of loan proceeds, also referred to as the “allocation table”) and the PAM. Expenditures incurred after the loan closing date are ineligible. If funds withdrawn from the loan account are determined to be ineligible for ADB financing, ADB may offset the amount against subsequent withdrawal for reimbursement, or request the borrower to refund the same amount to the loan account (sections 4.23–4.26) or to the advance account if the payment was made from the advance account (sections 8.22–8.23).

## Allocation of Loan Proceeds

- 4.7 Project expenditures to be financed through ADB loans are usually grouped into expenditure categories. The loan agreement between the borrower and ADB presents the amount allocated to each expenditure category of project expenditure in the allocation table. The allocation amount for each expenditure category is derived from the detailed cost estimates by financier included in the PAM (refer to Appendix 4C for Illustrative Tables).
- 4.8 The allocation table is normally inserted for all types of project loan agreements<sup>3</sup> (including sector loans, unless the information necessary to complete the allocation is not available at the time of the approval). For financial intermediation loans, the allocation table may or may not be attached to the loan agreement.
- 4.9 The allocation table is input to the Loan Financial Information System (LFIS) or Grant Financial Information System (GFIS) (refer to section 14.9 for the access request). Disbursements are charged to the expenditure categories of the allocation table and recorded in LFIS or GFIS. The borrower must ensure that the balances of the expenditure categories in LFIS/GFIS website (<http://lfis.adb.org>) are sufficient to cover the amounts to be disbursed or committed prior to submission of the WA. No disbursement is made in excess of the allocated balance of each expenditure category, unless otherwise agreed between ADB and the borrower.<sup>4</sup>

## Reallocating Loan Proceeds

- 4.10 Reallocation from one category to another may be allowed unless prohibited in the loan agreement.<sup>5</sup> A part of the loan proceeds may be shown as “unallocated” in the allocation table. No disbursement is made directly from the “unallocated” category. ADB may agree to a borrower’s request to reallocate funds from the “unallocated” or other categories to another allowable

<sup>3</sup> See Staff Instruction (SI) on Business Processes for Loan Disbursement.

<sup>4</sup> Unless otherwise restricted in the loan agreement, by signing the WA, the borrower certifies and agrees that ADB may process the disbursement and, subsequently, reallocate to specific categories from other categories if the disbursement requested in the WA will result in the agreed allocation of the categories being exceeded.

<sup>5</sup> See PAI 5.03.

category for project purposes. Normally, the loan proceeds are reallocated after project progress has been reviewed with the borrower during a review mission.

## Disbursement Percentage and Financing Percentage

- 4.11 The disbursement percentage<sup>6</sup> is the ratio or proportion of ADB financing which is applied to expenditures claimed under a particular expenditure category, as specified in the allocation table or other part of the loan agreement.
- 4.12 The disbursement percentage is derived from ADB's financing percentage, as presented in the detailed cost estimates by financier included in the PAM.

## Disallowances and Nonpayments

- 4.13 Where ADB disallows or adjusts the amount of withdrawal the borrower requested, ADB will notify the borrower in writing, by fax, e-mail, or other means such as the LFIS/GFIS website, citing the loan and WA number, amount applied for, amount paid, and reason for nonpayment or partial payment.
- 4.14 For nonpayment or adjusted settlement of claims under the commitment procedure (Chapter 10), ADB sends an advice to the negotiating or advising bank by authenticated SWIFT<sup>7</sup> or tested telex citing the commitment letter number, letter of credit number, and reason for nonpayment or adjusted settlement. A copy of this advice is furnished to the borrower for information.

## Capitalization of Interest, Commitment Charges, and Other Fees and Charges

- 4.15 If the loan agreement provides for financing of interest, commitment charge, and/or other charges that may be charged by ADB during construction or implementation, ADB withdraws from the loan account and pays itself the amounts due. If the loan agreement does not provide for financing these items, all charges are settled in cash as a part of loan service payment.

## Changes during Project Implementation

- 4.16 Changes in cost, financing plan, counterpart funding, disbursement percentages, disbursement arrangements, and changes in expenditures originally approved for ADB financing should be approved by the relevant director general or authorized director, after the matter is consulted and agreed with the Controller's Department and other relevant offices and departments.<sup>8</sup> The approved change should be reflected in the PAM and/or in an appropriate document.
- 4.17 Changes in disbursement arrangements include, but are not limited to, the following:
- the use of the statement of expenditure procedure (section 7.18);
  - a change, establishment, or removal of the ceiling of the statement of expenditure procedure (section 7.22);

<sup>6</sup> Formerly, this was also called the "percentage for ADB financing" or "percentage and basis for withdrawal from loan account."

<sup>7</sup> SWIFT means Society for Worldwide Interbank Financial Telecommunication.

<sup>8</sup> See PAI 5.02.

- the use of the advance fund procedure (section 8.4); and
- extension of the winding-up period (section 4.20).

## Loan Account Closing

- 4.18 **Project completion date, loan closing date, and financial closing date.** Projects are expected to be physically completed by the project completion date, which is normally 6 months before the loan closing date.<sup>9</sup> Any unutilized advance should be refunded to ADB by the financial closing date, 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 (see section 4.25 for refund after the financial closing date).
- 4.19 **Final disbursement.** Preparation of WA(s) for final disbursement(s) of a project loan and tranche disbursement of a policy-based loan should be closely coordinated between ADB and the borrower, particularly if the remaining unutilized balance is expected to be fully utilized.
- 4.20 **Winding-up period.**<sup>10</sup> ADB may allow up to 4 months after the loan closing date (i) for the borrower's WAs to be submitted 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. After the winding-up period, WAs, including requests for liquidation, will not be accepted. Extension of the winding-up period, on an exceptional basis, may be approved by ADB (sections 4.16–4.17).
- 4.21 Within 2 months after the winding-up period, the borrower should fully refund any outstanding advance account balances to ADB. If the borrower fails to fully refund such balances, ADB may, among other corrective actions, decide not to allow the use of the advance fund procedure under the borrower's new projects until such time as the refund is received.
- 4.22 **Payment of final audit fees.** If external auditor's fees are financed by ADB, it is best practice to pay the audit fee before the loan closing date after completing the final audit (section 4.18). When the final audit is not completed before the loan closing date, special arrangements will be required for payment of the final audit fee from the loan account. External auditor's fees for the final fiscal year may be disbursed from the loan account, as expenditures incurred, under the conditions that (i) the borrower signs a contract for the final audit prior to the loan closing date, and (ii) the contract is a lump-sum or fixed-price contract that requires completion<sup>11</sup> of audit within 6 months after the loan closing date. If the final audit fee cannot be paid during the winding-up period, the final audit fee may be paid through an escrow account, and full supporting documents should be attached to the WA for this purpose (see Appendix 4D for more details).
- 4.23 **Refunds.** All refunds to the loan account must be paid to ADB's accounts at its depository banks with payment details indicating (i) references such as loan number, (ii) description or nature of the refund, and (iii) currency and amount of refund. The borrower should send an advice to ADB's Treasury Services Division and CTLA once a refund is made.

<sup>9</sup> Note for best practice: To be ready to close the loan account in ADB's books by the loan closing date, during the 6 months between the project completion date and the loan closing date, the borrower should ensure that (i) project expenditures incurred are paid; (ii) project financial statements are compiled and audited; (iii) audit fees, if any, are paid (section 4.22); (iv) advance(s) to the advance account are fully liquidated; and (v) any refund, if needed, is returned to ADB.

<sup>10</sup> The winding-up period is allowed unless otherwise stipulated in the loan agreement or other applicable agreement, regulations, etc.

<sup>11</sup> Completion of audit is defined as the receipt and acceptance of the final audit report by the borrower.

- 4.24 The refund is normally credited to the borrower's loan account on the date of receipt in ADB's depository account. A money transfer fee or bank charge deducted from the refund amount, if any, may be charged to the loan account, as expenditures incurred.
- 4.25 After the financial closing date, ADB will apply any amounts refunded to debt service (e.g., interest or principal), unless otherwise agreed between the borrower and ADB.
- 4.26 ADB applies the current value of the refund. In some cases, it may convert the currency refunded into one of the currencies outstanding on the loan account. In the event there is exchange difference between the amount charged to the loan account when the original withdrawal was made and the equivalent amount at the time of refund, the exchange difference may be absorbed by the borrower's loan account, if no restriction is imposed (see sections 8.22–8.23 for the refund of advance to the advance account).
- 4.27 **Retention money and bank guarantee.** Payments of retention money under civil works and supply contracts are usually made at the end of warranty or operational acceptance or after the issuance of a performance certificate. Where payment of retention money is due after the loan closing date, ADB may disburse the retention money to the contractor or supplier, as expenditures incurred, against an unconditional bank guarantee of equivalent amount provided by the contractor or supplier to the borrower, or based on other financial arrangements acceptable to ADB.<sup>12</sup> The unconditional bank guarantee is issued in compliance with the borrowing government's financial rules and regulations by a reputable bank in a manner acceptable to ADB.

## Audited Project Financial Statements

- 4.28 ADB loan proceeds will be used only for the purposes for which the loan was approved with due attention to considerations of economy and efficiency (section 3.1). To meet these requirements, borrowers are to submit annual audited project financial statements (APFS) during project implementation.<sup>13</sup>
- 4.29 Borrowers are required to submit APFS within 6 months<sup>14</sup> from the end of the fiscal year to sector division or resident mission for their review and necessary action. In accordance with ADB's Public Communications Policy,<sup>15</sup> APFS for sovereign projects need to be posted on the ADB website.

## Follow-Up Action for Audit Findings of a Serious Nature

- 4.30 In case of audit findings of a serious nature—such as misappropriation or diversion of funds, nonsubmission of supporting documents, or use of funds for nonproject-related activities—suitable action should be immediately initiated or taken by the borrower, under intimation to the auditor and ADB.

<sup>12</sup> Such other arrangements should be approved by the Assistant Controller of CTLA.

<sup>13</sup> Audited project financial statements (APFS) in this handbook also refer to the executing agency's audited financial statements, where applicable. For comprehensive guidance, refer to PAI 5.07, Financial Reporting and Auditing of Loan and/or Grant Financed Projects.

<sup>14</sup> The due date can be extended to 9 months in exceptional cases (PAI 5.07).

<sup>15</sup> ADB. 2011. *Public Communications Policy*. Manila.



## Delay in Submission of Audited Project Financial Statements

- 4.31 In the event the APFS are not received by the due date, ADB takes follow-up actions in accordance with ADB regulations, instructions, and other rules.<sup>16</sup>

## Retention Period of Supporting Documents

- 4.32 The borrower is required to retain all records (e.g., contracts, purchase orders, invoices, bills, receipts, subloan agreements) evidencing eligible expenditures and to enable ADB's representative to examine such records. Such records<sup>17</sup> should be retained for at least 1 year following receipt by ADB of the final APFS or 2 years after the loan closing date, whichever is later.<sup>18</sup> Borrowers are responsible for ensuring that document retention also complies with their government's laws and regulations.

## Disbursement under Suspension of Loan

- 4.33 If the loan is fully or partially suspended, disbursement is also suspended to the extent the loan is suspended.
- 4.34 The suspension of withdrawal does not affect disbursements committed through outstanding letters of credit under ADB's commitment procedure, as the commitments are irrevocable and ADB is obliged to disburse even after the loan has been suspended (section 10.4).<sup>19</sup>
- 4.35 During the suspension, no additional funds will be advanced to the advance account (section 8.30).

<sup>16</sup> Such as Ordinary Operations Loan Regulations, Ordinary Operations (Concessional) Loan Regulations, Special Operations Grant Regulations, and PAI 5.07.

<sup>17</sup> Following general business practices, ADB may accept digital form of the records, if appropriate controls are in place to avoid alteration to the original.

<sup>18</sup> Different periods may apply for cofinanced loans/grants administered by ADB.

<sup>19</sup> See PAI 4.03.

## Authorized Signatory

- 5.1 Each withdrawal application or application for issuance of a commitment letter (hereafter collectively referred to as “WA”) is signed by the borrower’s duly authorized representative(s). In accordance with the Loan Regulations and the loan agreement, the Asian Development Bank (ADB) requires the borrower’s representative designated in the loan agreement to furnish sufficient evidence of the authority of the person(s) who will sign the WA on behalf of the borrower, together with their authenticated specimen signatures (Appendix 4A). The evidence must reach ADB before the borrower submits the first WA.

## Withdrawal Application

- 5.2 For all disbursement,<sup>1</sup> ADB must receive a WA in the prescribed form. A WA is a written request from the borrower to ADB to disburse funds from the borrower’s loan account. A WA consists of
- the application itself in letter form (Appendixes 7A and 10A); and
  - summary/statement of expenditures (SOE) sheet(s) for each expenditure category claimed (Appendix 7B, 7D, or 10B);
  - certificates for force account for works (FAW), if the FAW certificate procedure is used (sections 7.27–7.29); and/or
  - supporting documents required (section 7.6, 8.32, 9.5, or 10.6),<sup>2</sup> if the SOE procedure is not used (sections 7.8–7.31).
- 5.3 The original of the WA signed by authorized representative(s) is submitted to ADB. Summary/SOE sheet(s) should indicate ADB’s contract reference numbers (called procurement contract summary sheets [PCSSs]) (section 5.9). Required supporting documents, which may be photocopies, to be submitted to ADB for processing WAs are indicated in the relevant chapters of this handbook.
- 5.4 Alterations on the WA must be initialed by the borrower’s authorized representative.
- 5.5 The minimum value per WA is \$200,000 equivalent or 1% of the ADB loan amount, whichever is lower, unless otherwise stipulated in the Project Administration Manual (PAM). Individual payments below this amount should be paid (i) by the borrower and subsequently claimed to ADB through reimbursement, or (ii) through the advance fund procedure (if such procedure is stipulated in the PAM), unless otherwise accepted by ADB.

<sup>1</sup> Except for capitalization of commitment and interest charges (collectively called financing charges) and other fees and charges (e.g., administration fees), as applicable.

<sup>2</sup> Submission of documents that are not required will delay disbursement.

## Currency of Disbursement

- 5.6 In principle, disbursement is made (i) in the currency in which the cost of goods and services has been paid or is payable, or (ii) in the currency of the advance account, when providing advance to the advance account (Chapter 8). For expenditures incurred in the borrower's currency (local currency), the amount requested in the WA must be in local currency. A separate WA is required for each currency of disbursement.
- 5.7 The amount disbursed is charged to the loan account, which is denominated in the loan currency. When the currency of disbursement is different from the loan currency, the amount disbursed is converted into the loan currency by ADB in accordance with relevant regulations.

## Payment Instructions

- 5.8 To ensure prompt and secure remittance, the payment instructions should have the following details:
- full name and address of payee for proper identification of payment;
  - full name and address of the payee's bank, which may include a banker or branch designation;
  - SWIFT<sup>3</sup> Bank Identifier Code (BIC) if the payee's bank is a member of SWIFT;
  - payee's account number;
  - for payments to anywhere in Europe, the International Bank Account Number (IBAN) and the related SWIFT BIC of the payee's bank;
  - if SWIFT BIC for the payee's bank is not available, the national clearing system code such as Fedwire Routing number (FW), CHIPS<sup>4</sup> Universal Identifier (CH), UK Domestic Sort Code (SC), Australian Bank State Branch Code (AU), or German Bankleitzahl (BL) account number with the correspondent bank, where applicable;
  - full name and address of the correspondent bank, if payment is to be made to a bank not located in the country of the currency to be paid; SWIFT BIC, if correspondent bank is a member of SWIFT;
  - if SWIFT BIC for the correspondent bank is not available, Fedwire Routing Number for US dollar payments; and
  - special instructions or references to facilitate payment or identification of payment, where applicable.

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<sup>3</sup> SWIFT means Society for Worldwide Interbank Financial Telecommunication.

<sup>4</sup> CHIPS means The Clearing House Interbank Payments System.

## ADB's Contract Reference Number: Procurement Contract Summary Sheet Number

- 5.9 The PCSS number<sup>5</sup> is assigned by ADB and the information is input into the Loan Financial Information System (LFIS) or Grant Financial Information System (GFIS) for identifying a particular contract approved by the borrower and submitted to ADB under a particular loan. The PCSS includes the following:
- ADB contract number,
  - date of contract approval,
  - mode of procurement and/or consultant selection method,
  - name and nationality of contractor or supplier,
  - terms of payment and currencies of contract,
  - price escalation clause (yes/no),
  - total amount of the contract,
  - amount to be financed by ADB, and
  - ADB's disbursement percentage.
- 5.10 The PCSS number should be indicated on the summary/SOE sheet (Appendix 7B, 7D, or 10B). To find the number, refer to ADB's monthly report named List of Contract by Executing Agency (section 14.6), which is available on the LFIS/GFIS website (<http://lfis.adb.org>).
- 5.11 The borrower is responsible for managing its contracts, including contract balances, in accordance with ADB's guidelines, and for maintaining records for all signed contracts in a contract ledger in its financial systems. The borrower should ensure sufficient contract balances before requesting disbursements.

## Sample Forms of Withdrawal Applications

- 5.12 WA forms and summary/SOE sheets vary for different procedures (e.g., Appendix 7A for reimbursement, advance fund, and direct payment procedures and policy-based loan, and Appendix 10A for commitment procedure). For the borrower's convenience, these forms can be downloaded from the LFIS/GFIS website.

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<sup>5</sup> See Project Administration Instructions 3.12. For financial intermediation loans, the equivalent of the PCSS number is the subloan number, which should be shown in the summary/SOE sheet for financial intermediation loans (Appendix 7D).

## Four Major Types

6.1 Procedures for withdrawal of loan proceeds are standardized to facilitate disbursements under most loans. There are four major types of disbursement procedure, described briefly as follows:

- **reimbursement procedure**, where the Asian Development Bank (ADB) pays from the loan account to the borrower's account for eligible expenditures which have been incurred and paid for by the project out of its budget allocation or its own resources (Chapter 7);
- **advance fund procedure**,<sup>1</sup> where ADB makes an advance disbursement from the loan account for deposit to an advance account to be used exclusively for ADB's share of eligible expenditures (Chapter 8);
- **direct payment procedure**, where ADB, at the borrower's request, pays a designated beneficiary directly (Chapter 9); and
- **commitment procedure**, where ADB, at the borrower's request, provides an irrevocable undertaking to reimburse a commercial bank for payments made or to be made to a supplier against a letter of credit (LC) financed from the loan account (Chapter 10).

## Simplified Documentation under the Reimbursement and Advance Fund Procedures

6.2 ADB requires submission of full supporting documentation by the borrower, unless the following simplified documentation procedures are approved:

- **the statement of expenditures (SOE) procedure** involves the borrower submitting an SOE to support an application (sections 7.10–7.26), and
- **the force account for works certificate procedure** involves the borrower submitting periodic certification of the progress or completion of civil works in support of its application for withdrawal of loan proceeds (sections 7.27–7.31).

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<sup>1</sup> Formerly called imprest fund procedure.

## Disbursement Procedures and Recommended Types of Payment

6.3 The four major types of disbursement procedures normally used for the following types of payment:

Disbursement Procedures	Types of Payment
Reimbursement	Encouraged for all eligible project expenditures when the borrower has sufficient resources.
Advance fund	Expected for all eligible project expenditures when the procedure is approved for a project.
Direct payment	Mainly large value payments when there are insufficient borrower resources to prefinance an expenditure and there is no provision of advance fund procedure for the project. This procedure may also be used when payments are required to be made in currencies that the borrower may have difficulty obtaining.
Commitment	Large importation costs

## Modes of Loan Disbursement

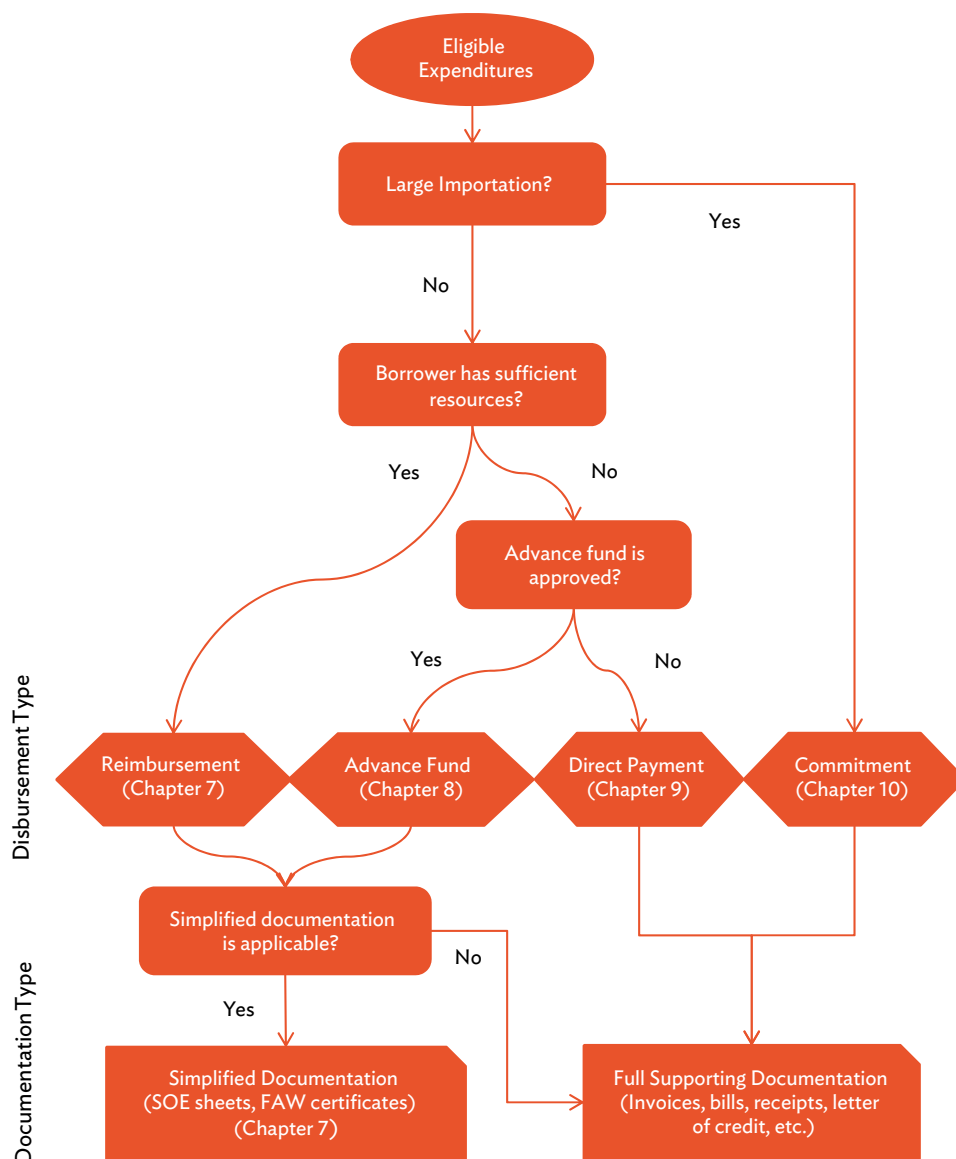
6.4 The following table presents the interrelationship of the different types of loan disbursement procedures.

Approval Authority for the Procedures	Disbursement Procedures	Full or Simplified Documentation
No need for prior ADB approval	Reimbursement, with full supporting documents (Chapter 7)	Full supporting documents
	Direct payment (Chapter 9)	
	Commitment (Chapter 10)	
Need prior ADB approval (must be provided for in the Project Administration Manual)	Reimbursement, without full supporting documents (Chapter 7)	FAW certificate
		SOE sheet
	Advance Fund (Chapter 8)	FAW certificate
		SOE sheet
		Full supporting documents

ADB = Asian Development Bank, FAW = force account for works, SOE = statement of expenditures.

## Recommended Disbursement Procedures and Documentation

6.5 The following diagram presents a decision tree for generally recommended disbursement procedures and documentation.



FAW = force account for works, SOE = statement of expenditures.



## Description

- 7.1 The reimbursement procedure is a disbursement procedure where the Asian Development Bank (ADB) pays from the loan account to the borrower's account for eligible expenditures which have been incurred and paid for by the borrower out of its budget allocation or its own resources. Use of the procedure is encouraged for all eligible project expenditures when the borrower has sufficient resources.
- 7.2 Under this procedure, ADB's payments are made only to the borrower and not to a third party (e.g., supplier or contractor).
- 7.3 This procedure requires submission of full supporting documentation, unless simplified documentation (sections 7.8–7.31) is approved.

## Basic Requirements

- 7.4 A signed withdrawal application (WA) (Appendix 7A) must be submitted to ADB together with a summary/statement of expenditures (SOE) sheet (Appendix 7B or 7D); certificates for force account for works (FAW), if the FAW certificate procedure is used; and/or the required supporting documents, if SOE procedure is not used.
- 7.5 The expenditures should have been incurred and paid for by the borrower out of its own resources.

## Supporting Documents

- 7.6 To substantiate the requested disbursement is for eligible project expenditures incurred and paid, the supporting documents<sup>1</sup> listed in the following table must be submitted to ADB together with the WA, unless simplified documentation (sections 7.8–7.31) is approved. ADB will return WAs that do not meet the requirements. Additional supporting documents may be required depending on the transaction involved.

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<sup>1</sup> If supporting documents are written in local language, there should be an English translation of important words and items in the documents (e.g., the title of the document, name of the supplier and/or contractor, description of goods and services, amounts, and dates).

Payment for	Payment Type	Required Supporting Documents
Goods	One time or installment payment	Supplier's invoice, or purchase order (indicating date, amount, and bank account details) and official receipt, bank transfer record or other proof of payment
Services	Advance payment	Consultant's or service provider's invoice (indicating amount of advance payment and bank account details) and official receipt, bank transfer record or other proof of payment
	Progress payment	Consultant's or service provider's invoice (indicating date, amount, and bank account details) and official receipt, bank transfer record or other proof of payment
Civil works	Advance payment	Contractor's invoice (indicating date, amount, and bank account details) and official receipt, bank transfer record or other proof of payment
	Progress payment	Contractor's invoice and interim payment certificate <sup>a</sup> or summary of work progress (indicating period covered, amount, and bank account details) and official receipt, bank transfer record or other proof of payment
	Release of retention money	Contractor's invoice (indicating date, amount, and bank account details) and unconditional bank guarantee (if required under section 4.27 of this handbook) and official receipt, bank transfer record or other proof of payment
Others		Depending on project specific requirements provided in the Project Administration Manual (PAM), the contract, or other legal documents
<sup>a</sup> The interim payment certificate refers to the certificate issued by the engineer under civil works contracts which certifies the work performed by the particular contractor.		

7.7 In addition, supporting documents summarized in the following table should be retained by the borrower for annual audit of project financial statements and/or ADB's review (see section 4.32 for the retention period of supporting documents). ADB reserves the right to request submission of such documents, if deemed necessary.

Payment for	Payment Type	Supporting Documents to Be Retained by the Borrower
Goods	One time or installment payments	Bill of lading or delivery receipt, bank guarantee if required under the contract, and other documents as required in the contract
Services	Advance payment	Contract terms and conditions which refer to payment of advance and progress payments, breakdown of amount due, and other documents as required in the contract
	Progress payment	
Civil works	Advance payment	Contract terms and conditions which refer to payment of advance, bank guarantee if required under the contract, and other documents as required in the contract
	Progress payment	Breakdown of amount due and other documents as required in the contract
	Release of retention money	Contract terms and conditions which refer to release of retention money, and other documents as required in the contract
Others		Depending on project specific requirements provided in the Project Administration Manual (PAM), the contract, or other legal documents

## Simplified Documentation

- 7.8 When certain conditions (section 7.16 or 7.29) are met, ADB may accept simplified documentation using the following procedures:

Procedure	Simplified Documentation to Replace Full Documentation
Statement of expenditures procedure	Statement of expenditures sheet
Force account for works certificate procedure	Certificates on the percentage of completed work and amount that can be withdrawn

## Narrative Procedures

- 7.9 The narrative procedures and the checklist for reimbursement procedures are shown in Appendix 7C.

## Statement of Expenditures Procedure

- 7.10 The SOE procedure is a simplified procedure requiring no submission of supporting documentation of expenditures.
- 7.11 The SOE sheet replaces the usual supporting documents of expenditures (hereinafter referred to as “SOE records”), which should be retained by the borrower and made available for examination by auditors and by ADB representatives upon request.<sup>2</sup>
- 7.12 The SOE sheet provides information on contracts and disbursements of individual payments (up to any applicable SOE ceiling, see sections 7.19–7.22).
- 7.13 The purpose of the SOE procedure is to streamline disbursement processing for the borrower and ADB. The use of simplified documentation is expected in projects where certain conditions are met (section 7.16).
- 7.14 For the borrower’s convenience, this handbook provides the following summary/SOE sheets (a project-specific form approved by ADB [free format] is also acceptable):
- Summary/Statement of Expenditures Sheet for Project Loans (Appendix 7B); and
  - Summary/Statement of Expenditures Sheet for Financial Intermediation Loans (Appendix 7D and section 11.7).
- 7.15 The SOE procedure may also be used when liquidating advances under the advance account, if provided in the Project Administration Manual (PAM).

<sup>2</sup> English translation of SOE records written in local language may be omitted under the SOE procedure, unless otherwise requested by ADB.

## Conditions for Approval to Use the Statement of Expenditures Procedure

- 7.16 For approval to use the SOE procedure, the following conditions should be considered and met:
- **Borrower's capacity:** The executing agency (EA) and/or implementing agency (IA) must have adequate administrative and accounting capacity to prepare and maintain proper SOE records and make them readily available for examination.<sup>3</sup> If the capacity of the EAs and/or IAs is determined to be inadequate, the SOE procedure should not be used.
  - **Audit arrangements:** The EA and/or IA must be capable of arranging for periodic and annual audits of SOE transactions as part of the project's audit.

## Approval of the Statement of Expenditures Procedure

- 7.17 During project preparation, ADB and the borrower consider the use of the SOE procedure to facilitate disbursement. If the procedure is approved, it is provided for in the PAM.
- 7.18 If the SOE procedure was not provided for in the PAM, during project implementation, the borrower may request ADB's approval to use the procedure (sections 4.16–4.17).

## Statement of Expenditures Ceiling

- 7.19 For loans where the EA's and/or IA's capacity is determined to be adequate, there is no ceiling on the use of the SOE procedure. A ceiling on the use of the SOE procedure ("SOE ceiling" hereinafter) may be established (either during project preparation or during implementation) when there is concern or uncertainty about the capacity of the EA and/or IA to administer the procedure.
- 7.20 The SOE ceiling is a threshold below which the borrower is not required to submit supporting documents to ADB, and is based on the total amount of individual expenditure paid for by the EA or IA without taking into account ADB's share of the expenditure. The amount paid by the EA or IA should not be split to enable the claims to circumvent the SOE ceiling. The SOE ceiling, if any, is determined by ADB on a case-by-case basis, depending on the specifics of the project and nature of expenditures to be financed, and should be indicated in the PAM.
- 7.21 For financial intermediation loans, the SOE ceiling, if any, may be established at the "free limit" (section 11.7).
- 7.22 Any change, establishment, or removal of the SOE ceiling during project implementation must be approved by ADB (sections 4.16–4.17).

<sup>3</sup> An assessment of the borrower's capacity should be based on the results of the Financial Management Assessment performed on the relevant entity, review of current and prior audit reports for projects administered/implemented by the relevant EA and/or IA, internal audit reports, issues noted during project implementation (e.g., issues noted during the processing of WAs by ADB) for projects administered/implemented by the relevant EA and/or IA, and other relevant information, as deemed necessary.

## Ineligible Payments

- 7.23 Where ADB subsequently finds any payment made under the SOE procedure to be insufficiently supported or ineligible for ADB financing, ADB may offset the amount of the unjustified or ineligible payment against subsequent withdrawals for reimbursement, or request the borrower to refund the same amount to the loan account, or to the advance account if the payment was made from the advance account.

## Audit Arrangements

- 7.24 SOE records must be audited regularly by independent and qualified auditors acceptable to ADB. The audit is carried out as part of the regular annual audit of project financial statements.<sup>4</sup>

## Review by ADB Staff

- 7.25 ADB reserves the right to conduct spot or random checks of expenditures under the SOE procedure through review missions. Documents are to be kept in the office of the EA and/or IA as appropriate (see section 4.32 for retention period of supporting documents) and must be made readily available for checking by ADB's disbursement and review missions or upon ADB's request for submission of supporting documents on a sampling basis.

## Suspending Use of the Statement of Expenditures Procedure

- 7.26 ADB may suspend the use of the SOE procedure when the EA's and/or IA's capacity is no longer deemed adequate. Examples of inadequate capacity, among others, are
- the borrower continuously claims ineligible expenditures;
  - the borrower fails to submit the audit report before the deadline;
  - the audit report and/or the management letter indicates significant irregularities in financial management, accounting, internal control, or the use of the ADB funds in project implementation; or
  - the disbursement or review mission finds significant irregularities in the use of ADB funds.

## Force Account for Works Certificate Procedure

- 7.27 FAW is a procurement method that is used when ADB and the borrower consider it appropriate for the EA and/or IA to employ its own workforce, equipment, and other resources to carry out civil works required for the project.<sup>5</sup> As the supporting documentation usually required (such as invoices, bills, and receipts) is not available, the FAW certificate procedure may be used. Two certificates are used instead of the usual supporting documents: the first on the project's physical progress (Part 1) and the second on its financial progress (Part 2) (Appendix 7E). The FAW certificate procedure may also be used under the advance fund procedure.
- 7.28 To support the cumulative progress stated on the first certificate (Part 1 of Appendix 7E), information on the physical progress of civil works being undertaken under FAW is included in a periodic project

<sup>4</sup> See *Operations Manual (OM)* J7, *Project Administration Instructions (PAI)* 5.07, and *Technical Guidance Note on Financial Reporting and Auditing*.

<sup>5</sup> See PAI 3.07.

progress report, which is provided to ADB separately from the WA and the certificates for FAW. ADB reserves the right to verify the percentage of physical completion stated in the certificates submitted by the borrower.<sup>6</sup>

## Conditions for Approval to Use the Force Account for Works Certificate Procedure

- 7.29 The FAW certificate procedure, as well as FAW, is applicable to projects in which the borrower uses its own workforce, equipment, and other resources. It is also applicable when the size, nature, and location of the works make competitive bidding unsuitable. ADB must also be satisfied that the borrower's construction facilities are adequate and efficient, and the borrower is capable of doing the work expeditiously at reasonable cost. The use of FAW and the FAW certificate procedure should be provided for in the procurement plan and the disbursement arrangement of the PAM, respectively.

## Details on the Certificates for Force Account for Works

- 7.30 Details on the certificates are as shown in the following table.

Item	First Certificate	Second Certificate
Indicates	Cumulative percentage of completion of physical progress of work	Cumulative amount which can be withdrawn
		Current amount of claim based on the percentage of work completed
Certified and signed by	Project engineer or representative of executing agency or project consultant	Representative of executing or implementing agency

## Mutually Exclusive Use of Simplified Documentation

- 7.31 The SOE and FAW certificate procedures are separate simplified documentation procedures and, therefore, should not be used in combination. For instance, expenditures under the FAW certificate procedure should not be listed in the SOE sheet for liquidation.

<sup>6</sup> See PAI 4.02.

## Description

- 8.1 The advance fund<sup>1</sup> procedure is a disbursement procedure where the Asian Development Bank (ADB) makes an advance disbursement from the loan account for deposit to an advance account<sup>1</sup> to be used exclusively for ADB's share of eligible expenditures.

## Objectives

- 8.2 The main objective of the advance fund procedure is to provide the borrower with more control over payments, and reduce the number of withdrawal applications (WAs), thereby facilitating project implementation. Where certain conditions are met (section 8.3), the use of the advance fund procedure is expected for disbursement of all eligible project expenditures.

## Conditions for Approval to Use the Advance Fund Procedure

- 8.3 For approval to use the advance fund procedure, the following conditions should be considered and met:
- **Borrower's capacity:** The borrower, executing agency (EA), and/or implementing agency (IA), as appropriate, must have adequate administrative and accounting capacity to establish sufficient internal control, accounting, and auditing procedures to ensure efficient use and operation of the procedure.<sup>2</sup> If the EA's and/or IA's capacity is determined to be inadequate, the advance fund procedure should not be used.
  - **Audit arrangements:** The borrower, EA, and/or IA, as appropriate, must also have the capability to arrange for periodic and annual independent audits of the advance fund procedure by auditors acceptable to ADB.

## Approval of Procedure

- 8.4 During project preparation, ADB and the borrower consider the use of the advance fund procedure to facilitate disbursement. Use of the procedure must be provided for in the Project Administration Manual (PAM). If the procedure was not provided for in the PAM, during project implementation, the borrower may request ADB's approval to use the procedure (sections 4.16–4.17).

<sup>1</sup> Formerly called the imprest fund procedure or imprest account.

<sup>2</sup> An assessment of the borrower's capacity should be based on the results of the Financial Management Assessment performed on the relevant entity, review of current and prior audit reports for projects administered/implemented by the relevant EA and/or IA, internal audit reports, issues noted during project implementation (e.g., issues noted during the processing of WAs by ADB) for projects administered/implemented by the relevant EA and/or IA, and other relevant information, as deemed necessary.



## Basic Requirements

- 8.5 A signed WA (Appendix 7A) must be submitted to ADB, together with the required supporting documents (section 8.32).

## Establishing the Advance Account

- 8.6 The borrower, EA, or IA is required to open a separate bank account<sup>3</sup> (unless otherwise approved by ADB) for depositing advances. The advance account should be maintained in a bank account without restriction on withdrawing funds at any time (e.g., current account) and is opened in the name of the borrower, EA, IA, or the project, as appropriate.
- 8.7 The borrower, EA, or IA who established the advance account is accountable and responsible for proper use of advances to the advance account, including advances to the subaccounts, if used (sections 8.24–8.26).

## Location of the Advance Account

- 8.8 The advance account may be opened at the central bank of the borrower's country or in a commercial bank which the borrower, EA, or IA designates as appropriate, provided that the institution chosen is capable of
- executing foreign exchange and local currency transactions,
  - opening letters of credit and handling a large volume of transactions, and
  - issuing detailed monthly bank statements promptly.
- 8.9 ADB may decide not to accept a financial institution for the opening and/or maintenance of the advance account if the institution retains the right to assert or asserts a claim to set off, seize, or attach amounts on deposits to the advance account maintained by the financial institution in order to satisfy amounts due to the bank by the borrower, EA, or IA.

## Currency of the Advance Account

- 8.10 The currency of the advance account is agreed upon during loan negotiations and should be indicated in the PAM. The currency may be in any freely convertible currencies or the borrower's local currency, as long as the currency is freely convertible.

## Using the Advance Account

- 8.11 The borrower, EA, or IA, as appropriate, uses the advance account to pay contractors, suppliers, and other third parties, or to reimburse the borrower, EA and/or IA's account for ADB's share of eligible

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<sup>3</sup> The bank account may be opened at a commercial bank or the borrower's central bank, or by establishing a separate accounting ledger in the borrower's financial systems (e.g., a treasury single account). Some countries require disbursement of ADB loan proceeds to the borrower's bank account or budget account at the central or local (i.e., state, provincial, district, etc.) levels before transferring advances to the advance account or subaccounts. Such borrower's account is not separately established for the purpose of a project and does not maintain a standing balance in the account as the fund is transferred to the advance account or subaccounts; therefore, it is considered as a "conduit" or "pass-through" purpose account, but not the advance account. The conduit or pass-through purpose account should be identified and reflected in the fund flow diagram of the PAM.

project expenditures incurred. Any use of the advance funds (including any amounts advanced to subaccounts, as described in section 8.24) for activities other than eligible project activities will invoke corrective action deemed appropriate by ADB.

## Request for Advances

- 8.12 The borrower, EA, or IA, as appropriate, may request initial and additional advances<sup>4</sup> from ADB based on its estimate of ADB's share of eligible project expenditures for the forthcoming 6 months to be paid through the advance account<sup>5</sup> (Appendix 8A). The borrower, EA, or IA, as appropriate, should not request advances for expenditure categories subject to conditions for withdrawal (commonly called "disbursement conditions") which have not been met.
- 8.13 The total outstanding advance, in any event, should not exceed the estimate of ADB's share of expenditures to be paid through the advance account for the forthcoming 6 months, or the appropriate level of the advance (section 8.19).<sup>6</sup>
- 8.14 All advances are deposited into the advance account.

## Liquidation and Replenishment

- 8.15 After eligible expenditures are incurred and paid<sup>7</sup> from the advance account, the borrower needs to liquidate the advance and requests corresponding replenishment of advance by submitting a WA (Appendix 7A), summary/statement of expenditures (SOE) sheet (Appendix 7B or 7D), and supporting documents, if the SOE procedure is not used. In addition, if the force account for works (FAW) certificate procedure is used, and the amounts requested to be withdrawn are paid from the advance account, the certificates for FAW (Appendix 7E) are required to be attached to the WA. The advance account reconciliation statement (Appendix 8B) and the ending balance per the corresponding bank statement are also required to be submitted with the WA. The WA must be prepared in the currency of the advance account.
- 8.16 Replenishment of advances is normally provided only until 6 months before the loan closing date.
- 8.17 As ADB provides advances to cover projected eligible expenditure for 6 months, the target turnover ratio of the advance account is 2.0 per annum.<sup>8</sup> If the turnover ratio of the advance account is lower than the target, ADB may reduce the level of advance to the advance account by adjusting the amount of replenishment or by requesting a refund to ADB, as appropriate.
- 8.18 If replenishment by ADB to the advance account is less than the amount of the WA, ADB will notify the borrower in writing, by fax, e-mail, or other means such as the Loan Financial Information System (LFIS)/Grant Financial Information System (GFIS) website (section 4.13 and Chapter 14).

<sup>4</sup> Additional advances are advances that result in an increase in the total outstanding advance.

<sup>5</sup> The estimate should be endorsed by the relevant sector division or resident mission, normally, the project officer or specialist in charge of administration of the project. Estimated expenditures for the forthcoming 6 months should normally be based on the amount of contracts awarded and to be awarded. For expenditures related to operational costs, the amount should be linked to the project's annual budget provision.

<sup>6</sup> In certain cases, a ceiling on the amount of the total outstanding advance may be established (e.g., if there is concern or uncertainty about the capacity of the EA and/or IA to administer the procedure), if indicated in the PAM. The total outstanding advance should not exceed such ceiling.

<sup>7</sup> Advances paid from the advance account to EA or IA staff or subaccounts (section 8.24) are not considered to be incurred, and such amounts are still subject to liquidation by project expenditures actually incurred.

<sup>8</sup> The turnover ratio of the advance account is calculated by the following formula: cumulative amount of liquidation divided by average of advance amount. The advance account turnover ratio is available on the LFIS/GFIS website (<http://lfis.adb.org>).

- 8.19 If the requested level of advance is larger than the appropriate level of advance (items 8 and 9 of Appendix 8B) or additional advances are required for project activities, the borrower should submit the estimate of expenditures (section 8.12 and Appendix 8A). If justified, replenishment and/or additional advance may be provided.

## Final Liquidation of Advances to the Advance Account

- 8.20 All advances to the advance account are to be liquidated by ADB's share of eligible expenditures incurred on or before the loan closing date.
- 8.21 Advances are normally liquidated without replenishment during the 6-month period prior to the loan closing date in order to ensure that (i) refund of advance is zero or a minimal amount, and (ii) the borrower can obtain supporting documentation for clearing the outstanding advances before the end of the winding-up period (sections 8.15–8.19). Any unliquidated balance of advances to the advance account must be promptly refunded to ADB (sections 4.21 and 4.23–4.26).

## Refund of Advance

- 8.22 Refund of advance is normally in the currency of the advance account. If the currency of the advance account (e.g., US dollars) is different from the currency of loan account (e.g., special drawing right), any exchange difference between the amount charged to the loan account when the advance was originally made and the equivalent amount at the time of refund is absorbed by the borrower's loan account.
- 8.23 ADB applies the current value of the refund. As refund of the advance is normally in the currency of the advance account (e.g., US dollars), if the advance to the advance account is further exchanged to another currency (e.g., a local currency) in order to pay expenditures in that currency, the exchange difference between the date of currency exchange and the date of refund is borne by the borrower. If such exchange difference is to be borne by the borrower through absorption into its loan account, it should be agreed with ADB.<sup>9</sup>

## Use of Subaccount(s) under the Advance Account

- 8.24 In some cases, the project funds flow requires bank accounts (the "subaccount[s]" hereinafter)<sup>10</sup> to be opened in the name of an IA, unit, provincial government, village, or other entity (collectively "IA" hereinafter), which receives advance from the advance account, to meet project expenditures incurred by the IA.
- 8.25 The borrower should ensure the following matters for using the subaccount(s):
- a need for the subaccount(s) is clearly defined;
  - the borrower, EA, and IA must have adequate administrative and accounting capabilities to establish sufficient internal control, accounting, and auditing procedures to ensure proper use and operation of the subaccount(s);

<sup>9</sup> This may be documented in the PAM or in an appropriate ADB approval (sections 4.16–4.17).

<sup>10</sup> Formerly called second generation imprest account (SGIA). The use of the SGIA, if so stipulated in a loan agreement, is not superseded by the revision of the handbook. The subaccount(s) should be distinguished from "petty cash," which is a small amount (normally not exceeding \$1,000 equivalent) of funds held in the same office in the form of cash for the purpose of covering petty expenses, and is not the subaccount.

- a separate bank account is opened (see footnote 3), unless otherwise approved by ADB;
- the currency of the subaccount(s) (e.g., a local currency) is determined; and
- the treatment of any foreign exchange differences is determined.

8.26 The borrower, EA, and IA should ensure that every liquidation and replenishment of each subaccount is supported by (i) the statement of account (bank statement) prepared by the bank where the subaccount is maintained, and (ii) a subaccount reconciliation statement (Appendix 8C) reconciling the abovementioned bank statement against the subaccount's records. These supporting documents should be retained by the borrower, EA, and/or IA, as appropriate, and be made available to ADB upon request.

## Audit Arrangements

8.27 The advance fund procedure must be audited at least annually by independent and qualified auditors acceptable to ADB. The audits are carried out as part of the regular annual audits of the project financial statements prepared by the borrower, EA, or IA.<sup>11</sup>

## Review by ADB Staff

8.28 ADB reserves the right to conduct spot or random checks of the advance account (including bank statements of the advance account and/or subaccounts) and expenditures paid from the advance account through review missions, or upon ADB's request for submission of supporting documents on a sampling basis.

## Withholding Replenishment

8.29 ADB may withhold replenishment of the advance account if

- the loan is declared suspended by ADB, partially<sup>12</sup> or fully;
- audit reports, management letters, or ADB missions indicate significant irregularities in financial management, accounting, internal control, and/or the operation of the advance account(s) and/or the subaccount(s);
- the advance account has been inactive for more than 6 months; or
- the borrower fails to submit audited project financial statements within 6 months after the due date.

8.30 When ADB withholds replenishment, no additional funds will be advanced to the advance account. However, available funds in the advance account (including the subaccounts) can be used to meet eligible expenditures, unless otherwise instructed by ADB.<sup>13</sup> WAs submitted for these expenditures will be applied to liquidate the balance of advances.

<sup>11</sup> See *Operations Manual (OM) J7*, Project Administration Instructions (PAI) 5.07, and Technical Guidance Note on Project Financial Reporting and Auditing.

<sup>12</sup> Suspension is applicable only to affected EA or component.

<sup>13</sup> ADB may demand immediate refund of the available funds in cases where the suspension is due to significant irregularities in the operation of the advance account and/or the subaccounts.

## Narrative Procedures

- 8.31 The narrative procedures and the checklist for the advance fund procedure are shown in Appendix 8D.

## Supporting Documents

- 8.32 The supporting documents listed in the following table should be submitted to ADB together with the WA. If simplified documentation (i.e., SOE and/or FAW certificate procedures) is approved, supporting documents should be retained by the EA and/or IA for annual audit of project financial statements and/or ADB's review (see section 4.32 for the retention period of supporting documents). ADB reserves the right to request submission of such documents if deemed necessary. Additional supporting documents which are not listed in the following table may be required, depending on the transaction involved. ADB will return WAs that do not meet the requirements.

Item	Required Supporting Documents <sup>a</sup>
Initial advance and additional advance	Estimate of expenditure (Appendix 8A) to support the amount of the initial advance and the additional advance (see also sections 8.12 and 8.19).
Liquidation and replenishment, or liquidation only	<ol style="list-style-type: none"> <li>1. Advance account reconciliation statement (Appendix 8B)</li> <li>2. Ending balance per the corresponding bank statement</li> <li>3. Summary/SOE sheet (Appendix 7B or 7D) and supporting documents (see section 7.6), if SOE procedure is not used.</li> <li>4. In addition, if FAW certificate procedure is used, and the amounts requested to be withdrawn are paid from the advance fund, the certificates for FAW (Appendix 7E) need to be attached to the withdrawal application.</li> </ol>

FAW = force account for works, SOE = statement of expenditures.

<sup>a</sup> If supporting documents are written in local language, there should be an English translation of important words and items in the documents (e.g., the title of the document, name of the supplier and/or contractor, description of goods and services, amounts, and dates), except when the expenditure is claimed under SOE procedure.

## Description

- 9.1 The direct payment procedure is a disbursement procedure where the Asian Development Bank (ADB), at the borrower's request, directly pays a designated beneficiary stipulated in the contract and approved by ADB (e.g., supplier, contractor, or consultant).
- 9.2 The procedure is normally used for large value payments when the borrower has insufficient resources to prefinance expenditure and there is no provision for use of the advance fund procedure. It may also be used when payments are required to be made in currencies that the borrower may have difficulty obtaining.

## Basic Requirements

- 9.3 A signed withdrawal application (WA) (Appendix 7A) must be submitted to ADB together with a summary sheet (Appendix 7B or 7D) and the required supporting documents.
- 9.4 A separate WA is required for each different currency of disbursement requested.

## Supporting Documents

- 9.5 To substantiate the requested disbursement is for eligible project expenditures incurred, the supporting documents<sup>1</sup> listed in the following table must be submitted to ADB together with the WA. ADB will return WAs that do not meet the requirements. Additional supporting documents may be required depending on the transaction involved.

Payment for	Payment Type	Required Supporting Documents
Goods	One time or installment payment	Supplier's invoice, or purchase order (indicating date, amount, and bank account details)
Services	Advance payment	Consultant's or service provider's invoice (indicating amount of advance payment and bank account details)
	Progress payment	Consultant's or service provider's invoice (indicating date, amount, and bank account details)
Civil works	Advance payment	Contractor's invoice (indicating date, amount, and bank account details)
	Progress payment	Contractor's invoice and interim payment certificate <sup>a</sup> or summary of work progress (indicating period covered, amount, and bank account details)
	Release of retention money	Contractor's invoice (indicating date, amount, and bank account details) and unconditional bank guarantee (if required under section 4.27 of this handbook)
Others		Depending on project specific requirements provided in the Project Administration Manual (PAM), the contract, or other legal documents

<sup>a</sup> The interim payment certificate refers to the certificate issued by the engineer under civil works contracts, which certifies the work performed by the particular contractor.

<sup>1</sup> If supporting documents are written in local language, there should be an English translation of important words and items in the documents (e.g., the title of the document, name of the supplier and/or contractor, description of goods and services, amounts, and dates).

- 9.6 In addition, supporting documents summarized in the following table should be retained by the borrower for annual audit of project financial statements and/or ADB's review (see section 4.32 for retention period of supporting documents). ADB reserves the right to request submission of such documents, if deemed necessary.

Payment for	Payment Type	Supporting Documents to Be Retained by the Borrower
Goods	One time or installment payments	Bill of lading or delivery receipt, bank guarantee if required under the contract, and other documents as required in the contract
Services	Advance payment	Contract terms and conditions which refer to payment of advance and progress payments, breakdown of amount due, and other documents as required in the contract
	Progress payment	
Civil works	Advance payment	Contract terms and conditions which refer to payment of advance, bank guarantee if required under the contract, and other documents as required in the contract
	Progress payment	Breakdown of amount due and other documents as required in the contract
	Release of retention money	Contract terms and conditions which refer to the release of retention money, and other documents as required in the contract
Others		Depending on project specific requirements provided in the Project Administration Manual (PAM), the contract, or other legal documents

## Narrative Procedures

- 9.7 The narrative procedures and the checklist for the direct payment procedure are shown in Appendix 9A.

## Description

- 10.1 Under the commitment procedure, the Asian Development Bank (ADB), at the borrower's request, irrevocably agrees to reimburse a commercial bank for payments made or to be made to a supplier against a letter of credit (LC). ADB's commitment procedure may not be used for cofinancier's funds held by the cofinancier (Chapter 12). This procedure is normally applicable for large importation costs, the amount of which is not less than the minimum value of withdrawal application (section 5.5).
- 10.2 ADB's payment assurance under this procedure is limited to the amount available in the loan account.
- 10.3 Under this procedure, the LC issued by the borrower's bank (LC issuing bank) becomes operative only if and when ADB issues its commitment letter to the advising or negotiating bank.
- 10.4 A commitment letter issued by ADB under this procedure is irrevocable in the sense that ADB's obligation to make the disbursement from the loan account is not affected by the suspension or cancellation of the loan.

## Basic Requirements

- 10.5 A signed application (Appendix 10A) for issuance of a commitment letter in the form ADB-CL is submitted to ADB together with a summary sheet (Appendix 10B) for the commitment letter and the required supporting documents. A separate application is required for each currency in which a commitment letter is requested.

## Supporting Documents

- 10.6 Supporting documents to be submitted to ADB with the application for a commitment letter include (i) a contract or confirmed purchase order, if not yet submitted earlier to ADB; and (ii) a copy of the LC against which ADB's commitment letter is requested (see section 4.32 for retention period of supporting documents). ADB will return applications that do not meet the requirements.

## Issuing the Commitment Letter

- 10.7 Upon approval of the borrower's application for issuance of a commitment letter, ADB issues a commitment letter (Appendix 10C<sup>1</sup>) to the nominated commercial bank (normally the negotiating bank) specified in the LC.

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<sup>1</sup> Appendix 10C is a sample of a SWIFT-based commitment letter. Appendix 10D is a sample of a paper-based commitment letter, which should be used only when the circumstances require.



- 10.8 Where the LC indicates a separate advising bank and nominated commercial bank, ADB will issue the commitment letter to the nominated commercial bank, with a copy provided to the advising bank. Indicating “negotiation with any bank” is not acceptable.<sup>2</sup>
- 10.9 A “transferrable” LC that allows the rights and obligations of the LC beneficiary (i.e., manufacturer or exporter) to be transferred to another party, thereby creating a secondary beneficiary, is not acceptable under ADB’s commitment procedure. Therefore, the borrower should not have the LC issuing bank approve a transferrable LC.
- 10.10 No commitment letter is issued if shipment date falls beyond the loan closing date. LC expiry date normally falls before the loan closing date, unless otherwise approved by ADB.

## Accepting the Commitment Letter

- 10.11 The nominated commercial bank’s first request for payment under the commitment letter constitutes its acceptance of the terms and conditions of ADB’s commitment.

## Payment to Commercial Banks

- 10.12 ADB pays from the loan account after receipt of the confirmation from the nominated commercial bank which has paid for or agreed to pay in accordance with the LC terms.
- 10.13 Requests for reimbursement from the nominated commercial bank are made in authenticated SWIFT<sup>3</sup> or tested telex. The word “**Condiment**” or the words “**(i) payment has been made or is due and will be promptly made to the beneficiary under and in full compliance with the terms and conditions of the LC; (ii) documents were presented within the original or extended expiry date; and (iii) discrepancies, if any, have been referred to and accepted by LC issuing bank**” must be written on the request for reimbursement (Appendix 10C).

## Amendments Requiring ADB’s Prior Approval

- 10.14 ADB’s prior approval is required for amendments to the LC involving changes such as
- extension of the LC expiry date beyond the loan closing date of the loan account, as specified in the loan agreement, or otherwise extended by ADB<sup>4</sup>;
  - change in the LC’s value or currency;
  - description or quantity of goods;
  - country of origin;
  - beneficiary; and
  - terms of payment.
- 10.15 The nominated commercial bank is to copy all proposed amendments to ADB for its information or approval.

<sup>2</sup> This is to keep the legal connection between the LC and ADB’s commitment letter, which is addressed to the specific bank or payee.

<sup>3</sup> SWIFT means Society for Worldwide Interbank Financial Telecommunication.

<sup>4</sup> Extension of the LC expiry date beyond the winding-up period is not allowed, unless the winding-up period is extended to cover the extension of the LC expiry date. See section 4.17.

## Amendments to the Letter of Credit

- 10.16 The borrower requests ADB's approval of amendments to the LC as soon as the LC amendment is obtained from the LC issuing bank (Appendix 10E). A copy of the signed amendment must be attached to the request.
- 10.17 ADB communicates its approval to the nominated commercial bank and the borrower by the form shown in Appendix 10F or by authenticated SWIFT, tested telex, or a formal letter of approval.
- 10.18 ADB may allow the borrower, in urgent cases, to send its application for approval to amend the LC by fax. The message is to include loan number, commitment letter number, LC number, and nature and reason for the amendment. A copy of the LC amendment should be attached to the application.
- 10.19 The message must state that the amendment has been made by the LC issuing bank and that the application for approval of amendment of the LC and a copy of the LC amendment are being airmailed to ADB.
- 10.20 Amendments to the LC for the following need not be submitted to ADB for approval: (i) extending the expiry date and shipping dates up to the loan closing date, and (ii) other amendments except those mentioned in section 10.14. The borrower merely needs to inform ADB using the standard form (Appendix 10G) and submit a signed copy of the amendment, or advise ADB via authenticated SWIFT sent by the LC issuing bank. This will ensure ADB's prompt payment of claims received from the nominated commercial bank.

## Limitation of ADB's Commitment

- 10.21 A borrower, when requesting a commitment letter, agrees in the application form that if the US dollar or special drawing right (SDR)<sup>5</sup> equivalent as specified in ADB's commitment is exceeded at the time of ADB's payments due to currency fluctuations, ADB may use the uncommitted portion of the loan to cover the deficiency. If the uncommitted portion of the loan is insufficient, the borrower agrees to pay the remaining obligation promptly under the LC after receiving ADB's notice.

## Discrepancies

- 10.22 ADB is unable to honor the payment claim of the nominated commercial bank if there is any discrepancy between the shipping documents and the LC terms. In such event, the nominated commercial bank must seek, through the LC issuing bank, the borrower's authorization to pay despite such discrepancy.

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<sup>5</sup> The SDR is an international reserve asset created by the International Monetary Fund in 1969 to supplement the official reserves of its member countries. Its value is based on a basket of four key international currencies—US dollar, yen, pound sterling, and euro. Source: <http://www.imf.org/external/np/exr/facts/sdr.htm>

## Linking the Letter of Credit to the Commitment Letter

10.23 The LC is linked to ADB's commitment letter with the following clause:

This letter of credit is established under Asian Development Bank Loan \_\_\_\_ (number) and becomes effective only if and when the Asian Development Bank issues its commitment letter to the nominated commercial bank. For payment, please follow the instructions contained in the commitment letter.

10.24 Alternatively, the LC need not have the clause. Instead, it is immediately operative on the strength of the LC issuing bank's commitment to finance the transaction. ADB's commitment, if and when issued, will shift the financing commitment from the LC issuing bank to ADB. In this case, the LC contains the following clause:

The financing of this letter of credit is undertaken by \_\_\_\_ (LC issuing bank). However, it is established under Asian Development Bank Loan \_\_\_\_ (number) and, if and when the Asian Development Bank issues its commitment letter to the advising or negotiating bank, the latter shall follow the provisions contained in the said commitment letter, and claim payment or reimbursement from the Asian Development Bank.

## Narrative Procedures

10.25 The narrative procedures and the checklist for the commitment procedure are in Appendix 10H.

## FINANCIAL INTERMEDIATION LOANS

### Description

- 11.1 Financial intermediation loans (FILs)<sup>1</sup> seek to help achieve the following objectives: (i) furthering policy reforms in the financial and real sectors; (ii) financing real sector investments through market-based allocation mechanisms; (iii) strengthening the capacity, governance, and sustainability of participating financial intermediaries (PFIs); and (iv) helping increase the outreach, efficiency, infrastructure, and stability of the financial system.
- 11.2 PFIs are autonomous financial intermediary entities authorized by the borrower to receive loans either directly from the Asian Development Bank (ADB) or through the borrower for passing on the loan amount to the final beneficiaries as subloans.
- 11.3 FILs are re-lent by PFIs to sub-borrowers such as small and medium-sized industries, enterprises, or individuals for eligible subprojects.

### Disbursement Procedures

- 11.4 Under FILs, ADB provides funds to eligible PFIs for onlending, at the financial intermediary's credit risk, to final borrowers (sub-borrowers) for eligible subprojects. Disbursement arrangements and funds flow under FILs should be provided in the Project Administration Manual (PAM), as they are determined with project-specific considerations.
- 11.5 Reimbursement,<sup>2</sup> direct payment, and commitment<sup>3</sup> procedures may be used, as appropriate (Chapters 7, 9, and 10).
- 11.6 ADB may approve the use of the advance fund procedure (Chapter 8) under FILs. The advance to the advance account should not exceed 6 months' estimated cash flow required for payments to be made to sub-borrowers for eligible subprojects. A separate account or ledger in the PFIs' accounting systems may be used in lieu of a separate bank account, with fiduciary arrangements acceptable to ADB.

<sup>1</sup> See *Operations Manual (OM) D6/BP*.

<sup>2</sup> For instance, reimbursement to executing agency (EA) or PFI may be used if EA or PFI has already paid subloans.

<sup>3</sup> For instance, direct payment (or commitment letter) to sub-borrowers may be used for paying subproject expenditures incurred.

- 11.7 ADB may approve the use of the statement of expenditures (SOE) procedure (Chapter 7).<sup>4</sup> The SOE ceiling, if any, for the nonsubmission of full supporting documentation may be established at the “free limit”<sup>5</sup> agreed for the FIL. The SOE sheet for this purpose is shown in Appendix 7D.
- 11.8 If an individual payment amount exceeds the SOE ceiling, if any, appropriate supporting documents (e.g., invoices for subproject, subloan agreement, or other documents required in the PAM) should be submitted to ADB.

## POLICY-BASED LOANS

### Purpose of the Policy-Based Loan

- 11.9 ADB provides policy-based lending in the form of budget support in conjunction with structural reforms and development expenditure programs of a developing member country (DMC). It is also used to provide balance-of-payments assistance during economic and financial crises. ADB makes policy-based loans<sup>6</sup> only to DMC governments. In general, policy-based loans (i) are linked to the implementation of policy reforms and are disbursed quickly, and (ii) have sector-wide and economy-wide impacts.

### Fiduciary Safeguard

- 11.10 Since general budget support under stand-alone policy-based lending and programmatic approach are absorbed into a DMC’s public expenditures in the form of counterpart funds of loan proceeds, fiduciary arrangements need to be in place to ensure efficient utilization of overall resources through sound public financial management.

### Loan Proceeds and Disbursement Procedures

- 11.11 There is considerable flexibility in the use of policy-based loan proceeds to meet a DMC’s developmental needs. The loan proceeds may be utilized to finance economy-wide import requirements on the basis of a negative import list, or sector-specific import requirements on the basis of a positive import list.

<sup>4</sup> Formerly, the simultaneous authorization and withdrawal (SAW) procedure was also used. The use of the SAW procedure, if so stipulated in a loan agreement, is not superseded by the revision of this handbook.

<sup>5</sup> ADB generally allows financial intermediaries to enter into subloans meeting agreed criteria without submitting subloan proposals to ADB for amounts up to an agreed “free limit.” The requirement of a free limit, above which subloan proposals need to be submitted by the financial intermediary to ADB for prior approval, enables ADB to satisfy itself on the quality of the financial intermediary’s appraisal of projects and advise on appraisal techniques and methodology. (OM D6/OP)

<sup>6</sup> Refer to OM D4/BP and D4/OP. The term “policy-based loan” as used in this chapter also refers to policy-based grants, unless the context requires otherwise.

- 11.12 A negative import list specifies imports that are excluded from financing under the loan, either by item or by specification of the Standard International Trade Classification. All items not listed may be financed under the loan. In contrast, a positive import list specifies eligible imports for financing under the loan.
- 11.13 The proceeds of a policy-based loan for which there is only a negative list of ineligible items may be disbursed without supporting import documentation. Documentation in respect of specific imports will be required for policy-based loans for which a positive list of eligible items is utilized.
- 11.14 Disbursement under policy-based loans normally takes the form of reimbursement to the central bank of the DMC acting as a depository. The central bank is generally responsible for administering policy-based loans in close consultation with the government and sector-specific entities responsible for implementing the sector program. Where appropriate, the central bank may disburse the loan through commercial banks or development finance institutions or both.

## **Audit Arrangement**

- 11.15 Under all policy-based loans, an audit of policy-based loan proceeds will be undertaken only upon ADB's request. ADB retains its rights to audit any accounts if there is any doubt as to the proper use of the policy-based loan proceeds.

## Description

- 12.1 The term “cofinancing” refers to any transaction-specific arrangement under which funds or risk-sharing capacity provided by a third party (other than from the borrowing or host developing member country and its government agencies or the project sponsors) are associated with Asian Development Bank (ADB) funds, guarantees, or administrative involvement.

## Disbursement Procedures

- 12.2 For cofinanced projects where ADB acts as administrator of the cofinanced component, the cofinanciers normally agree to follow ADB’s procurement guidelines and disbursement procedures to facilitate project implementation and administration.<sup>1</sup>
- 12.3 The borrower is normally requested to submit a separate withdrawal application (WA) for withdrawal from the loan account provided by cofinanciers to pay eligible project expenditures.

## Types of ADB Administration of Cofinancing Disbursement

- 12.4 There are two types of ADB administration of cofinancing disbursement:
- **Funds held by ADB (disbursement fully administered by ADB):** The cofinancier’s funds are entrusted and deposited with ADB. ADB reviews, authorizes, and executes payments in accordance with ADB’s *Loan Disbursement Handbook*.
  - **Funds held by the cofinancier (disbursement partially administered by ADB):** ADB reviews WAs in accordance with ADB’s *Loan Disbursement Handbook* and advises the cofinancier to execute the necessary payments directly to beneficiaries. The commitment procedure (Chapter 10) may not be used for cofinancier’s funds held by the cofinancier.

<sup>1</sup> When ADB provides financial administration of a cofinanced component, explicit Board or Management approval is described in ADB’s project documents. In addition, a cofinancing agreement is signed between ADB and the cofinancier indicating the project administration duties and responsibilities of the signing parties. If ADB does not act as administrator of the cofinancier’s fund, the cofinancier’s guidelines and procedures apply. See *Operations Manual (OM)* E1 for further details.

## Disbursement Arrangement for ADB-Administered Cofinanced Funds

- 12.5 When ADB administers cofinanced funds, eligible expenditures are typically financed based on one of three financing options: (i) pro rata, (ii) front-loading of cofinanced funds (i.e., cofinanced funds are disbursed before ADB funds), or (iii) different ratios specified for each expenditure category and/or subcategory.
- 12.6 The advance account and the subaccounts under cofinanciers' funds should be maintained separately from the advance account and the subaccounts under ADB funds, unless otherwise approved by ADB.
- 12.7 The financing option and detailed disbursement arrangements for the cofinancier's fund should be described in the Project Administration Manual (PAM) with project-specific considerations. A cofinancier's particular requirement, if any (e.g., closing date of the cofinancier's fund), should also be described in the PAM.



## Description

- 13.1 The Asian Development Bank (ADB) undertakes nonsovereign operations<sup>1</sup> to provide direct financing and/or risk mitigation to entities, or for projects or business activities, in developing member countries. Nonsovereign operations refer to any loan, guarantee, equity investment, or other financing arrangement that (i) is not guaranteed by a government; or (ii) is guaranteed by a government under terms that do not allow ADB, upon default by the guarantor, to accelerate, suspend, or cancel any other loan or guarantee between ADB and the related sovereign.
- 13.2 Inquiries on private sector operations not discussed in this handbook should be addressed to ADB's Private Sector Operations Department (PSOD).

## Disbursement Procedures

- 13.3 In all cases, the disbursement procedures should be specified in the contractual agreement with ADB, i.e., loan, B loan, equity investment, or revolving credit facility (RCF) agreement.<sup>2</sup>
- 13.4 **Private Sector Loans (excluding B Loans), Debt and Equity Investments:**<sup>3</sup> After the receipt of the borrower's/investee's disbursement request or call notice in accordance with the specific contractual agreement, PSOD will prepare the authorization for private sector disbursements together with a complete set of loan, debt or equity investment documents as attachments, to initiate the disbursement process. The Controller's Department (CTL) should receive the authorization (i) at least 3 business days prior to the proposed disbursement date for US dollar-denominated disbursements, and (ii) at least 5 business days prior to the proposed disbursement date for local currency disbursements without swap arrangements or 10 business days for US dollar fixed interest rates and 15 business days for local currency disbursements with swap arrangements.<sup>4</sup> For disbursement of local currency, PSOD coordinates with the Treasury Department to determine the source of funding, as appropriate, before the proposed disbursement date.
- Revolving Credit Facilities:** After the receipt of the issuing bank's request for disbursement, PSOD will prepare the disbursement authorization and send to CTL for processing 1 business day prior to the disbursement date.
- 13.5 The disbursements may take place in predetermined tranches on specified dates as prescribed in the contractual agreements, or at discretionary call of the borrower/investee.

<sup>1</sup> See Operations Manual (OM) D10.

<sup>2</sup> Technical assistance is not covered by this handbook, but is covered by the *Technical Assistance Disbursement Handbook* (2010, amended from time to time).

<sup>3</sup> B loan is a tranche of a direct loan nominally advanced by ADB, subject to eligible third parties taking funded risk participations within such tranche. It complements an A loan funded by ADB. ADB is the lender-of-record as the B loan is made in the name of ADB.

<sup>4</sup> Before CTL receives the authorization, the Office of the General Counsel endorses the initial authorizations for all private sector operations loan disbursements and for all subsequent equity investment disbursements.

- 13.6 ADB's disbursements for private sector loans, debt and equity investments, and RCFs are subject to
- the loan, B loan, debt and equity investment, or RCF agreement having been signed and made effective by ADB;
  - the borrower, investee, or issuing bank having submitted to ADB a certificate of incumbency sufficiently evidencing the authority of the person(s) who will sign the disbursement request (substantially in the form shown in Appendix 13A); and
  - any conditions for withdrawal as specified in the loan, B loan, debt and equity investment, or RCF agreement having been met.
- 13.7 Before disbursement can be made, ADB requires the following:
- **Private Sector Loans (excluding B Loans):**
    - disbursement request form (substantially in the form shown in Appendix 13B) signed by an authorized representative of the borrower;
    - a signed undated disbursement receipt, if required by the loan agreement, indicating the amount received by the borrower with the date to be filled in by ADB after the disbursement is value-dated (substantially in the form shown in Appendix 13C); and
    - any other documents specified in the loan agreement.
  - **B Loans:**
    - receipt of funding from participating lenders in the form of SWIFT;<sup>5</sup> and
    - any other documents specified in the participation agreement.
  - **Equity Investments:**
    - capital call request signed by an authorized representative of the investee; and
    - any other documents specified in the equity investment agreement.
  - **RCFs:**
    - disbursement request form (substantially in the form shown in Appendix 13D) signed by an authorized representative of the issuing bank;
    - a subloan summary report on each subloan that is proposed to be financed out of the proceeds of the disbursement (substantially in the form shown in Appendix 13E); and
    - any other documents specified in the RCF agreement.

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<sup>5</sup> SWIFT means Society for Worldwide Interbank Financial Telecommunication.

## Disbursement Procedures in the Event of Default by Issuing Bank under ADB Credit Guarantee

13.8 **Confirming Bank Agreement:** In the event of default by the issuing bank, reimbursement claims will be made by the confirming banks to ADB under the confirming bank agreement. ADB requires the following:

- a notice of unpaid claim form (substantially in the form shown in Appendix 13F) to be delivered by authenticated SWIFT or tested telex and followed by hard copy, and
- any other documents specified in the confirming bank agreement.

13.9 **Risk Participation Agreement:** In the event of default by the nominated issuing bank, participation contribution claims will be made by the grantor to ADB under the risk participation agreement. ADB requires the following:

- a notice of participation contribution form (substantially in the form shown in Appendix 13G),
- the grantor's written demand for payment from the relevant nominated issuing bank to which the unpaid amount relates, and
- any other documents reasonably requested by the grantor.

14.1 The Loan Financial Information System (LFIS)/Grant Financial Information System (GFIS) website (<http://lfis.adb.org>) is an internet-based system that provides authorized users the essential data and financial information on the sovereign loan and grant operations of the Asian Development Bank (ADB).<sup>1</sup> Borrowers; executing, implementing, and other agencies; and ADB staff can search, retrieve, download, and print reports and queries from the LFIS and GFIS systems of ADB. The following reports and downloaded data can be analyzed by different parameters such as fund, borrowing country, sector, type, individual loan or grant, and loan or grant categories during specified periods:

- loan and grant portfolio,
- contract awards,
- disbursement data,
- status of withdrawal application, and
- separate reports for loan and grants.

14.2 In addition, the following reference materials are available on the website:

- *Loan Disbursement Handbook*
- *ADB Financial Products* (LBL, LCL, and Debt Management)
- indicative lending rates for LIBOR Based Loan

14.3 The LFIS/GFIS website has five sections:

- Loan Data,
- Grant Data,
- Reports,
- Reference, and
- Downloads.

14.4 **Loan Data.** This section provides information on loan portfolios such as principal amount, number of closed loans, cancellation, number of effective loans, contracts awarded, disbursements, and undisbursed loan balance for active and closed loans. The information by loan level can also be viewed as follows:

Basic Data:	Loan Profile
	Category List
	Category Ledger
	Partial Cancellation
	Borrower, Executing, and Implementing Agencies Addresses
Loan Summaries:	Status of Loan
	Contract and Disbursement Projections
Contracts:	Contract Listing

<sup>1</sup> This chapter applies to sovereign operations, including cofinancing operations in which its disbursement is fully administered by ADB (Chapter 12).

	PCSS Listing
	Contract Ledger
Commitment Letters:	List of Commitment Letters
	Commitment Letters Ledger
Disbursements:	Track Applications –by Application No.
	Paid and Posted – by Executing Agency, by Category, by Procedure, and by Kind, in particular Value Dates
	Paid
	Pending
	Rejected
	Disbursement Details – by Application and Authorization No.
	Paid for the Period – by Executing Agency, by Category, by Procedure, by Kind, in particular Accounting Months
Advances:	Statement of Advances and Liquidation
	Advance Disbursement
	Outstanding Advance
Project Picture	

- 14.5 **Grant Data.** This section provides information on grant portfolios such as approved amount, number of grants, supplementary amount, cancellation amount, net grant amount, number of effective grants, contracts awarded, disbursements, and undisbursed grant balance by country for active and closed grants. The information by grant level can also be viewed as follows:

Basic Data:	Grant Profile
	Category List
	Category Ledger
	Partial Cancellation
	Supplementary
	Grant Recipient, Executing, and Implementing Agencies Addresses
Grant Summaries:	Status of Grant
Contracts:	ADB Contract Listing
	EA Contract Listing
	PCSS Listing
	PCSS Ledger
Commitment Letters:	List of Commitment Letters
	Commitment Letter Ledger
Disbursements:	Track Applications – by Application No.
	Paid and Posted by Executing Agency, by Category, and by Fund in particular Value Dates
	Paid
	Pending
	Rejected
	Disbursement Details – by Application No.
Advances:	Statement of Advances and Liquidation
	Advance
	Outstanding Advance Summary

14.6 **Reports.** Available reports may vary, depending on the level of access given to the user. The reports can be viewed, printed, and downloaded from the website (Appendixes 14A and 14B). Authorized users are given restricted access for reports relevant to projects under their respective country or agency. The following are the available regular reports:

(i) **Loan Financial Information System Reports**

- Country Reports:
  - **Summary Disbursement Ratio (ALR511):** This report provides information on the rate of disbursement during the period or year by country and by fund. The report is updated monthly.
  - **Statement of Loans (ALR900):** This report provides the status of loan utilization for the country of the borrower by source of fund. This report is updated monthly.
  - **Statement of Contract Awards (ALR917):** This report provides information on contract awards for loans by source of fund and by project division. The disbursements are in cumulative amounts for the week, for the year, and the total to date. The report is updated weekly.
  - **Statement of Disbursements (ALR922):** This report provides disbursements for all active loans (including loans closed during the year) by source of fund and by project division, for the country of the borrower. The disbursements are in cumulative amounts for the month, for the year, and total to date.
  - **Monthly Contracts and Disbursement Report (ALR928):** This report provides information on contracts awarded, subloan commitments, and disbursements for each loan, by country and by source of fund. The disbursements are in cumulative amounts for the month, for the year, and total to date.
  - **Contract Awards Information on Goods, Related Services, and Civil Works (ALR984):** This report provides contract awards information on goods, related services, and civil works above \$100,000 by borrowing country entered into ADB's books. It provides detailed descriptions of the contracts. The report is updated monthly.
- Executing Agency Reports:
  - **List of Contracts by Executing Agency (ALR558):** This report provides information on contracts awarded and utilized under all loans for the particular executing agency (EA). The report is updated monthly.
  - **Semi-Monthly Listing of Loan Disbursements (ALR967):** This chronological listing provides information on loan disbursement transactions and status of withdrawal applications under a given loan every 15 days for the period from the 1st to the 14th of the month and the period from the 15th to the end of the month. The listing is available only if there are disbursements during the reporting period. The status of category balances and advance in US dollars and/or special drawing rights under the semi-monthly listing of loan disbursements contains the basic information on categories and advances. The report is uploaded semi-monthly.
  - **Statement of Withdrawal Vouchers (ALR929):** This report provides information on confirmed disbursement transactions sorted by withdrawal application and by authorization number. This report does not include transactions relating to (i) application for issuance of commitment letters, and (ii) loan repayment. The report is updated monthly.

- **Advance Fund Turnover Ratio – Loans (ALR573M2):** This report provides information on the operational efficiency of advance accounts of the borrowers, using the turnover as the efficiency indicator.

(ii) **Grant Financial Information System Reports**

- Country Reports:
  - **Summary Disbursement Ratio (GRP575F):** This report provides information on the rate of disbursement during a period/year by country and by fund. The report is uploaded monthly.
  - **Statement of Grants (GRP910):** This report shows the status of grant utilization for the country of the recipient. The information in the report is uploaded monthly.
- Executing Agency Reports:
  - **Semi-Monthly Listing of Grant Disbursements (GRP967):** This report provides information on grant disbursement transactions during the semi-monthly period for every grant under the particular recipients' representative and executing agency. The report is uploaded semi-monthly.
  - **Advance Fund Turnover Ratio – Grants (GRP573M2):** This report provides information on the operational efficiency of advance accounts of the recipients, using the turnover as the efficiency indicator.

(iii) **Other Loan or Grant Financial Information System Reports.** Other LFIS/GFIS reports such as statement of loans, monthly summary statement of loan disbursements, advance fund turnover ratio, and monthly financial report, among others, are available for internal users only.

(iv) **Loan Accounting Reports.** Loan accounting reports, such as billing statements and capitalization statements, are available on the Loan Accounting and Services (LAS) website, a link for which is also available on the LFIS/GFIS website.

14.7 **Reference.** This section shows a list of information for reference (Appendix 14C).

(i) **Loan Financial Information System Reference**

- List of Loans by ADB Project Division
- List of Loans by Disbursement Section
- List of Loans by Executing Agency
- List of Loans with SOE
- List of Loans with Advance
- List of Loans with SOE and Advance
- List of Agencies for a Given Country
- Loan Disbursement Handbook
- Currency Book Rates
- OCR Lending Rates, Rebate and Waiver

(ii) **LIBOR Based Loan (LBL) Reference**

- ADB Financial Products (LBL, LCL, and Debt Management)
- LIBOR Based Loan (LBL) Indicative Rates

(iii) **ADB Reference**

- ADB Departments, Offices, and Missions
- ADB Holidays
- Organizational Chart – Controller’s Department

(iv) **Others**

- Procurement: Guidelines and Bidding Documents
- Consultant: Guidelines, Registration, FAQs
- Project Profile and Completion Reports

14.8 **Downloads.** This section provides options to download items, including the following ADB forms (Appendix 14D):

- Evidence of Authority to Sign Withdrawal Applications (Form ADB-EA)
- Withdrawal Application (Form ADB-WA)
- Summary/Statement of Expenditures (SOE) Sheet for Project Loans/Grants (Form ADB-SS/SOE)
- Summary/SOE Sheet for Financial Intermediation Loans (Form ADB-FI-SS/SOE)
- Certificate (Parts I and II) for Force Account for Works
- Estimate of Expenditures Sheet (Form ADB-AF-EES)
- Advance Account Reconciliation Statement
- Example of Subaccount Reconciliation Statement
- Application for Issuance of Commitment Letter (Form ADB-CL)
- Summary Sheet for Issuance of Commitment Letter (Form ADB-CL-SS)
- Application for Approval of Amendment of Letter of Credit
- Borrower’s Advice of Extension of Letter of Credit Expiry and Shipping Dates
- Request for LFIS/GFIS/LAS Web Access Definition/Renewal/Termination

14.9 **Access to the LFIS/GFIS website.** To obtain access to the LFIS/GFIS website, a request form for LFIS web access must be filled out and submitted to ADB. Upon receipt of application, ADB will e-mail the confidential user ID and password to the requesting user. (Refer to Appendix 14E for the access request form.)

14.10 **Inquiries.** Inquiries should be made to the following:

LFIS Webmaster  
Systems Support Group  
Controller’s Department  
E-mail address: [lfis@adb.org](mailto:lfis@adb.org)



# APPENDIXES

NOTES: The term “loan(s)” as used in this handbook also refers to grants, for investment projects that are implemented by borrowers, unless the context requires otherwise. Disbursement procedures for policy-based loans and grants are described in Chapter 11 and related appendix. The reference to grant(s) does not include technical assistance grants. The term “borrower(s)” in this handbook refers to borrowers, recipients of grants, their executing agencies and/or implementing agencies, unless the context requires otherwise. Please use those terms, as applicable, to each project when model forms in the appendixes are actually used.

**EVIDENCE OF AUTHORITY TO SIGN WITHDRAWAL APPLICATIONS**

(This model form is used when a blanket authorization has not been provided.)

[Letterhead of  
The representative of the Borrower/Recipient]  
[Street address]  
[City] [Country]

[DATE]

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Attention: Controller's Department, Loan Administration Division (CTL/CTLA)

Dear Sir/Madam:

**Subject: Loan {Grant} No. \_\_\_\_ - \_\_\_\_ (Project Name)**

I refer to the Loan {Grant} Agreement (the "Agreement") between the Asian Development Bank ("ADB") and [name of borrower {recipient}] (the "borrower" {the "recipient"}), dated \_\_\_\_\_, providing the above Loan {Grant}. For the purposes of Article [put appropriate Article number] as defined in the Agreement, the person(s) whose authenticated specimen signature(s) appear below is authorized on behalf of the borrower {recipient} to sign withdrawal application(s) and applications for issuance of commitment letter(s) under this Loan {Grant}:

[Name], [position] Specimen Signature: \_\_\_\_\_

[Name], [position] Specimen Signature: \_\_\_\_\_

[Name], [position] Specimen Signature: \_\_\_\_\_

(Stipulate if more than one person needs to sign withdrawal applications, and how many or which positions, and if any thresholds apply.)

Yours faithfully,

/ signed /

\_\_\_\_\_  
Signed by:  
[Title of the Borrower/Recipient's  
Designated Representative,  
as provided in the Loan {Grant} Agreement]

### ELIGIBLE AND INELIGIBLE EXPENDITURES

1. Expenditures eligible for ADB financing are generally detailed in the Loan Agreement (e.g., Allocation and Withdrawal of Loan Proceeds) and the Project Administration Manual (PAM), with consideration of the following ADB's policies and guidelines.<sup>1</sup>
2. **Eligibility of Specific Expenditures for ADB Financing:** There are three categories of specific expenditure items below, which are considered eligible for ADB financing.<sup>2</sup>
  - a) **Land Acquisition Cost and Payments for Rights-of-way, Expenditures in Relation to Involuntary Resettlement or Indigenous Peoples, Expenditures for Acquisition of Secondhand Goods, and Leased Assets** require assessment and descriptions to be included in the loan proposal. After approval of a loan, any change will be treated as a change in project<sup>3</sup> and justified based on the relevant assessment in accordance with the Staff Instruction.
  - b) **Taxes and Duties on ADB-financed Expenditures** are eligible for ADB financing provided that the estimated taxes and duties to be incurred under the project do not represent an excessive share of the project cost, unless the country cost-sharing arrangements and eligible expenditure financing parameters<sup>4</sup> (CSFP) and/or loan proposal do not permit financing of taxes and duties.
  - c) **Incidental Project Expenditures:** Unless the loan proposal provides otherwise, expenditures in relation to (i) recurrent cost, (ii) severance pay, (iii) local transport and insurance costs, (iv) late payment charges imposed by suppliers and contractors, (v) bank charges, (vi) nutrition assistance and (vii) interest during construction on non-ADB loans, are eligible for ADB financing.<sup>5</sup>
3. **Expenditures Incurred outside ADB Member Countries** are ineligible unless ADB's Board approves a waiver of the member country procurement eligibility restriction for such expenditure items, except for cases below.
  - a) **Expenditures under Consultant Contracts.** Out-of-pocket expenditures (OPE) for air travel and per diem under a consultant contract are eligible for ADB financing, subject to adherence to the principles of economy and efficiency, notwithstanding that they may be incurred outside an ADB member country or involve suppliers or service providers from a non-ADB member country.<sup>6</sup> However, in the event a consultant needs to purchase goods (e.g., equipment) or services (e.g., arrangements for workshops and related travels) under its contract, such items are procured within ADB member countries unless a Board waiver has been granted.
  - b) **Travel Expenditures of Government Officials and Other Project-related Persons.** Payments for air travel provided between ADB member countries (whether direct or involving transit through non-ADB member

<sup>1</sup> Other policies govern the extent to which particular expenditures may be financed. For example, under section D7/BP of the *Operations Manual* (Disaster and Emergency Assistance), ADB's mandate does not allow it to engage in peacemaking, peacekeeping, or humanitarian relief.

<sup>2</sup> ADB. 2017. Staff Instruction on Business Processes for Cost Sharing and Eligibility of Expenditures for ADB Financing.

<sup>3</sup> Project Administration Instruction No. 5.02.

<sup>4</sup> The country cost-sharing arrangements and eligible expenditure financing parameters are established generally in a country partnership strategy or in a memorandum to Management.

<sup>5</sup> Disbursement of ADB's financing of the items indicated in (ii), (iv), (vi) and (vii) may be made upon confirmation by the regional department.

<sup>6</sup> The same approach applies to resource persons engaged under loan-financed projects.

countries) and other travel-related expenses are eligible for ADB financing regardless of whether such air travel and travel-related expenses involve suppliers or service providers from non-ADB member countries, subject to adherence to the principles of economy and efficiency.

4. **Ineligible Expenditures per Safeguard Policy:** The ADB Prohibited Investment Activities List in the Safeguard Policy Statement (2009, amended from time to time) stipulates activities which do not qualify for ADB financing. For more details, please visit <http://www.adb.org/site/safeguards/main>

5. **Other Financier's Requirements or Restrictions:** For grants or loans from external funding sources that are administered by ADB, cofinanciers and ADB may discuss and agree on additional eligibility conditions. Such specific requirements or restrictions, if any, should be properly documented in the loan documents.

6. **Eligible and Ineligible Expenditures per Japan Fund for Poverty Reduction Guidelines:**<sup>7</sup> The Japan Fund for Poverty Reduction (JFPR) Guidelines specify eligible expenditures and ineligible expenditures under JFPR grants (as the guidelines are amended from time to time, please visit <http://www.adb.org/site/funds/funds/japan-fund-for-poverty-reduction> for more details).

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<sup>7</sup> Japan Fund for Poverty Reduction (JFPR) Policy Guidelines for Project Grants (2016, amended from time to time).

## DETAILED COST ESTIMATES BY FINANCIER, ALLOCATION TABLE, AND TAXES AND DUTIES

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## Detailed Cost Estimates by Financier (Financing Option 3)

(\$ million)

		ADB		Government		Total Cost	
		Amount	Financing % of Cost Category	Amount	Financing % of Cost Category	Amount	(Taxes and Duties)
Item		{A}	{A/C}	{B}	{B/C}	{A+B=C}	{D}
<b>A. Investment Costs</b>							
1	Civil Works	140.00	91%	13.80	9%	153.80	(13.80)
2	Equipment	20.00	91%	2.00	9%	22.00	( 2.00)
3	Land Acquisition and Resettlement	0.00	0%	27.60	100%	27.60	( 0.00)
4	Consultants	12.00	91%	1.20	9%	13.20	( 1.20)
5	Training	1.00	91%	0.10	9%	1.10	( 0.10)
	<b>Subtotal (A)</b>	<b>173.00</b>		<b>44.70</b>		<b>217.70</b>	<b>(17.10)</b>
<b>B. Recurrent Costs</b>							
1	Project Management	5.00	80%	1.30	20%	6.30	( 0.50)
2	Equipment Operation and Maintenance	4.00	80%	1.00	20%	5.00	( 0.40)
	<b>Subtotal (B)</b>	<b>9.00</b>		<b>2.30</b>		<b>11.30</b>	<b>( 0.90)</b>
	<b>Total Base Cost</b>	<b>182.00</b>		<b>47.00</b>		<b>229.00</b>	<b>(18.00)</b>
C.	Contingencies	15.00		3.00		18.00	( 0.00)
D.	Financing Charges During Implementation	3.00		0.00		3.00	( 0.00)
	<b>Total Project Cost (A+B+C+D)</b>	<b>200.00</b>	<b>80%</b>	<b>50.00</b>	<b>20%</b>	<b>250.00</b>	<b>(18.00)</b>
	<b>% Total Project Cost</b>		<b>80%</b>		<b>20%</b>	<b>100%</b>	

## Notes:

- This table is prepared based on the financing option 3 described in para. 9(iii) of the Staff Instruction (SI) on Business Processes for Loan Disbursement, under which ADB finances eligible expenditures in accordance with different ratios specified for each expenditure category and/or subcategory. Under the financing option 2 (para. 9(ii)), the breakdown of the financing percentage by each financier may not be determined as ADB finances eligible expenditures up to 100% of every claim it receives, as long as sufficient undisbursed loan or grant amounts remain.
- ADB's share for a particular expenditure may or may not include taxes and duties, depending on tax and duty structure for an expenditure item. Requirements under *Operations Manual* section H3 and the related SI should be met for ADB financing of local taxes and duties.
- The description of taxes and duties is provided on page 3 of 3.
- The schedule on page 2 of 3 is derived from this table.
- All information, including format, is for illustration purposes.

## DETAILED COST ESTIMATES BY FINANCIER, ALLOCATION TABLE, AND TAXES AND DUTIES

Page 2 of 3

## Attachment to Schedule of Financing Agreement (Financing Option 3)

## Allocation Table

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$ or SDR equivalent)	Basis for Withdrawal from the Loan Account
		Category	
1	Civil Works, Equipment, Consultants, and Training	173,000,000	91% of total expenditure claimed
2	Recurrent Costs	9,000,000	80% of total expenditure claimed
3	Interest [and Commitment] Charges	3,000,000	100% of total amount due
4	Unallocated	15,000,000	
	TOTAL	200,000,000	

$= 173.0 / (\text{total investment cost } 217.7 - \text{land acquisition and resettlement } 27.6) = 91\%$

$= 9.0 / \text{total recurrent cost } 11.3 = 80\%$

## Notes

1. This table is derived from page 1 of 3, and assumes financing option 3 of Staff Instruction (SI) on Business Processes for Loan Disbursement.
2. Separate expenditure categories may be provided in the allocation table, in accordance with the SI.
3. Disbursement percentages must present ADB's share of eligible expenditures paid or to be paid. When the government's counterpart funding for a particular category is in the form of a tax exemption, the disbursement percentage should be calculated using the amount of base costs (i.e., exclusive of taxes and duties). The disbursement percentage (e.g., Category 1) is presented below:

1	Civil Works, Equipment, Consultants, and Training	173,000,000	100% of total expenditure claimed
---	--	-------------	--------------------------------------

$= 173.0 / (\text{total investment cost } 217.7 - \text{land acquisition and resettlement } 27.6 - \text{tax } 17.1) = 100\%$

This presentation does not prohibit ADB financing taxes and duties for a particular expenditure, depending on the tax and duty structure for a particular expenditure item.

4. If ADB and/or ADB-administered cofinancier cannot finance local taxes and duties, the net-of-tax basis disbursement percentage (i.e., 100%\* Exclusive of taxes and duties imposed within the territory of the Borrower) is used in order for ADB-administered cofinancier to finance the project costs as envisaged. The net-of-tax basis presentation should be used only when the circumstances require.
5. The percentages indicated in the column "Basis for Withdrawal from the Loan Account" are disbursement percentages.
6. All information, including format, is for illustration purposes.

## DETAILED COST ESTIMATES BY FINANCIER, ALLOCATION TABLE, AND TAXES AND DUTIES

Page 3 of 3

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Taxes and Duties

Local taxes and duties imposed within the territory of the Borrower are categorized below:

- (i) **Value-added tax (VAT), gross sales tax (GST), and other similar types of taxes and duties** that are identifiable and determinable as the final tax amount at the time of transaction. These types of taxes and duties are levied in borrowing countries on specific goods, works, and services, by adding the relevant taxes to the project costs. When ADB and/or ADB-administered cofinancier cannot finance local taxes and duties, these types of taxes are excluded from its financing.
- (ii) **Income tax and other similar types of taxes and duties** that are not identifiable and determinable as a final tax amount at the time of transaction. These types of the taxes and duties are levied by tax authorities of the borrowing countries on the total income of all business activities of the contractor during a fiscal year, including ADB-financed activities. Income tax withheld by the executing agency from a contractor's invoice is temporary, subject to adjustments at the time of declaring annual income tax returns. Actual income tax cannot be determined at the time of payment of individual invoices. When ADB and/or ADB-administered cofinancier cannot finance local taxes and duties, these types of taxes are not excluded from its financing.

If a country has a particular type of tax that requires clarification on its nature and treatment under an ADB-financed project, the Report and Recommendation of the President (or other loan proposal) and the Project Administration Manual should describe that tax and indicate the financier of the tax.

#### PAYMENT OF FINAL AUDIT FEES

1. **Eligibility.** The costs of annual audits may be included in the project cost estimates and are eligible for financing under the ADB loan.<sup>1</sup> It is important for the borrower to ensure proper cost category is provided in the loan agreement, if the costs of audits are to be financed by ADB loan.
2. **Best Practice.** It is best practice to pay the audit fees before the loan closing date after completing the final audit (section 4.18 of the Handbook).
3. **Conditions.** When the final audit is not completed before the loan closing date, special arrangements will be required for payment of the final audit fee from the loan account. External auditor's fees for the final fiscal year or reporting period may be disbursed from the loan account, as expenditures incurred, under the conditions that (a) the borrower should sign a contract or audit engagement for the final audit prior to the loan closing date, and (b) the contract is a lump-sum or fixed price contract that requires completion of audit<sup>2</sup> within 6 months after the loan closing date.
4. **Payment during the Winding-up Period.** If the audit work is completed and billed during the winding-up period (section 4.20), the final audit fees may be disbursed through reimbursement if the borrower has already paid, the advance fund which is subject to proper liquidation of advance to the advance account, or direct payment to the auditor.
5. **Payment after the Winding-up Period.** If the audit fee cannot be paid during the winding-up period, payment may be made into an escrow account<sup>3</sup> during the winding-up period. After establishing the escrow account, the borrower sends a withdrawal application together with full supporting documentation, including a copy of contract or audit engagement for the final audit, the terms of reference for the final audit, and the letter of agreement establishing the escrow account (i.e., simplified documentation is not allowed for this purpose). If ADB does not receive the audited financial statements within the time stipulated, it may request a refund of the fee and/or deposit to the escrow account. ADB notifies the borrower of the amount to be refunded.
6. If the borrower does not have access to an escrow mechanism, the relevant sector division and Loan Administration Division of Controller's Department (CTLA) should be contacted to discuss available options before the closing date.
7. **Procedures for Making Payment through the Escrow Account.** Procedures for establishing an escrow account, and paying the final audit fee through an escrow account are described as follows:

<sup>1</sup> See *Operations Manual (OM)* J7.

<sup>2</sup> The completion of audit is defined as the receipt and acceptance of the final audit report by the borrower.

<sup>3</sup> An escrow account is an account into which funds are deposited and held to pay for specific contracts, fees, or expenditures. Establishment of an escrow account ensures that expenditures are paid in a timely manner: it is a guarantee that funds are available to pay the bills when they come due. Normally, the account owner initiates the establishment of an escrow account into which the funds will be deposited and subsequently paid to a third party with an escrow agent. The rights and obligations of the account owner and the escrow agent are specified in a letter of agreement or other binding document.



- (i) A letter of agreement for setting up an escrow account is signed between the account owner, in this case the borrower, and the escrow agent, normally the commercial bank that will maintain the escrow account. In most cases, the bank maintaining the project's advance account would be selected, but another commercial bank could also be considered if it is acceptable to ADB.
- (ii) The letter of agreement<sup>4</sup> should indicate the agreed lump sum needed to pay for the audit (or the remaining portion thereof if an advance has been paid) in accordance with the contract for the final audit, and should define the respective responsibilities of the commercial bank and the borrower.
- (iii) The borrower may deposit the agreed amount into the escrow account from the advance account if the advance account has a sufficient balance remaining or submit a direct payment application (Chapter 9) to enable ADB to deposit the amount directly in the escrow account. The deposit to the escrow account should be made prior to the end of the winding-up period.
- (iv) The commercial bank will make the payment to the auditor in accordance with the letter of agreement. The borrower maintains a copy of the invoice and receipt provided by the auditor. The borrower refunds to ADB any amount deposited in the escrow account that exceeds the amount actually paid to the auditor.

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<sup>4</sup> The letter of agreement should include the following elements: (i) the purpose of the escrow account is for the payment of the [attached] final audit contract; (ii) the escrow agent confirms that it will not assert any claim to set off, seize, or attach amounts on deposit in the escrow account; (iii) the escrow agent will provide a monthly account statement; (iv) the payment of the auditor's claim will be made for the audit completed within 6 months after the loan closing date, unless otherwise accepted by ADB. On receipt of the claim for the contract payment from the auditor, the escrow agent will notify the account holder (i.e., the borrower of ADB loan) immediately. The account holder will authorize the escrow agent to make payment within 5 working days; and (v) the account will be closed once the auditor's claims have been paid in accordance with the terms of the contract. Any unutilized amount will be refunded by the escrow agent to the account holder, and subsequently refunded to ADB.

## WITHDRAWAL APPLICATION

Asian Development Bank



To: Asian Development Bank (ADB)  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

ADB Loan/Grant No.  - Application No.     

Attention: Loan Administration Division, Controller's Department (CTLA)

## 1. Type of Disbursement (indicate an 'x' in the appropriate box)

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Reimbursement              | <input type="checkbox"/> Direct Payment                | <input type="checkbox"/> Policy-based Lending |
| <input type="checkbox"/> Initial/Additional Advance | <input type="checkbox"/> Liquidation and Replenishment | <input type="checkbox"/> Liquidation Only*    |

## 2. In connection with the Loan or Grant Agreement (Agreement) of the said ADB Loan or Grant number, please pay from the Loan or Grant Account (Account):

Application Currency	Application Amount (in figures)	Application Amount (in words)
<input type="text"/>	<input type="text"/>	<input type="text"/>

## 3. Payment Instructions (\*Not required in the case of liquidation only):

## A. Payee's Name and Address

Payee's Name

Payee's Address

## B. Name and Address of Payee's Bank and Account No.

Bank Name

Bank Address

Payee's Account No.  SWIFT Code

## C. Correspondent Bank (If payee's bank is not located in the country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid.)

Bank Name

Bank Address

Account No. of Payee's Bank  SWIFT Code

## D. Special Payment Instructions and Other References

## 4. This application consists of [indicate an 'x' in the appropriate box(es)]:

- |  |   |
|--|---|
| <input type="checkbox"/> Summary/Statement of Expenditures (SOE) sheets                  | <input type="checkbox"/> Certificates for Force Account for Works (FAW) |
| <input type="checkbox"/> Estimate of Expenditures sheets                                 | <input type="checkbox"/> Advance Account Reconciliation Statement       |
| <input type="checkbox"/> Copies of supporting documents (e.g., invoices, receipts, etc.) |   |

## 5. The undersigned certifies and agrees as follows:

- The expenditures were or will be made for the purposes specified in the Agreement and in accordance with its terms and conditions, and the undersigned has not previously withdrawn from the Account or obtained or will obtain any other loan, credit, or grant for the purpose of fully or partially meeting these expenditures.
- The works, goods, or services claimed for direct payment, reimbursement, or liquidation of advance have been procured in accordance with the Agreement and the cost and terms of the purchase thereof are reasonable and in accordance with the relevant contract(s).
- The works, goods, or services were or will be produced in and supplied by a member country of ADB, unless specifically permitted otherwise by the ADB Board of Directors.
- This application is claimed in accordance with ADB's *Loan Disbursement Handbook*, and all documents related to the expenditures covered by this application are available for examination by auditors and by ADB upon request.
- Unless otherwise restricted in the Agreement, if the disbursement pursuant to this application results in the agreed allocation of the corresponding expenditure categories of the Account being exceeded, ADB may process the disbursement and subsequently reallocate to such categories from other categories to the extent required to meet the shortfall.

By (Name of Borrower or Recipient) Date Signed Signature of Authorized Representative(s) Printed Name/Title of Authorized Representative(s) 

ADB Form No. ADB-WA

## Instructions for preparing the Withdrawal Application Form (ADB Form No. ADB-WA)

### General Instructions

- Submit original withdrawal application (WA) form to the Asian Development Bank (ADB) (or to its resident/regional Mission, if instructed).
- Number WAs consecutively, not exceeding five digits or characters.
- The value of a WA should be at least US\$200,000 equivalent, or 1% of the loan or grant amount, whichever is lower, unless otherwise stipulated in the Project Administration Manual (PAM). Individual payments below this amount should be paid (i) by the Borrower or Recipient and subsequently claimed to ADB through reimbursement, or (ii) through the advance fund procedure (if such procedure is stipulated in the PAM), unless otherwise accepted by ADB.
- When the WA is completed, verify completeness of supporting documentation and accuracy of details before passing to the authorized representative(s) for signature. Mistakes and omissions result in delayed disbursement.

### Withdrawal References

**ADB Loan or Grant No.** Indicate the number assigned by ADB to the Loan or Grant Agreement (i.e., Loan or Grant + [4 digits serial numbers]-[3 characters of country code]).

**Application No.** Number WAs consecutively not exceeding 5 digits or characters. If the project has more than one executing agency (EA) or implementing agency, the project coordinator should assign an alpha identification for each EA, e.g., A0001 to A9999 for EA no. 1 and B0001 to B9999 for EA no. 2.

**1. Type of Disbursement** Check the appropriate box of the disbursement type, whether for (i) reimbursement, (ii) direct payment, (iii) policy-based lending (PBL), (iv) initial/additional advance, (v) liquidation and replenishment, or (vi) liquidation only.

### 2. Application Amount

**Application Currency:** Indicate the name of the currency requested for disbursement. Prepare a separate WA for each application currency and each payee. The application currency for direct payment or reimbursement procedure is the currency of the contract or the currency in which the cost of goods and services has been paid or is payable. The application currency for the advance fund procedure is the currency of the advance account. The application currency of PBL is the currency of the denomination of the PBL as specified in the legal agreement (e.g., the Special Drawing Right [SDR]).

**Application Amount:** Indicate the amount to be disbursed in figures and words. The amount must be the sum of the summary/statement of expenditures (SOE) sheet(s) (except PBL).

### 3. Payment Instructions

**A. Payee's Name and Address** Indicate full name and address of the payee for identification of payment.

**B. Name and Address of Payee's Bank and Account No.** Indicate full name and address of the payee's bank, which may include a banker and/or branch designation. Account number is important. Provide SWIFT code if the payee's bank is a member of SWIFT.

**C. Correspondent Bank** When payment is to be made to a payee's bank not located in the country of the disbursement currency, indicate full name and address of its correspondent bank located in the country of the disbursement currency. Provide SWIFT code if the bank is a member of SWIFT.

**D. Special Payment Instructions** Indicate any particulars, special instructions, or references to facilitate payment or identification of payment. When the disbursement currency is different from the application currency for the PBL (e.g., Concessional Loans from Ordinary Capital Resources), indicate "pay the application amount in [the currency name to be disbursed] equivalent."

### 4. Documentation

**Summary/SOE Sheets** Submit a separate form for each category or subcategory. List items of payment to the same supplier together, one below another. This form is not applicable for PBL.

**Certificates for Force Account for Works (FAW)** Submit two certificates (Parts I and II) for FAW. These certificates are applicable if such procedure is stipulated in the PAM.

**Estimate of Expenditures Sheet** Submit this form for initial or additional advance to the advance account, or if the requested level of advance is larger than the appropriate level of advance. The estimate should be endorsed by the ADB's project officer or specialist in charge of administration of the project. Estimated expenditures for the forthcoming 6 months should normally be based on the amount of contracts awarded and to be awarded. For expenditures related to operational costs, the amount should be linked to the project's annual budget provision.

**Advance Account Reconciliation Statement** Submit this form for liquidation and/or replenishment of the advance account. A copy of the ending balance per the corresponding bank statement should be attached.

**Copies of Supporting Documents** Submit supporting documents in accordance with the *Loan Disbursement Handbook* (section 7.6, 8.32, 9.5, or 10.6) to substantiate eligibility of the expenditure claimed (except PBL), unless SOE procedure is applicable to the payments.

### 5. Certifications and Signature

**Certifications** Modifications to any certifications are not valid or binding, unless otherwise agreed by ADB.

**By (Name of Borrower or Recipient)** Fill in the name as it appears in the Loan or Grant Agreement.

**Date Signed** Enter the date WA is signed by authorized representative(s), not the date it was prepared.

**Authorized Representative(s)** Pass this application to authorized representative(s), who is (are) designated in the Evidence of Authority to Sign Withdrawal Applications form submitted to ADB. Verify that the list of authorized representative(s) has not been changed.

# SUMMARY/STATEMENT OF EXPENDITURES (SOE) SHEET FOR PROJECT LOANS/GRANTS



Asian Development Bank

ADB Loan/Grant No.		-	
Application No.			
Category/subcategory <sup>a</sup>			
Sheet No.			
For the period:			

Type of Form (Indicate an 'X' in the appropriate box [select one box]):		Indicate applicable SOE ceiling, if any <sup>c</sup>
<input type="checkbox"/>	Summary Sheet	<input type="text"/>
<input type="checkbox"/>	SOE Sheet <sup>b</sup>	

Type of Disbursement (Indicate an 'X' in the appropriate box): (select one box)	Reimbursement	Liquidation of Advance	Direct Payment
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[illegible]

\* EA = Executing Agency, PCSS = Procurement Contract Summary Sheet, PO = Purchase Order

**Notes:**

- Prepare separate form for each category or subcategory.
- Not applicable for direct payment procedure.
- For all individual payments exceeding any applicable SOE ceiling, prepare a separate summary sheet (Appendix 7B) and attach the required supporting documents.
- Ensure that the total amount of all summary/SOE sheet agrees with the amount indicated in the withdrawal application for reimbursement or direct payment (d1) or advance fund (d2).
- Applicable for liquidation of advance under the advance fund procedure. Indicate the actual foreign exchange rates used for each transaction (see additional notes and illustration on the next page). Indicate down payment, advance payment, an installment payment number, Interim Payment Certificate number or other relevant information.

ADB Form No. ADB-SS/SOE

**Additional Notes on Foreign Exchange Rate to Calculate Amount to be Charged to Advance Account, footnote (d)**

1. Related to Note (e) of the Summary/SOE Sheet, **if the advance account (e.g., in US\$) is converted to a local currency (e.g., som) for a particular transaction**, the actual foreign exchange rate is the rate to be used for each transaction. It is inappropriate to use foreign exchange rates which were not actually used for such transaction, (e.g., reference rate published by a bank or a government agency) because the accumulation of foreign currency translation differences must be avoided.
2. **If the advance fund (e.g., US\$) is transferred to a subaccount maintained in local currency (e.g., som), in a certain batch** to cover several local currency payments, the standard practice is to record local currency transactions on a first-in-first-out basis (see *illustration Nos. 1–3 below*), because it is considered to be the actual foreign exchange rate used for the transaction. It is inappropriate to use foreign exchange rates which were not actually used for such transaction (e.g., reference rate published by a bank or a government agency) because accumulation of foreign currency translation differences must be avoided. Following this standard practice is important to avoid any reconciliation and/or account closing issues.
3. **If a specific payment previously made from a subaccount in a local currency (e.g., ineligible expenditure) is refunded to the subaccount**, the same foreign exchange rate used for the transaction (i.e., the specific payment being refunded) should be applied to record the refund in the advance account currency (e.g., US\$, see *illustration Nos. 4–5*).

**(Illustrative transactions in a subaccount in som)**

No	Balance (as of the beginning)	Received	Utilized	Balance (as of the end)
1	0 som	10,000 som @ 44 som/\$1 [from the advance account]	5,000 som @ 44 som/\$1	5,000 som @ 44 som/\$1
2	5,000 som @ 44 som/\$1	15,000 som @ 43.5 som/\$1 [from the advance account]	10,000 som 1.) 5,000 som @ 44 som/\$1 2.) 5,000 som @ 43.5 som/\$1	10,000 som @ 43.5 som/\$1
3	10,000 som @ 43.5 som/\$1	20,000 som @ 43 som/\$1 [from the advance account]	25,000 som 1.) 10,000 som @ 43.5 som/\$1 2.) 15,000 som @ 43 som/\$1	5,000 som @ 43 som/\$1
4	5,000 som @ 43 som/\$1	5,000 som @ 44 som/\$1 [refund of item No. 2-1)]		10,000 som 5,000 som @ 43 som/\$1 5,000 som @ 44 som/\$1
5	10,000 som 5,000 som @ 43 som/\$1 5,000 som @ 44 som/\$1	0 som	5,000 som @ 43 som/\$1	5,000 som @ 44 som/\$1

Note: The amount and exchange rates are only for illustration purposes.

**NARRATIVE PROCEDURES  
FOR THE REIMBURSEMENT PROCEDURE**

Responsible Person / Unit	Activity
Borrower	<p><b>For all Reimbursement Procedures</b></p> <ul style="list-style-type: none"> <li>• completes the withdrawal application using form ADB-WA (Appendix 7A).</li> <li>• completes the corresponding summary/statement of expenditures (SOE) sheet using form ADB-SS/SOE (Appendix 7B);</li> </ul> <p><b>In addition, for Reimbursement when SOE Procedure is not used</b></p> <ul style="list-style-type: none"> <li>• attaches the following supporting documents: <ul style="list-style-type: none"> <li>• the contract or confirmed purchase order indicating the amount and due date, if not yet submitted to ADB;</li> <li>• a copy of invoice, bill, or claim; and</li> <li>• a copy of the receipt or evidence of payment.</li> </ul> </li> </ul> <p><b>In addition, for Force Account for Works Certificate Procedure</b></p> <ul style="list-style-type: none"> <li>• attaches signed certificates parts 1 and 2 (Appendix 7E) to the signed withdrawal application and summary sheet(s).</li> </ul>
ADB	<p><b>For all Reimbursement Procedures</b></p> <ul style="list-style-type: none"> <li>• receives the completed forms and related documentation.</li> </ul>

**CHECKLIST FOR SUBMITTING WITHDRAWAL APPLICATIONS****REIMBURSEMENT****For Reimbursement Procedures in General**

1. Has the pertinent contract been sent to ADB?
2. Is the withdrawal application signed by an authorized signatory?
3. Has a separate application been completed for each currency?
4. Has a separate application been completed for each payee, as appropriate?
5. Has a separate summary/statement of expenditures (SOE) sheet been prepared for each category or subcategory and are items grouped by contract number?
6. Has ADB's procurement contract summary sheet (PCSS) number been indicated in the summary/SOE sheet for each contract?
7. Are expenditures eligible for financing in accordance with the terms and conditions of the loan agreement and the Project Administration Manual (PAM)?
8. Are the borrower's bank account number, name of bank, and correspondent bank (if applicable) shown on the payment instructions?
9. Are the supporting documents attached, as appropriate?

**For Statement of Expenditures Procedure**

1. Is the SOE procedure provided for in the PAM?
2. If an individual payment exceeds the SOE ceiling, if any, are the required supporting documents attached to the withdrawal application?

## SUMMARY/STATEMENT OF EXPENDITURES (SOE) SHEET FOR FINANCIAL INTERMEDIATION LOANS/GRANTS

This form is intended for use under financial intermediation loans to list individual payments for subloans.



Asian Development Bank

Type of Form (Indicate an 'X' in the appropriate box (select one box)):  <div style="display: flex; justify-content: space-around;"> <div> <input type="checkbox"/> <b>Summary Sheet</b> </div> <div> <input type="checkbox"/> <b>SOE Sheet<sup>b</sup></b> </div> </div>		Indicate applicable SOE ceiling, if any <sup>c</sup>  <div style="border: 1px solid black; width: 100px; height: 30px;"></div>		ADB Loan/Grant No. <div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; width: 100px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> </div>		Application No. <div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; width: 100px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> </div>		Category/subcategory <sup>a</sup> <div style="border: 1px solid black; width: 100px; height: 30px;"></div>		Sheet No. <div style="border: 1px solid black; width: 100px; height: 30px;"></div>		For the period: _____ to _____	
Type of Disbursement (Indicate an 'X' in the appropriate box) (select one box)				<input type="checkbox"/> Reimbursement		<input type="checkbox"/> Liquidation of Advance		<input type="checkbox"/> Direct Payment					

Type of Disbursement (Indicate an 'X' in the appropriate box); (select one box)	Reimbursement	Liquidation of Advance	Direct Payment
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

[illegible]

SIC = International Standard Industrial Classification Code.	
--	--

TOTAL CLAIM

**Notes:**

- a. Prepare separate form for each category or subcategory.
- b. Not applicable for direct payment procedure.
- c. For all individual payments exceeding any applicable SOE ceiling, prepare a separate summary sheet (Appendix 7D) and attach the required supporting documents. Other information such as maturity, grace period, interest rate, security taken, and any other relevant data may be indicated.
- d.

ADB Form No. ADB-FI-SS/SOE



**CERTIFICATE (PART I) FOR FORCE ACCOUNT FOR WORKS**  
**ADB Loan/Grant No.**

Date: \_\_\_\_\_

It is certified that as of \_\_\_\_\_ (date) the cumulative progress on the  
 work relating to \_\_\_\_\_ (project name)  
 was \_\_\_\_\_ %.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title or \_\_\_\_\_

Designation\*: \_\_\_\_\_

Executing Agency: \_\_\_\_\_

\*Project Consultant, Project Engineer, or Representative of Executing Agency or Implementing Agency, as appropriate.

**CERTIFICATE (PART II) FOR FORCE ACCOUNT FOR WORKS**  
**ADB Loan/Grant No.**

The amount of ADB loan/grant allocated for financing this force account for works is US\$<sup>1</sup> \_\_\_\_\_.  
 On the basis of the percentage of work completed as certified in Part I above, the cumulative amount that could be  
 withdrawn is US\$ \_\_\_\_\_. The amount of US\$ \_\_\_\_\_ has already been withdrawn  
 under withdrawal applications up to and including application no. \_\_\_\_\_, and the balance of  
 US\$ \_\_\_\_\_ is now requested to be withdrawn under application no. \_\_\_\_\_.

Amount calculated for financing this force account for works US\$ \_\_\_\_\_

Cumulative amount that could be withdrawn \_\_\_\_\_

(Percentage of work completed in Part I)

Less: Amount already withdrawn up to withdrawal application \_\_\_\_\_

(Latest application paid)

Amount now requested for withdrawal US\$ \_\_\_\_\_

(This application)

It is hereby certified that (i) expenditures have been incurred and paid for proper execution of project activities  
 under the terms and conditions of the Loan/Grant Agreement, and (ii) all documentation authenticating these expenditures  
 has been retained by the borrower/recipient and will be made available for examination by auditors and ADB  
 representatives upon request,

By : \_\_\_\_\_  
 (Signature of Representative[s])<sup>2</sup>

\_\_\_\_\_  
 (Printed Name / Position Title of  
 Representative[s])<sup>2</sup>

<sup>1</sup> The currency of the amount allocated for the force account for works.

<sup>2</sup> Representative of executing agency or implementing agency, as appropriate.



## ADVANCE ACCOUNT RECONCILIATION STATEMENT (AARS)

LOAN/GRANT NO. \_\_\_\_\_

Application Number \_\_\_\_\_ With (Bank) \_\_\_\_\_  
 Bank Account Number \_\_\_\_\_ Bank Address \_\_\_\_\_

1 PRESENT OUTSTANDING AMOUNT ADVANCED TO THE ADVANCE ACCOUNT NOT YET RECOVERED US\$<sup>1</sup> 4,000,000.00

2 BALANCE of advance account as of ( ) per bank statement<sup>2</sup> US\$ XXX, XXX.XX

3 ADD Amount of eligible expenditures claimed in attached application (WA no. \_\_\_\_\_) US\$ XXX, XXX.XX

4 ADD Amount claimed in previous applications not yet credited at date of bank statement US\$ XXX, XXX.XX

Withdrawal Application No.

XXXXX

XXXXX

XXXXX

Amount

US\$ XXX, XXX.XX

US\$ XXX, XXX.XX

US\$ XXX, XXX.XX

5 TOTAL amount withdrawn from the advance account but not yet claimed for replenishment

a. Subaccounts<sup>3</sup>

a.1 Total balance for subaccount #1 US\$ XXX, XXX.XX

a.2 Total balance for subaccount #2 US\$ XXX, XXX.XX

a.3 Total balance for subaccount #3 US\$ XXX, XXX.XX

a.4 Total balance for subaccount #4 US\$ XXX, XXX.XX

a.5 Total balance for subaccount #5 US\$ XXX, XXX.XX

Total subaccount balances accounted for US\$ XXX, XXX.XX

b. Transfer in transit US\$ XXX, XXX.XX

c. Petty cash balance US\$ XXX, XXX.XX

d. Amount of unliquidated expenses<sup>4</sup> US\$ XXX, XXX.XX

e. Others (please specify) US\$ XXX, XXX.XX

US\$ XXX, XXX.XX

6 TOTAL ADVANCE ACCOUNTED FOR US\$ 4,000,000.00

Explanation of any discrepancy between totals appearing in lines 1 and 6 above (e.g., earned interest credited to the account, bank charges, etc.):

7 ADVANCE ACCOUNT TURNOVER RATIO<sup>5</sup> 1.60

8 APPROPRIATE LEVEL OF ADVANCE BALANCE (item 1 x item 7 x 6/12) US\$ 3,200,000.00

9 REQUESTED LEVEL OF ADVANCE US\$ 4,000,000.00

Attach the latest estimate of expenditures (use the form of Appendix 8A) if the amount of item 9 is larger than the lower of item 1 or item 8. (Read the *Loan Disbursement Handbook*, sections 8.13 and 8.19).

**Notes:**

1 Indicate the currency of the advance account stipulated in the *Project Administration Manual*.

2 A copy of the relevant page of the corresponding bank statement showing the ending balance of the advance account as of the reconciliation date should be attached.

3 List all existing subaccounts with corresponding amount advanced. Reconciliation statements and bank statements for subaccounts should be retained at the office of the borrower and/or EA.

4 The unliquidated expenditures should be itemized and reconciled with the records in the borrower/EA's accounting systems. Lists of the unliquidated expenses should be retained by the borrower and/or EA.

5 Indicate the advance account turnover ratio as of the month end nearest to the date of the bank statement. Advance account turnover ratio reports are available on the Loan Financial Information System/Grant Financial Information System (LFIS/GFIS) website (<https://lfis.adb.org>).

6 All figures are indicated for illustration purposes only.

**EXAMPLE OF SUBACCOUNT RECONCILIATION STATEMENT<sup>1</sup>**  
**LOAN/GRANT NO. \_\_\_\_\_**

Project Implementation Unit: \_\_\_\_\_

With (Bank): \_\_\_\_\_

Bank Account Number: \_\_\_\_\_

Bank Address: \_\_\_\_\_

1	PRESENT OUTSTANDING AMOUNT ADVANCED TO THE SUBACCOUNT NOT YET RECOVERED <sup>2</sup>	LC	X,XXX,XXX <sup>3</sup>	US\$ <sup>4</sup>	XXX, XXX.XX												
2	BALANCE of subaccount as of _____ per bank statement (copy attached)	LC	X,XXX,XXX	US\$	XXX,XXX.XX												
3	ADD: Amounts submitted for liquidation but not yet replenished at date of bank statement	LC	X,XXX,XXX	US\$	XXX,XXX.XX												
	<table><tr><td><u>Date</u></td><td><u>Reference</u></td><td><u>Amount</u></td></tr><tr><td>dd/mm/yyyy</td><td>xxxxx</td><td>xxxxx</td></tr><tr><td>dd/mm/yyyy</td><td>xxxxx</td><td>xxxxx</td></tr><tr><td>dd/mm/yyyy</td><td>xxxxx</td><td>xxxxx</td></tr></table>	<u>Date</u>	<u>Reference</u>	<u>Amount</u>	dd/mm/yyyy	xxxxx	xxxxx	dd/mm/yyyy	xxxxx	xxxxx	dd/mm/yyyy	xxxxx	xxxxx				
<u>Date</u>	<u>Reference</u>	<u>Amount</u>															
dd/mm/yyyy	xxxxx	xxxxx															
dd/mm/yyyy	xxxxx	xxxxx															
dd/mm/yyyy	xxxxx	xxxxx															
4	ADD: Petty Cash balance at date	LC	X,XXX,XXX	US\$	XXX,XXX.XX												
5	UNLIQUIDATED EXPENSES — expenditures paid from subaccount but not yet claimed for replenishment (Itemize expenses)	LC	X,XXX,XXX	US\$	XXX,XXX.XX												
	5.1 _____																
	5.2 _____																
	5.3 _____																
	5.4 _____																
6	TOTAL ADVANCE ACCOUNTED FOR	LC	X,XXX,XXX	US\$	XXX,XXX.XX												

Explanation of any discrepancy between totals appearing in lines 1 and 6 above (e.g., earned interest credited to the account, bank charges, etc.):

**Notes:**

- This statement is recommended for proper internal control of executing agency and implementing agency and not required as attachment to Withdrawal Application for submission to ADB. This is submitted to ADB upon its request.*
- Total amount advanced should tally with amount shown in item no. 5 (a) of the main Advance Account Reconciliation Statement (AARS).*
- If the subaccount is maintained in a different currency from the currency of the advance account, indicate exchange rates used at the time of advance/replenishment from the main advance account.*
- Indicate the currency of the advance account.*

**NARRATIVE PROCEDURES  
FOR ADVANCE FUND PROCEDURE**

Responsible Person / Unit	Activity
<b>A. ADB's Initial and Additional Advance to the Advance Account</b>	
Borrower	<ul style="list-style-type: none"> <li>completes the withdrawal application using form ADB-WA (Appendix 7A) and an estimate of expenditures sheet using form ADB-AF-EES (Appendix 8A).</li> </ul>
ADB	<ul style="list-style-type: none"> <li>receives the completed forms and disburses the forthcoming 6-month advance for deposit to the borrower's advance account.</li> </ul>
<b>B. Liquidation or Replenishment of the Advance Account</b>	
Borrower	<ul style="list-style-type: none"> <li>completes the withdrawal application using form ADB-WA (Appendix 7A) and the applicable summary/statement of expenditures (SOE) sheet using form ADB-SS/SOE or form ADB-FI-SS/SOE (Appendix 7B or 7D), or certificates for force account for works (Appendix 7E) to replenish the account as frequently as possible, provided the amount of the application reaches the minimum value of US\$200,000 equivalent or 1% of the loan amount, whichever is lower; and</li> <li>prepares the necessary advance account reconciliation statements (Appendix 8B) and attaches the ending balance per the corresponding bank statement.</li> </ul>
ADB	<ul style="list-style-type: none"> <li>receives the completed forms and disburses the value of eligible expenditures for replenishment of the account balance, and</li> <li>disallows any unjustified or ineligible payment.</li> </ul>
Borrower	<ul style="list-style-type: none"> <li>refunds the disallowed amount to the advance account.</li> </ul>
<b>C. Final Liquidation or Refund of Advances</b>	
Borrower	<ul style="list-style-type: none"> <li>completes the withdrawal application (Appendix 7A) and the applicable summary/SOE sheet (Appendix 7B), and</li> <li>prepares the advance account reconciliation statements (Appendix 8B) and attaches the ending balance per the corresponding bank statement.</li> </ul>
ADB	<ul style="list-style-type: none"> <li>receives the completed forms and deducts the amount of eligible expenditures incurred from the outstanding balances of advances until the advance account reaches a zero balance, and</li> <li>requests the borrower to refund the unliquidated balance if the account still has unliquidated advance after the loan closing date.</li> </ul>
Borrower	<ul style="list-style-type: none"> <li>refunds promptly to the loan account any amount that remains outstanding in the advance account after the loan closing date, as specified in the Loan Agreement.</li> </ul>

**CHECKLIST FOR SUBMITTING WITHDRAWAL APPLICATIONS****ADVANCE FUND PROCEDURE**

1. Is the advance fund procedure authorized by ADB for this loan and described in the Project Administration Manual (PAM)?
2. Is the withdrawal application signed by an authorized signatory?
3. Are both the advance account reconciliation statement and the ending balance per corresponding bank statement included to support the request for liquidation or replenishment?
4. Are expenditures eligible for financing in accordance with the terms and conditions of the loan agreement and the PAM?
5. Has a separate summary/statement of expenditures (SOE) sheet been prepared for each category or subcategory?
6. Has a procurement contract summary sheet (PCSS) number been indicated on the summary/SOE sheet?
7. Are supporting documents attached, as appropriate?
8. If the loan closing date is within the next 6 months, has consideration been given to whether the account should be replenished or treated as liquidation only (section 8.21)?
9. Is an appropriate level of advance requested after review of the turnover ratio of the advance account?
10. Is the projection for the next 6 months for initial or additional advance attached to the withdrawal application (sections 8.12 and 8.19)?
11. Is the currency of withdrawal application the same as the currency of the advance account?
12. Are the payment instructions complete?

**NARRATIVE PROCEDURES  
FOR DIRECT PAYMENT PROCEDURE**

Responsible Person / Unit	Activity
Borrower	<ul style="list-style-type: none"> <li>• completes the withdrawal application using form ADB-WA (Appendix 7A) for each payment in different currency;</li> <li>• completes the corresponding summary/statement of expenditures (SOE) sheet using form ADB-SS/SOE (Appendix 7B) using a separate form for each category or subcategory; and</li> <li>• attaches proper supporting documents to each withdrawal application.</li> </ul>
ADB	<ul style="list-style-type: none"> <li>• receives the completed ADB-WA, ADB-SS/SOE, and related supporting documents.</li> </ul>

**CHECKLIST FOR SUBMITTING WITHDRAWAL APPLICATIONS**

**DIRECT PAYMENT**

1. Has the pertinent contract been sent to ADB?
2. Is the withdrawal application signed by an authorized signatory?
3. Are expenditures eligible for financing in accordance with terms and conditions of the loan agreement and the Project Administration Manual?
4. Has a separate application been filled out for each payee and currency?
5. Has a separate summary sheet been prepared for each category or subcategory?
6. Has a procurement contract summary sheet (PCSS) number been indicated on the summary sheet?
7. Are the payment instructions complete?
8. Are the required supporting documents attached?

## APPLICATION FOR ISSUANCE OF COMMITMENT LETTER

Asian Development Bank



To: Asian Development Bank (ADB)  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

ADB Loan/Grant No.  - Application No. 

Attention: Loan Administration Division, Controller's Department (CTLA)

1. In connection with the Loan or Grant Agreement (Agreement) of the said ADB Loan or Grant number, we apply for a Commitment Letter and subsequent withdrawal from the Loan or Grant Account (Account) opened under the Agreement in:

Application Currency

Application Amount (in figures)

Application Amount (in words)




2. The undersigned certifies and agrees as follows:

- a. The undersigned requests that Commitment Letter be issued to the nominated commercial bank listed in the attached summary sheet(s) in accordance with the terms of the Agreement in order to make payment to the nominated commercial bank from the Account. The undersigned irrevocably authorizes such withdrawal on the basis of a written statement by the nominated commercial bank that payment has been made or is due, and will be promptly made under and in accordance with the terms of the letter of credit (LC) as amended from time to time.
- b. Amendments involving an extension of the LC expiry date beyond the closing date of the Agreement or a change in the value or currency of the LC, the description or quantity of goods, country of origin, the beneficiary, or terms of payment are subject to your prior approval. The undersigned will further ensure that all proposed amendments will be furnished to you by the nominated commercial bank for your information or approval as appropriate.
- c. You may limit your total obligation to make payments under the Commitment Letter by inserting a limitation clause denominated in the currency of the Account sufficient to cover exchange rate fluctuations. If the uncommitted portion of the loan or grant is insufficient, the undersigned agrees to pay the remaining obligation promptly under the LC after receiving ADB's notice.
- d. Your obligation under the Commitment Letter shall terminate
  - except as ADB shall otherwise agree, on the expiry date of the LC or on the closing date of the Agreement (whichever is earlier);
  - upon payment by ADB to the nominated commercial bank of the full value of the LC, in accordance with the terms and conditions of the Commitment Letter; and
  - upon receipt by ADB of written notice from the negotiating bank, the LC Accountee, or LC issuing bank specifying that the Commitment Letter may be canceled.
- e. The undersigned has not previously withdrawn from the Account to meet these expenditures. The undersigned has not and does not intend to obtain funds for this purpose out of the proceeds of any other loan, credit, or grant.
- f. The goods or services covered by this application are being purchased in accordance with the terms of the Agreement and relevant contract.
- g. The expenditures are being made only for goods or services produced and procured from a member country of ADB, unless specifically permitted otherwise by the ADB Board of Directors.

By (Name of Borrower or Recipient)

Date Signed

Signature of Authorized Representative(s)



Printed Name/Title of Authorized Representative(s)



ADB Form No. ADB-CL



## Instructions for Preparing Application for Issuance of Commitment Letter (ADB Form ADB-CL)

### General Instructions

- Submit original application to the Asian Development Bank (ADB) (or to its Resident/Regional Mission, if instructed).
- Prepare a separate summary sheet for each currency of letter of credit (LC) and for each payee.
- Number applications consecutively, not exceeding five digits or characters.
- Submit an application only for an LC with amount not less than US\$200,000 equivalent, or 1% of the loan amount, whichever is lower, unless otherwise stipulated in the Project Administration Manual (PAM). An LC with an amount less than the value should be paid (i) by the Borrower or Recipient and subsequently claimed to ADB through reimbursement, or (ii) paid through the advance fund procedure (if such procedure is stipulated in the PAM), unless otherwise accepted by ADB.
- When completed, verify this application for completeness of supporting documentation and accuracy of details before passing it to the Authorized Representative(s) for signature. Mistakes and omissions result in delayed payment.

### Withdrawal References

**ADB Loan or Grant No.:** Indicate the number assigned by ADB to the Loan or Grant Agreement (i.e., Loan or Grant + [4 digits serial numbers]-[3 characters of country code]).

**Application No.:** Number applications consecutively. If the project has more than one executing agency (EA) or implementing agency, the project coordinator assigns an alpha identification for each EA, e.g., A0001 to A9999 for EA 1 and B0001 to B9999 for EA 2.

### 1. Application Amount

**Application Currency:** Indicate the name of the currency of the commitment letter requested. Prepare a separate application for each application currency and each LC. The application currency is the currency of the contract or the currency in which the cost of goods and services is payable.

**Application Amount:** Indicate the amount to be disbursed in figures and words. The amount must be the sum of the summary sheet(s).

### Supporting Documents

Attach the following supporting documents:

- a. Contract or confirmed purchase order (PO), if not yet submitted to ADB.
- b. A copy of the LC against which the commitment letter is requested.

### Summary Sheet

**Name and Address of Beneficiary (Supplier):** Give the full name and mailing address, including city and country.

**Name of LC Accountee:** Give the name of the borrower or EA.

**Name and Address of LC Issuing Bank:** Give the name of the LC opening or issuing bank.

**Name and Address of Nominated Commercial Bank:** State the bank to which the commitment letter is to be issued, as shown in the LC. Indicate the SWIFT code, if available.

**Name and Address of LC Advising Bank:** Obtain this from the LC, where applicable or different from 4 above.

**LC Amount and Currency:** Obtain this from the LC.

**US\$/SDR Equivalent:** Leave this blank; it will be completed by ADB.

**LC Expiry Date:** Obtain this from the LC.

**LC Shipping Date:** Obtain this from the LC.

**Terms of Payment:** Obtain this from the LC. Give details as shown in the LC.

**Brief Description of Goods and Services:** Summarize the items to be purchased as shown in the LC.

**EA Contract No./PO Ref. No. and Date:** Enter contract or PO numbers assigned by the EA for reference.

**ADB Contract No. (PCSS), where available:** Enter the ADB contract number assigned by ADB for reference. This number, called Procurement Contract Summary Sheet (PCSS), is usually known after a signed contract is sent to ADB.

**Category Reference No.:** Enter loan category reference number as shown in Schedule 3 of the Loan Agreement or Schedule 2 of the Grant Agreement for the goods or services whose purchase is to be covered by the commitment letter.

**For Financial Intermediation loans:** Give the subloan number and country of procurement.

**Remarks:** Give special instructions or other references for easy identification in issuing the commitment letter.

### 2. Certifications and Signature

**Certifications:** Modifications to any certifications are not valid or binding, unless otherwise agreed by ADB.

**By (Name of Borrower or Recipient) :** Fill in the name as it appears in the Loan or Grant Agreement.

**Date signed:** Enter the date the application is signed by authorized representative(s), not the date it was prepared.

**Authorized Representative(s):** Pass this application to authorized representative(s), who is (are) designated in the Evidence of Authority to Sign Withdrawal Applications form submitted to ADB. Verify that the list of authorized representative(s) has not been changed.

## SUMMARY SHEET FOR ISSUANCE OF COMMITMENT LETTER

Asian Development Bank



Date: \_\_\_\_\_

ADB Loan/Grant No.  - Application No.     

Letter of Credit No. \_\_\_\_\_

**Beneficiary (Supplier):**

Name:

Address:

Name of Letter of Credit (LC) Accountee - Borrower or Executing Agency (EA)

**LC Issuing Bank**

Name:

Address:

Bank Code:

**LC Advising Bank (if applicable)**

Name:

Address:

Bank Code:

**LC Paying Bank or LC Negotiating Bank (Nominated Commercial Bank to which the Commitment Letter is to be issued)**

Name:

Address:

Bank Code:

**Remarks****LETTER OF CREDIT DETAILS**

LC Currency and Amount	LC Expiry Date
US\$/SDR Equivalent	LC Shipping Date
Terms of Payment	
Brief Description of Goods and Services	
<b>REFERENCES</b>	
EA Contract No./PO Reference No.	EA Contract/PO Date
ADB Contract No. (PCSS No.)	Category Reference No.
<b>FOR Financial Intermediation Loans Only</b>	
Country of Procurement	Subloan No.

PCSS = Procurement Contract Summary Sheet, PO = Purchase Order, SDR = Special Drawing Right.

Note: Copy of signed LC should be attached to this form.

ADB Form No. ADB-CL-SS

(Sample of SWIFT-based Commitment Letter)

**Asian Development Bank  
Commitment Letter**

Negotiating/Advising Bank Name

Address line1

Address line2

Address line3

Date: DD MONTH YEAR

ADB CL No.: XXXX-XXX(XX)-XXX

LC No.: 1234567890 ABCDEFGHIJLMNOPQRSTVWXYZ

LC Expiry Date: DD MONTH YEAR

Category or Subloan No.: XXX

Contract No.: XXXX

1. We issue this ADB Commitment Letter (CL) to make the above mentioned Letter of Credit (LC) issued in favor of (name of supplier) in the amount of (currency and CL amount) (equivalent to loan/grant currency and amount) operative. This is an irrevocable commitment to promptly (i) reimburse you for payments made to or on order of the beneficiary, and (ii) pay to you amounts that are due or to be made to the beneficiary, under and in full compliance with the terms and conditions of the LC and its appropriately approved amendments, if any. In the latter case you agree to make prompt payment due or to be made to the beneficiary upon receipt of our remittance. We will accept the request for payment directly from the LC nominated commercial bank, and its affiliated branches, whom we issued this CL. The authenticated request for payment by SWIFT must be submitted in the following format:

Claim Sequence No.: \_\_\_\_\_

ADB CL No.: XXXX-XXX(XX)-XXX

Conditment: (Currency and Amount of Claim)

LC No.: 1234567890 ABCDEFGHIJLMNOPQRSTVWXYZ

LC Expiry Date: DD MONTH YEAR

Balance of LC After This Claim: (Currency and Amount in figures). (Please indicate if it has been canceled or will be utilized.)

Payment Instructions: (Please indicate your correspondent bank in the country of the LC currency with whom you maintain a depository account.)

Discrepancy, if any: Accepted and authorized by LC Issuing Bank

Other Instructions: \_\_\_\_\_

2. The word 'Conditment' should always be stated in your claim by authenticated SWIFT and it represents your certification on the following:

- A. Payment has been made or is due and will be promptly made to the beneficiary under and in full compliance with the terms and conditions of the LC;
- B. Documents were presented within the original or extended LC expiry date; and
- C. Discrepancies, if any, have been referred to and accepted by LC Issuing Bank.

3. This CL is issued under ADB Loan/Grant Financing Agreement and is subject to the following terms and conditions:

- A. You agree to negotiate the LC on the receipt of this CL. Your first request for payment under the CL constitutes your acceptance of the terms and conditions of the ADB Commitment.
- B. Amendments to the LC involving the terms of payment including currency and amount, description or quantity of goods, beneficiary, country of origin, and extension of the expiry date of the LC beyond the loan/grant closing date will not be effective unless and until you receive our written approval thereof. All other LC amendments must be furnished to ADB for information.
- C. Our payment assurance is limited to the available LC Balance after this claim or amount of (loan/grant currency) equivalent as determined by us at the time of the payment. Our obligation under this CL shall be terminated (DD Month Year), the last day of the borrower's/recipient's right to withdraw from the loan/grant account including final payment of retention money, if any. Any extension beyond this date should be approved by ADB. This date may be extended by agreement between ADB and borrower/recipient, in which case you will be informed accordingly. We will bear any payment deficiency under the CL due to the relevant currency rate fluctuation rate or otherwise only if the loan/grant amount is available for that purpose. Otherwise, it will be borne by the LC Accountee who will arrange to make such payment to you after receipt of our notification.
- D. We will not accept a letter of indemnity covering any discrepancy(ies) between the shipping documents and terms of the LC. Discrepancy(ies) should be referred to the LC Issuing Bank for its authorization for payment before your request for reimbursement is submitted to us. Such authorization for payment should be clearly indicated in your reimbursement claim. This should also apply to LC negotiations after LC expiry date.
- E. We are not obligated to you for the payment of any interest, commission, expenses or other charges in connection with the LC.
- F. You agree to promptly advise us of any cancellation in whole or in part, expiration or final payment of the LC including the amount of unused balance, if any.

ASIAN DEVELOPMENT BANK

BY: 1. [Authorized CTLA-LGD IS1](#)  
2. [Authorized CTLA-LGD IS2](#)

(Sample of Paper-based Commitment Letter)  
This form should be used only when the circumstances require.

**Asian Development Bank  
Commitment Letter**

ASIAN DEVELOPMENT BANK  
No. 6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
SWIFT BIC: ASDBPHMM  
Telex No. 42205 ADB PM (ITT)  
Facsimile (632) 636 2606

Commitment Letter No. : \_\_\_\_\_  
Date : \_\_\_\_\_  
Letter of Credit No. : \_\_\_\_\_  
Loan No. : \_\_\_\_\_  
Subloan No. : \_\_\_\_\_  
ADB Contract No. : \_\_\_\_\_  
Loan Category Reference No. : \_\_\_\_\_

(LC Negotiating or Advising Bank)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Sir/Madam:

1. We transmit herewith copy of Letter of Credit (LC) which we understand you are prepared to advise, negotiate or confirm in favor of \_\_\_\_\_ in the amount of \_\_\_\_\_ (equivalent to US dollar/Special Drawing Rights (SDR)) expiring on \_\_\_\_\_.
2. In consideration of your acceptance hereof as provided below, we hereby agree to
  - (a) reimburse you for any payment made to or on the order of the beneficiary under and in accordance with the terms of the LC, or
  - (b) pay to you amounts that have become due to the beneficiary under and in accordance with the LC terms in which case you agree to make prompt payment to or on the order of the beneficiary upon receipt of our remittance.
 Payment shall be made by us promptly after receipt by us of written request thereof as hereinafter provided.
3. This Commitment Letter is issued under an Asian Development Bank Loan Agreement and is subject to the following terms and conditions.
  - (a) You will advise, negotiate or confirm the LC on receipt of this letter.
  - (b) Amendments to the LC involving the terms of payment including currency and amount; description or quantity of goods, beneficiary, country of origin, and extension of the expiry date of the LC beyond (loan closing date) will not be effective unless and until you receive our written approval thereof.
  - (c) We shall not be obligated to pay you unless an authenticated SWIFT message or tested telex message in accordance with the form printed on the back hereof shall have been received by us. Our obligation under this Commitment Letter shall be terminated on the date stated in para. 3(b) above, unless otherwise agreed to by us.
  - (d) In case there is any discrepancy between the terms of the LC and the shipping or other documents submitted by the beneficiary under the LC, you will obtain authorization to make payments, despite such discrepancy, from the LC issuing bank and inform us of such authorization.
  - (e) We shall not be obligated to you in respect of interest, commission, expenses or other charges in connection with the L/C.
  - (f) You agree that upon cancellation in whole or in part, expiration or final payment of the LC, you will advise us promptly thereof including the amount of unused balance thereunder, if any.
  - (g) Since our Loan is denominated in US\$/SDR, we have valued the US\$/SDR equivalent of this commitment as indicated above, on the basis of currency translation rate as determined by us. In the event of this US\$/SDR equivalent being exceeded at the time of our payment, on account of a change in such translation rate through a currency purchase transaction, we will suitably increase the above specified US\$/SDR equivalent if we can absorb the increase involved from within the amount of the Loan then available for such purpose. However, if we are unable to so accommodate such

increase wholly or partly, our payment to you under this commitment will be limited to such amount of the currency of the LC as we can accommodate in terms of its US\$/SDR equivalent and you may have to arrange with said Borrower for payment of the remaining balance, if any. Our Borrower will arrange to make such payment promptly to you after receipt of our notification.

4. Your first request for payment shall constitute your acceptance of this Commitment Letter including all the terms and conditions set forth in this letter and attachment as evidenced by the copy of this agreement on our files.

Yours sincerely,

ASIAN DEVELOPMENT BANK

By: 1. \_\_\_\_\_

2. \_\_\_\_\_  
(Authorized Signatories)

**ADB PAYMENT OR REIMBURSEMENT AND OTHER INSTRUCTIONS**  
**(This forms an integral part of the paper-based Commitment Letter)**

**Format of Claim**

1. We will accept your request(s) for payment by an authenticated SWIFT or a tested telex message submitted in the following form: (Please use only these three telex numbers: 29066 ADB PH, 42205 ADB PM, or 63587 ADB PN)  
 TEST No. (For the currency and amount claimed) (not required for SWIFT messages)

Condiment: (currency and amount of claim)

LC No.:

ADB CL No.:

Payment Instructions:

Reference No.:

LC Expiry Date:

LC Balance: will be utilized/canceled.

Discrepant documents, if applicable, accepted by:

Other Instructions or Remarks:

The word "Condiment" in the above cable form shall represent your certification that

- (a) payment has been made, or is due and will be promptly made to the beneficiary under and in full compliance, with the terms and conditions of the said Letter of Credit (LC) and amendments, if any, appropriately approved;
  - (b) documents were presented within the original expiry date or expiry date as extended;
  - (c) discrepancy(ies) in documents have been referred to and accepted by LC issuing bank.
- Written confirmation of SWIFT or telex claim is not required.

2. We shall entertain claims for payment or reimbursement received directly from the LC advising bank or the LC negotiating bank named in the LC and to whom this Commitment Letter has been issued. All other commercial banks are required to course their claims through the said bank.
3. (a) To assist us in making a prompt payment, your SWIFT or cable or telex should always mentioned the word "Condiment" whenever all three conditions stated in para. 1 above are met.
- (b) Although a telex is acceptable, it is preferable for you to use SWIFT to facilitate faster processing.
- (c) As for the test number to be assigned in the telex request, the test key arrangement existing between us should be used. Where there is no SWIFT authenticator key or a test key arrangement presently in existence, we are arranging an exchange with you of SWIFT Authenticator and Test Keys under separate cover. We shall not entertain an authentication on the basis of your test key arrangement with another bank in the Philippines, as this entails additional cost and delay unless our test key arrangement has not been forwarded to you on time.
4. The payment instructions in your claim should indicate your correspondent bank in the country of the currency of the LC with whom you maintain a depository account.
5. Please do not include in the amount to be claimed for payment, any interest, commission, expenses or any other banking charges in connection with the LC (see para. 3(e) of the Commitment Letter).

**Discrepancy in Documents**

6. We will not be in a position to accept a letter of indemnity covering any discrepancy(ies) between the shipping documents and the terms of the LC. In such cases, discrepancy(ies) should be referred to the LC opening bank for its authorization for payment before your request for reimbursement is submitted to us. Existence of such authorization for payment should be clearly indicated in your reimbursement claim. This should also apply to LC negotiations after LC expiry date.
7. With respect to para. 3(b) of the Commitment Letter, the date up to which the shipping and expiry dates can be extended without our approval, is the last day of the Borrower's right to withdraw from the Loan Account including final payment of retention money, if any. Any extension beyond this date should be approved by ADB. This date may be extended by agreement between ADB and the Borrower, in which case you will be informed accordingly.

**APPLICATION FOR APPROVAL OF AMENDMENT OF LETTER OF CREDIT**

Date : \_\_\_\_\_  
ADB Loan/Grant No. : \_\_\_\_\_  
Letter of Credit : \_\_\_\_\_  
Commitment Letter No. : \_\_\_\_\_

To: Asian Development Bank  
No. 6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

ATTENTION: Loan Administration Division, Controller's Department (CTLA)  
Dear Sir/Madam:

**Application for Approval of Amendment of Letter of Credit**

We request your written approval for a proposed amendment of (date) under Letter of Credit (number) covered by ADB Commitment Letter (number). A copy of the proposed amendment is attached.

We consider the proposed amendment necessary and reasonable and therefore request that you advise the commercial bank of your approval of the amendment.

By: \_\_\_\_\_  
(Signature of Authorized Representative)

\_\_\_\_\_  
(Printed Name / Position /  
Title of Authorized Representative)



**APPROVAL OF AMENDMENT OF LETTER OF CREDIT**

Date: \_\_\_\_\_  
ADB Loan/Grant No.: \_\_\_\_\_  
Letter of Credit No.: \_\_\_\_\_  
Commitment Letter No.: \_\_\_\_\_

\_\_\_\_\_  
(Name of commercial bank)  
\_\_\_\_\_  
(address)  
\_\_\_\_\_

Dear Sir/Madam:

**Approval of Amendment of Letter of Credit**

We approve the proposed amendment of (date) under Letter of Credit (number), in accordance with the copy of the attached amendment.

Yours faithfully,

ASIAN DEVELOPMENT BANK

\_\_\_\_\_

\_\_\_\_\_  
(Authorized Signatories)

**BORROWER'S ADVICE OF EXTENSION OF LETTER OF CREDIT EXPIRY  
AND SHIPPING DATES**

Date : \_\_\_\_\_  
ADB Loan/Grant No. : \_\_\_\_\_  
Letter of Credit : \_\_\_\_\_  
Commitment Letter No. : \_\_\_\_\_

To: Asian Development Bank  
No. 6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

ATTENTION: Loan Administration Division, Controller's Department (CTLA)

Dear Sir/Madam:

The expiry date and shipping date(s) of Letter of Credit (LC) [number] covered by ADB Commitment Letter (number) have been extended as in the attached copy of the amendment.

We certify that the expiry date and shipping date(s), as extended, fall within the loan/grant closing date. The amendment has been agreed to by the LC issuing bank.

By: \_\_\_\_\_  
(Signature of Authorized Representative)

\_\_\_\_\_  
(Printed Name / Position /  
Title of Authorized Representative)

**NARRATIVE PROCEDURES  
FOR COMMITMENT PROCEDURE**

Responsible Person / Unit	Activity
<b>A. Borrower's Application for Commitment Letter</b>	
Borrower	<ul style="list-style-type: none"> <li>• applies to a commercial bank in its own country, before importation, to open a Letter of Credit (LC) in favor of the supplier;</li> <li>• completes an application for issuance of Commitment Letter (CL) using form ADB-CL (see Appendix 10A) of each CL requested in a different currency;</li> <li>• completes the corresponding summary sheet for issuance of CL (see Appendix 10B) using a separate form for each category or subcategory;</li> <li>• attaches the supporting documents to each application; and</li> </ul>
ADB	<ul style="list-style-type: none"> <li>• receives the completed ADB-CL and the related summary sheets and LCs.</li> </ul>
<b>B. ADB's Issuance of Commitment Letter</b>	
ADB	<ul style="list-style-type: none"> <li>• Upon approval of the borrower's application, ADB issues a CL (see Appendixes 10C and 10D) to the nominated commercial bank and sends a copy to the borrower and the issuing bank.</li> <li>• ADB's CL for private sector operation is slightly different (see Appendix 13E).</li> </ul>
<b>C. Negotiating Bank's Submission of Request for Reimbursement</b>	
Nominated Commercial Bank	<ul style="list-style-type: none"> <li>• After confirming that it has paid or agrees to pay for the transaction under the LC terms, the nominated commercial bank submits a request for payment of claim in the prescribed format to ADB.</li> </ul>
<b>D. Amending the LC</b>	
Borrower	<ul style="list-style-type: none"> <li>• After receiving the proposed amendment to the LC from its issuing bank, the borrower completes an application for approval of amendment to the LC (see Appendix 10E) and sends this to ADB with a copy of the proposed amendment or an advice by authenticated SWIFT.</li> </ul>
ADB	<ul style="list-style-type: none"> <li>• After approving the amendment(s), ADB informs the Borrower and nominated commercial bank by SWIFT, telex, or a formal letter (see Appendix 10F).</li> <li>• ADB sends the second copy of the amendment to the nominated commercial bank.</li> </ul>
<b>E. Handling Discrepancies between the LC and Shipping Documents</b>	
Nominated Commercial Bank	<ul style="list-style-type: none"> <li>• The nominated commercial bank requests the borrower through the LC issuing bank for authorization to pay despite such discrepancies.</li> </ul>
Borrower	<ul style="list-style-type: none"> <li>• After authorizing the payment in consultation with the LC issuing bank, the borrower informs ADB of the discrepancy and payment authorization given to the nominated commercial bank.</li> </ul>

**CHECKLIST FOR SUBMITTING APPLICATION  
FOR ISSUANCE OF COMMITMENT LETTER****The Letter of Credit**

1. Are the contract terms reflected correctly in the letter of credit (LC)?
2. Does the LC contain a clause relating it to the commitment letter?
3. Is the LC free of any restrictive clause against or in favor of any ADB member country (e.g., shipping restriction or preference)?
4. Are the LC expiry date and/or shipping date and warranty period within the loan closing date?
5. Does the LC indicate only one advising bank? (Note: Indicating “any bank by negotiation” is not acceptable. [section 10.8])
6. Does the LC indicate only one beneficiary? (Note: Indicating “transferrable” is not acceptable. [section 10.9])

**The Application**

1. Has the pertinent contract been sent to ADB?
2. Is the application for issuance of commitment letter signed by an authorized signatory?
3. Are expenditures eligible for financing in accordance with the terms and conditions of the loan agreement and the Project Administration Manual?
4. Has a separate application been completed for each currency?

**FORM OF CERTIFICATE OF INCUMBENCY AND AUTHORITY**  
**[Borrower Company's Letterhead]**

[Date]

Asian Development Bank  
 6 ADB Avenue, Mandaluyong City  
 1550 Metro Manila, Philippines

Attention: [Assistant Controller, Loan Administration Division]

Dear Sir/Madam:

ADB Investment No. [ ]  
 Certificate of Incumbency and Authority No. [ ]

With reference to the Loan Agreement between us dated [ ] (the "Loan Agreement"), I, the undersigned [chair/director] of [borrower company's name], (the "Company"), duly authorized to do so, hereby certify that the following are the names, offices, and true specimen signatures of the persons [each / any two] who are, and will continue to be, authorized

- (a) to sign on behalf of the Company requests for the disbursement of funds provided for in [clause/section] of the Loan Agreement;
- (b) to sign the certifications provided for in [clause/section] of the Loan Agreement; and
- (c) to take any other action required or permitted to be taken, done, signed, or executed by or on behalf of the Company under the Loan Agreement or any other agreement to which ADB, [the Company, and/or other parties involved] may be parties.

Name	Office/Designation	Specimen Signature
_____	_____	_____
_____	_____	_____
_____	_____	_____

You may assume that any such person continues to be so authorized until you receive an authorized written notice from the Company [borrower] that they, or any of them, is no longer so authorized.

Yours faithfully,

NAME OF COMPANY

By:

\_\_\_\_\_  
 [Chair/Director]

**DISBURSEMENT REQUEST FOR  
PRIVATE SECTOR LOAN**

(Letterhead of the Company)

Date \_\_\_\_\_

Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

ATTENTION: Director, Private Sector Operations Division

Sir/Madam:

**Private Sector Loan No.** \_\_\_\_\_**Application for Withdrawal No.** \_\_\_\_\_

1. Please refer to the Loan Agreement (the Investment Agreement) dated \_\_\_\_\_ between the Asian Development Bank (ADB) and \_\_\_\_\_ (the Company).
2. Expressions defined in the Loan Agreement shall bear the same meanings herein.
3. The Company hereby requests the withdrawal from the Company's loan account, on or before \_\_\_\_\_, of US\$ \_\_\_\_\_. You are requested to pay such amount to
  - a. Payee's Name and Address
    - Payee's Name
    - Payee's Address
  - b. Name and Address of Payee's Bank and Account Number
    - Bank Name
    - Bank Address
    - Payee's Account No.
    - SWIFT Code
  - c. Correspondent Bank
    - Bank Name
    - Bank Address
    - Payee's Account No.
    - SWIFT Code
4. We attach a signed but undated receipt for the amount hereby requested to be withdrawn and hereby authorize ADB to date such receipt.
5. The Company hereby certifies that
  - a. the conditions stated in \_\_\_\_\_ of the Loan Agreement have been fully met; and
  - b. the proceeds of the withdrawal hereby requested are needed immediately by the Company for the purposes of the project as follows: (state purpose for which withdrawal is needed).

6. The certifications in para. 5 above are effective as of the date of this request for withdrawal and will continue to be effective as of the date of any withdrawal made pursuant to this application. If any of these certifications is no longer valid as of or prior to the date of the withdrawal or withdrawals hereby requested, the Company will immediately notify ADB and will repay the amount withdrawn upon demand by ADB if withdrawal is made prior to the receipt of such notice.

Yours faithfully,

NAME OF COMPANY

By: \_\_\_\_\_  
(Signature of Authorized  
Representative[s])

\_\_\_\_\_  
(Printed Name / Position /  
Title of Authorized  
Representative[s])

(Letterhead of Borrower)

**DISBURSEMENT RECEIPT FORM**

To: Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

Attention: Trade Finance Program (TFP) Team,  
Private Sector Operations Division (PSOD)

**Withdrawal Receipt No. \_\_\_\_\_**<sup>1</sup>

We, [Name of Borrower] (the "Borrower"), hereby acknowledge receipt of the sum of US\$ \_\_\_\_\_ disbursed to us on \_\_\_\_\_<sup>2</sup> (value date) by the Asian Development Bank (ADB) under the facility provided for in the \_\_\_\_\_ [Revolving Credit/Loan] Agreement dated \_\_\_\_\_ signed between ADB and the Borrower, as may be amended from time to time.

Yours faithfully,

[Name of Borrower]

\_\_\_\_\_  
By : (Signature of Authorized Representative[s])

\_\_\_\_\_  
Printed Name / Position / Title of Authorized Representative(s)

<sup>1</sup> Each receipt must be numbered in series, the number corresponding to the number in the heading of the relevant disbursement request.

<sup>2</sup> Please leave the space for the valuation date blank. ADB will insert the date.



**Form of Disbursement Request**

[To be typed on letterhead of the Borrower]

The disbursement request may be submitted by authenticated SWIFT or tested telex. The presentation of the disbursement request will be dependent on the form of transmission selected.

[Date]

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Attention: Private Sector Operations Department/  
Trade Finance Program Team

Subject: Revolving Credit Facility  
Disbursement Request No.<sup>1</sup>

Dear Sir/Madam:

1. Please refer to the revolving credit agreement dated [ ] (the "Agreement") between [name of Borrower] (the "Borrower") and the Asian Development Bank (ADB). Expressions defined in the Agreement shall bear the same meanings herein.
2. We hereby irrevocably request the following disbursement in accordance with the terms of the Agreement:<sup>2</sup>

Disbursement Amount and Currency: \_\_\_\_\_  
(in figures and words) \_\_\_\_\_  
Disbursement Value Date: \_\_\_\_\_  
Repayment Date: \_\_\_\_\_  
Margin: \_\_\_\_\_

All sums shall be disbursed by ADB to the Borrower in accordance with the following payment instructions:

Borrower's Account Name: \_\_\_\_\_  
Borrower's Account Number: \_\_\_\_\_  
Correspondent Bank Name: \_\_\_\_\_  
Correspondent Bank Address: \_\_\_\_\_  
Payment Reference: \_\_\_\_\_

3. The disbursement is requested to finance subloans which are described in the attached subloan summary report(s) and which comply with the eligibility criteria set out in Annex 1 to the Agreement.
4. For the purposes of sections 3.1, 3.2, and 4.2 of the Agreement, we hereby confirm that
  - (a) the representations and warranties made by the Borrower in the Agreement are true on and as of the date hereof with the same effect as though such representations and warranties had been made on and as of the date hereof;

<sup>1</sup> Each disbursement request shall be numbered in series.

<sup>2</sup> To be agreed in writing by ADB and the Borrower before the submission of the disbursement request.

- (b) we are in compliance with the financial covenants set forth in section [5.3] of the Agreement;
- (c) this disbursement request has been duly authorized and executed by us; and
- (d) no event of material adverse change and no event which, with the giving of notice, the passage of time, or the making of any determination, or any combination of the above, would become an event of material adverse change, has occurred and is continuing or is imminent.

Yours faithfully,

**[Name of the Borrower]**

By: \_\_\_\_\_

Authorized Representative

### Form of Subloan Summary Report

**Date:**

**Disbursement No:**

**Subloan No:**

Name and address of the Sub-Borrower	
Industry and brief description of business	
Ownership of the Sub-Borrower	
Sub-Borrower is a small or medium-sized enterprise? (Y/N)	
Currency and amount of the subloan in dollars	
Amount to be financed by Asian Development Bank (ADB) disbursement	
Purpose of the subloan (use of proceeds), including confirmation that proceeds will be used for procurement from ADB member countries <sup>1</sup> as such countries are listed on the ADB website ( <a href="http://www.adb.org">www.adb.org</a> ) on the date of this report	
Subloan maturity, repayment schedule, and disbursement date	
Description of goods	
Source and/or destination country of goods	
Source of repayment (e.g., Sub-Borrower's net cash flow, sale of current assets, etc.)	
Interest rate	
Collateral and/or security	
Risk rating assigned by the Borrower	
Loan approving authority (e.g., Credit Committee, etc.)	
Confirmation of compliance with the ADB Environmental Exclusion List, Environment Policy, Involuntary Resettlement Policy, Policy on Indigenous Peoples, and Anticorruption Policy	

<sup>1</sup> Unless nonmember country procurement is specifically permitted otherwise by the ADB Board of Directors.

**Form of Notice of Unpaid Claim - Part A**  
**[For use when the confirming bank is not the beneficiary of the eligible instrument]**

[To be delivered by authenticated SWIFT or tested telex and followed by hard copy (with enclosures) on  
letterhead of the confirming bank]

[Date]

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Attention: Private Sector Operations Department/  
Trade Finance Facilitation Program Team

Telex no.: [            ]  
SWIFT no.: [            ]

**URGENT**

Dear Sir/Madam,

We refer to the letter of agreement dated [        ], between yourselves and ourselves (the “**Confirming Bank Agreement**”) and the Asian Development Bank (ADB) Guarantee No. [        ] for [amount and currency] issued by you in our favor on [date], (the “**ADB Guarantee**”). Terms defined in the Confirming Bank Agreement have the same meaning when used in this notice unless otherwise defined in this notice. This notice is furnished pursuant to the Confirming Bank Agreement and the above-referenced ADB Guarantee. We hereby certify as follows:

(1) [The beneficiary of the eligible instrument reference no.        , the subject of the ADB Guarantee (the “**Eligible Instrument**”) duly presented conforming documents to us in accordance with the terms of such eligible instrument.] [The beneficiary of the eligible instrument reference no.        , the subject of the ADB Guarantee (the “**Eligible Instrument**”) presented documents which did not conform to the terms of that eligible instrument and, notwithstanding such nonconformity, (i) the issuing bank has taken up those documents; and (ii) so far as we are aware, the eligible instrument specified below continues to satisfy all the conditions of an eligible instrument pursuant to the Confirming Bank Agreement.]\*

(2) [Following presentation of conforming documents to us, we duly met our obligations to such beneficiary as a confirming bank under the eligible instrument because we were not aware of sufficient grounds to refuse to do so.] [Following the issuing bank’s agreement to take up those documents, we made payment to such beneficiary of the amount which, but for the nonconformity of those documents, was due from us as confirming bank under the eligible instrument.]\*

\*        Delete as appropriate.

(3) The issuing bank has failed to reimburse us within seven (7) days of the date of our claim for reimbursement to the issuing bank for the full amount paid by us to the beneficiary pursuant to the eligible instrument.

(4) The eligible instrument complies with the terms specified in the ADB Guarantee and has not, without your prior written consent, been subject to a material amendment.

The details of nonpayment upon due presentation of a valid reimbursement claim by the undersigned to the issuing bank for payment under an eligible instrument are as follows:

1. Eligible instrument issue date:
2. Eligible instrument expiry date:
3. Value date specified in relevant reimbursement claim:
4. Amount paid to beneficiary:
5. Amount received from issuing bank of which:  
XXXX is cash collateral received prior to the confirmation of the eligible instrument by the confirming bank; and  
XXXX is the amount in respect of interest, fees, and other charges (if any) related to the eligible instrument;
6. Amount of unpaid claim:
7. Percentage cover:
8. ADB claim amount:

A copy of the eligible instrument under which this ADB claim amount has arisen together with copies of the documents presented under it, are enclosed.

We hereby claim reimbursement of the ADB claim amount on or before [date] to the following account:

[INSERT FULL ACCOUNT DETAILS]

Faithfully,

**[NAME OF CONFIRMING BANK]**

By

\_\_\_\_\_  
Name:

Title:

Enclosures: Copies of (1) the eligible instrument under which this  
ADB claim amount has arisen, and  
(2) the documents presented under the eligible instrument.

If an original certificate is transmitted to ADB via authenticated SWIFT or tested telex, ADB may accept enclosures transmitted by facsimile or email, on or as close to the SWIFT or telex transmission date as possible, if they accompany a cross-referenced facsimile or email copy of such certificate.

**Form of Notice of Unpaid Claim - Part B****[For use when the confirming bank is the beneficiary of the eligible instrument]**

[To be delivered by authenticated SWIFT or tested telex and followed by hard copy (with enclosures) on letterhead of the confirming bank]

[Date]

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Attention: Private Sector Operations Department/  
Trade Finance Facilitation Program Team

Telex no.: [            ]  
SWIFT no.: [            ]

**URGENT**

Dear Sir/Madam,

We refer to the letter of agreement dated [     ], between yourselves and ourselves (the “**Confirming Bank Agreement**”) and the Asian Development Bank (ADB) Guarantee No. [     ] for [amount and currency] issued by you in our favor on [date] (the “**ADB Guarantee**”). Terms defined in the Confirming Bank Agreement have the same meaning when used in this notice unless otherwise defined in this notice. This notice is furnished pursuant to the Confirming Bank Agreement and the above-referenced ADB Guarantee. We hereby certify as follows:

- (1) We are the beneficiary of the eligible instrument specified below.
- (2) On [date] we made a payment of [currency and amount] to [specify the beneficiary of the payment].
- (3) We duly presented to the issuing bank in accordance with the terms of such eligible instrument conforming documents in respect of principal [and interest] due and unpaid.
- (4) The issuing bank or its correspondent bank has failed to pay us within seven (7) days of the value date specified in the attached payment claim by us to the issuing bank or its correspondent bank for the full amount of principal due to us.
- (5) The eligible instrument specified below complies with the terms specified in the ADB Guarantee and has not, without your prior written consent, been amended by a material amendment.

Following are the details of nonpayment upon due presentation of a valid payment claim by the undersigned to the issuing bank or its correspondent bank for payment under an eligible instrument.

1. Eligible instrument issue date:
2. Eligible instrument expiry date:
3. Value date specified in relevant reimbursement claim:
4. Principal amount due:
5. Amount received from issuing bank, of which  
[XXXX] is cash collateral received prior to the confirmation [discount/acceptance, etc.] of the eligible instrument by the Confirming Bank; and  
[XXXX] is the amount in respect of interest, fees, and other charges (if any) related to the eligible Instrument;
6. Amount of unpaid claim:
7. Percentage cover:
8. ADB claim amount:

A copy of the eligible instrument under which this ADB claim amount has arisen, together with copies of the documents presented under it, are enclosed.

We hereby claim reimbursement of the ADB claim amount on or before [date] to the following account:

[INSERT FULL ACCOUNT DETAILS]

Faithfully,

**[NAME OF CONFIRMING BANK]**

By

\_\_\_\_\_  
Name:  
Title:

\* delete as appropriate

Enclosures: Copies of (1) the eligible instrument under which this unpaid claim has arisen; and  
(2) the documents presented under the eligible instrument.

If an original certificate is transmitted to ADB via authenticated SWIFT or tested telex, ADB may accept enclosures transmitted by facsimile or email, on or as close to the SWIFT or telex transmission date as possible, if they accompany a cross-referenced facsimile or email copy of such certificate.

**NOTICE OF PARTICIPATION CONTRIBUTION**

To: Asian Development Bank

From: [ ] (the "**Confirming Bank**")

Date: [ ]

Dear Sirs

**Re: Notice of Participation Contribution**

1. This is a Notice of Participation Contribution as referred to in the Risk Participation Agreement made between you and us and dated [ ] (the "**Agreement**"). Terms defined in the Agreement shall have the same meanings in this Notice of Participation Contribution.
2. The details are as follows.
  - (a) This Notice of Participation Contribution relates to [name of nominated issuing bank] in respect of [describe eligible instrument] with an expiry date of [date].
  - (b) The default was due to a [political event/nonpayment event], details of which are as follows:  
[Specify details]
  - (c) The unpaid amount is [ ] [and the US dollar equivalent is ]. [The spot rate used to determine this amount is ].
  - (d) [The political event limit/nonpayment event limit] for this nominated issuing bank is [ ]%, therefore the pro rata share is [ ] [and the US dollar equivalent is ]. The spot rate used to determine this amount is [ ].
  - (e) We have taken and/or will take the following actions to recover the unpaid amount from the nominated issuing bank or the applicant [specify details and timing].
  - (f) We represent and warrant that we are continuing to diligently take actions to recover, or in a timely manner continuing to pursue recovery, from this nominated issuing bank of the unpaid amount.
3. We certify that
  - (a) we have paid the unpaid amount to the beneficiary of the relevant eligible instrument in accordance with the terms of the confirmation and that eligible instrument;
  - (b) the relevant nominated issuing bank has failed to reimburse us within [number] Business Days for [the whole] [part], being US\$ [ ] of the unpaid amount following a valid written demand for payment therefore by us, a copy of which is attached;



- (c) [we have made a demand for payment from the applicant and the applicant has failed to pay [the whole] [part], being US\$ [ ] of that unpaid amount on the date specified therefore;
- (d) as at today's date, the [US dollar equivalent] of any set-off and/or other remedies available to us against the relevant nominated issuing bank for application in reduction of that unpaid amount in accordance with Clause [7.5] (Set-off) of the Agreement is [ ]; and
- (e) as at today's date, the US dollar equivalent of aggregate value of all eligible instruments of this nominated issuing bank over which you have agreed to take a risk participation is [ ].

Yours faithfully,

For and on behalf of

**[CONFIRMING BANK NAME]**

**[Signature of Duly Authorized Representative]**

**[Position/Title of Authorized Representative]**

**[Copy of demand for payment to be attached in accordance with 3(b)]**

## LFIS REPORTS



**Loan and Grant Financial Information Services**

LOAN DATA GRANT DATA REPORTS REFERENCE DOWNLOADS

**LFIS REPORTS** OTHER LFIS REPORTS GFIS REPORTS OTHER GFIS REPORTS

**COUNTRY REPORTS** Choose a Country ▼

➔ **Summary Disbursement Ratio (ALR523)**  
This report provides information on the rate of disbursement during a period/year by country and by fund. The report is updated monthly.

➔ **Statement of Loans (ALR900)**  
This report shows the status of loan utilization for the Country of the Borrower. The information in the report is updated monthly. Information on Private Sector loans are not available.

➔ **Statement of Disbursements (ALR922)**  
This report shows disbursements for all active loans (including loans closed during the year) by Source of Fund and by project division of the Bank, for the country of the Borrower.

➔ **Contract Awards Information on Goods, Related Services and Civil Works (ALR984)**  
The Contract Awards Information on goods and Related Services, Civil Works presents a summary of all contracts and a listing of contracts above US\$100,000 by borrowing country entered into ADB's books. The report is updated every month.

➔ **Statement of Contract Awards (ALR917)**  
This report shows cumulative contract awards for loans by Source of Fund and by project division of the Bank. The information available are cumulative amounts for the week, the year and the total to-date. The report is updated weekly.

➔ **Monthly Contracts and Disbursement Report (ALR928)**  
This report shows information on contracts awarded, subloan commitments, and disbursements for each loan, by Country and by Source of Fund. The amounts shown are Cumulative for the month, for the Year, and Total-to-Date. The report is updated every month.

**EXECUTING AGENCY REPORTS** Choose a Country ▼

No active Agency ▼

➔ **List of Contracts by EA (ALR558)**  
Lists the contracts awarded and utilized for the particular Executing Agency and for all loans under the Executing Agency. The report is updated every month.

➔ **Statement of Withdrawal Vouchers (ALR929)**  
This report provides information on confirmed disbursement transactions for the given period. The report is updated every month.

➔ **Semi-Monthly Listing of Loan Disbursements (ALR967)**  
This report provides information on loan disbursement transactions during the semi-month period, for every loan under the particular Executing Agency. The report is updated semi-monthly.

➔ **Advance Fund Turnover Ratio - Loans (ALR573M2)**  
This report provides information on the operational efficiency of Advance Accounts (A/A) of the Borrowers, using the turnover (how many times in one year) as the efficiency indicator.

## GFIS REPORTS

ADB

Loan and Grant Financial Information Services

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OTHER GFIS REPORTS

**COUNTRY REPORTS** Choose a Country ▼

**➔ Summary Disbursement Ratio (GRP575F)**  
This report provides information on the rate of disbursement during a period/year by country and by fund. The report is updated monthly.


**➔ Statement of Grants (GRP910)**  
This report shows the status of grant utilization for the Country of the Recipient. The information in the report is updated monthly.

**EXECUTING AGENCY REPORTS** Choose a Country ▼  
No active Agency ▼

**➔ Semi-Monthly Listing of Grant Disbursements (GRP967)**  
This report provides information on grant disbursement transactions during the semi-month period, for every grant under the particular Recipient's Representative And Executing Agency. The report is updated semi-monthly.

**➔ Advance Fund Turnover Ratio - Grants (GRP573M2)**  
This report provides information on the operational efficiency of Advance Accounts (A/A) of the Borrowers, using the turnover (how many times in one year) as the efficiency indicator.

## REFERENCE



**Loan and Grant Financial Information Services**

[LOAN DATA](#)
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#### LFIS Reference

- ➔ List of Loans by ADB Project Division
- ➔ List of Loans by Disbursement Section
- ➔ List of Loans by Executing Agency
- ➔ List of Loans with SOE
- ➔ List of Loans with Advance
- ➔ List of Loans with SOE & Advance
- ➔ List of Agencies for a Given Country
- ➔ Revised Loan Disbursement Handbook
- ➔ Loan Disbursement Handbook - Highlights
- ➔ Currency Book Rates
- ➔ Market-based OCR Lending Rates, Rebate and Waiver
- ➔ Loan Service Payments Collected/Received

#### LBL Reference

- ➔ LIBOR-Based Loan (LBL) Products
- ➔ LIBOR-Based Loan (LBL) Indicative Rates

#### ADB Reference

- ➔ ADB Departments, Offices, and Missions
- ➔ ADB Holidays
- ➔ Organizational Chart - Controllers Department

#### Others

- ➔ Procurement: Guidelines & Bidding Documents
- ➔ Consultant: Guidelines, Registration, FAQs
- ➔ Project Profile and Completion Reports

**DOWNLOADS**

**ADB** Loan and Grant Financial Information Services

LOAN DATA GRANT DATA REPORTS REFERENCE **DOWNLOADS**

### Downloads

To download the forms, you need Microsoft Office Suite 98 or higher version.  
If you don't have MS Office Suite, you can install the free version from this link -> [Download Office Suite](#).

The references 4B, 7A etc., correspond to the appendix numbers of the Loan Disbursement Handbook.

- 4A Evidence of Authority to Sign Withdrawal Applications (Form ADB-EA)
- 7A Withdrawal Application Form (Form ADB-WA)
- 7B Summary/Statement of Expenditures (SOE) Sheet for Project Loans (Form ADB-SS/SOE)
- 7D Summary/SOE Sheet for Financial Intermediation Loans (Form ADB-FI-SS/SOE)
- 7E Certificate (Parts I and II) for Force Account for Works
- 8A Estimate of Expenditures Sheet (Form ADB-AF-EES)
- 8B Advance Account Reconciliation Statement
- 8C Example of Subaccount Reconciliation Statement
- 10A Application for Issuance of Commitment Letter (Form ADB-CL)
- 10B Summary Sheet for Issuance of Commitment Letter (Form ADB-CL-SS)
- 10E Application for Approval of Amendment of Letter of Credit
- 10G Borrower's Advice of Extension of Letter of Credit Expiry and Shipping Dates
- 14E Request for LFIS/GFIS/LAS Web Access Definition/Renewal/Termination



**Request for LFIS / GFIS / LAS Web  
Access Definition / Renewal / Termination**  
Website: <https://lfis.adb.org>

DATE: DD – Month – Year

TO: ASIAN DEVELOPMENT BANK  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

ATTENTION: Webmaster  
Systems Support Group  
Controller's Department  
Fax: +63 2 636 2606  
E-mail: [LfisGfisLas@adb.org](mailto:LfisGfisLas@adb.org)

**Instructions:**

1. A separate form must be filled out for each applicant.
2. An **AUTHORIZED LOAN / GRANT SIGNATORY** must sign the form.
3. Request details must be typewritten.

**Important:**

- The access to LFIS / GFIS Web is valid for 1 year.
- Notify Systems Support Group promptly if there is a need to revoke access due to resignation, staff movement, etc.

Indicate a request type:

☐ **New**                      ☐ **Access Renewal**                      ☐ **Termination**

Completely fill out the following access details:

**User Details**

First Name ☐ Mr. ☐ Ms. \_\_\_\_\_

Last Name \_\_\_\_\_

Email Address \_\_\_\_\_

Organization or Executing \_\_\_\_\_

Agency Name \_\_\_\_\_

Address \_\_\_\_\_

Fax Number \_\_\_\_\_

**Access Details**

Fill this out only if request is for **New Access** or **Access Renewal**

Indicate the applicable box:

☐ LFIS Web    ☐ GFIS Web    ☐ LFIS and GFIS Web    ☐ LAS Web\*

☐ LFIS and LAS Web\*    ☐ LFIS, GFIS, and LAS Web\*

\*For LAS Web requests, indicate the applicable box:

☐ **Install eC-LAS only**  
☐ **Install eC-LAS and request data of specific loan(s) listed below\*\***

\*\*ADB provides historical accounting data at loan level only.

Select the level of access. Indicate the applicable box.

Note: 1. The display of loan / grant data and downloading of reports will depend on the access.

2. LFIS / GFIS Web displays **active** loans and grants; LAS Web displays **all** loans.

☐ **Country Level** (can view loans and grants under the county portfolio)

This must be signed by an authorized signatory from the finance department or ministry.

☐ **Executing Agency Level** (can view loans and grants under specific state, province, organization, or executing agency [EA] name)

Access request under a specific state, province, or organization must be signed by an authorized signatory from the finance department or ministry.

Access request under an EA must be signed by an authorized signatory from the finance department or ministry, or the EA.

☐ **Specific Loan or Grant** (can view specific loans and grants)

This must be signed by an authorized signatory from the finance department or ministry, or the EA.

<u>Loan / Grant No.</u>	<u>Project Name</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(Attach a separate sheet if there are more loan and/or grant records requested.)

**Authorized by:**

\_\_\_\_\_  
Signature over Printed Name of Authorized Signatory

\_\_\_\_\_  
Name of Borrower / Recipient or Executing Agency

## **Loan Disbursement Handbook 2017**

This handbook is a compilation of the disbursement policies, guidelines, procedures, and practices of the Asian Development Bank. It serves as a useful reference guide for developing member country borrowers and officials, project staff from executing agencies and project management units, as well as Asian Development Bank staff in designing and operating an efficient disbursement operation that will support project implementation.

### **About the Asian Development Bank**

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



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[www.adb.org](http://www.adb.org)