ADB

ADB
Loan and Grant
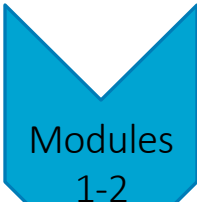# Disbursement Seminar

ISLAMABAD, PAKISTAN

29-30 APRIL 2025

Seminar Objectives

Gain clear understanding of
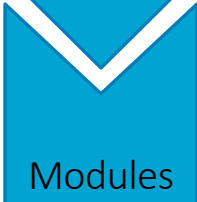
❑ Disbursement Policies and Guidelines

❑ Disbursement Procedures

❑ Client Portal for Disbursements (CPD)

Course Contents

Modules 1-2
- Disbursement Policies and Guidelines

Modules 3-10
- Major Disbursement Procedures & Recommended Use
- Withdrawal Application & Required Documentation
- Reimbursement, Advance Fund, Direct Payment & Commitment Procedures
- Procedures during Implementation and Account Closing

Modules 11-14
- Financial Intermediation Loans and Results-Based Lending Cofinancing Operations
- Financial Information Services (LFIS/GFIS) Website
- Client Portal for Disbursements (CPD)

Commonly Used Acronyms

ADB

BRF Beneficiary Registration Facility

CPD Client Portal for Disbursements

CTL Controller's Department

CTLA Loan Administration Division of Controller's Department

DMC developing member country

EA executing agency

FAW force account for works

GFIS Grant Financial Information Services

IA implementing agency

LFIS Loan Financial Information Services

PAM Project Administration Manual

RRP Report and Recommendation of the President

SOE statement of expenditures

WA withdrawal application

Controllers Department (CTL)

Systems Support Group (SSG)

Loan Administration Division (CTLA)

Accounting Division (CTAC)

Trust Fund and Administrative Expense Division (CTFA)

Disbursement Section (LGD)

Review of Project Documents, Loan Negotiations Support, Loan/Grant Disbursement Operations, Seminars, Consultations, and Portfolio Management Reports

Technical Assistance (TA)

TA Disbursement Operations
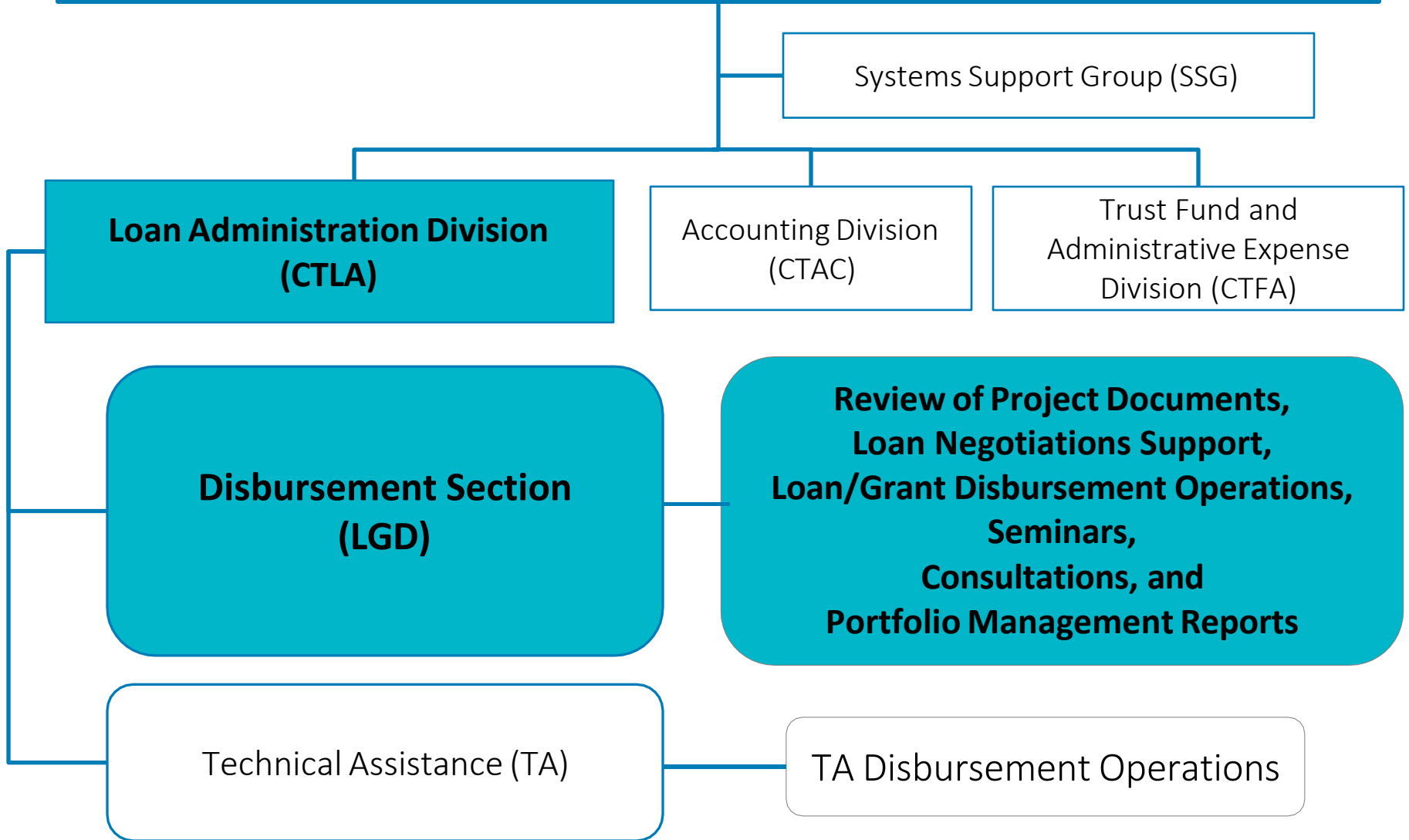
Borrower Support

Capacity Building
- Disbursement Seminars
- Individual "clinic" style discussions

Improve Disbursement Performance
- Delegation of disbursement function to selected Resident Missions
- Disbursement Missions – address specific issues

Information Service
- LFIS-web
- GFIS-web

E-Learning Course

ADB
Disbursement
Simplified for
Borrowers

Designed for rapid
understanding

- ❖ A new and interactive e-learning course with engaging content and video demonstrations is now available at https://elearn.adb.org.

- ❖ Existing active CPD and LFIS website users as of February 2024 may access the course here.

- ❖ New users must complete the registration form.

- ❖ For assistance and other inquiries, send an e-mail to elearning@adb.org.

Module 2:
Disbursement Principles, Policies and Guidelines

Objective

❑ Understand key ADB disbursement principles, policies and guidelines.

❑ Loan Disbursement Handbook (LDH)
- Chapter 3 Disbursement Policies
- Chapter 4 Disbursement Guidelines and Practices

Facts

	2024
No. of active loans to date	58
No. of active grants to date	11
No. of transactions completed	1558
No. of transactions referred to RD/EA	452
% of returns	29%
Average no. of days taken by RD to respond	5.9
Average no. of days taken by EA to respond	4
Average no. of days for CTL to process	1.9
Average SLS % of final action	98.50%

What is Disbursement?

1. Transfer of financial resource to Developing Member Countries (DMCs) for achieving ADB's mission

2. The withdrawal of proceeds from a grant account or loan account

3. Measure progress and achievement

Basic ADB Disbursement Principles

ADB's Charter lays down the basic principles to be followed:

Loan Purpose (Article 14-XI)
→ Proceeds of ADB loan used only for the purposes for which it was approved, with due attention to considerations of economy and efficiency.

Expenditures Incurred (Article 14-X)
→ Borrower permitted to draw loan funds only to meet project expenditures as they are actually incurred.

Procurement in Member Countries (Article 14-IX)
→ Proceeds of ADB loan used only for procurement in member countries. In addition, goods and services should be produced in member countries.

Eligibility of Expenditures
(Appendix 4B of LDH)

ADB

Nature of Expenditures	➤ Project purpose – RRP ➤ ADB's policies – Safeguard Policy Statement, Eligibility of expenditures, Policy-based lending ➤ Cofinancier restrictions
Timing	➤ Incurred: Obligation was determined ➤ Eligible from Effective date to loan closing date ➤ Exception: Retroactive financing
Legal Arrangements	➤ Loan Agreement (Allocation Table) ➤ Procurement in member country ➤ Approved contracts ➤ Conditions for Withdrawal (Disbursement Conditions)

Nature of Expenditures

❑ Goods and services to be financed by the ADB loan as specified in the loan proposal and summarized in the loan agreement;

❑ NOT listed in ADB Prohibited Investment Activities List

❑ Meet cofinancier's requirement, as applicable (e.g., JFPR)

Loan Documents

Expenditures and cost categories are described in loan documents (see LDH, Section 3.5)

RRP, PAM

Detailed Cost Estimate by Financier

Loan/Project Agreement

Allocation Table

Procurement/ Consulting Contracts

Contract No. and Contract Ledger in LFIS website

WA with Supporting Documents

Loan Disbursement

Loan Account

LFIS website
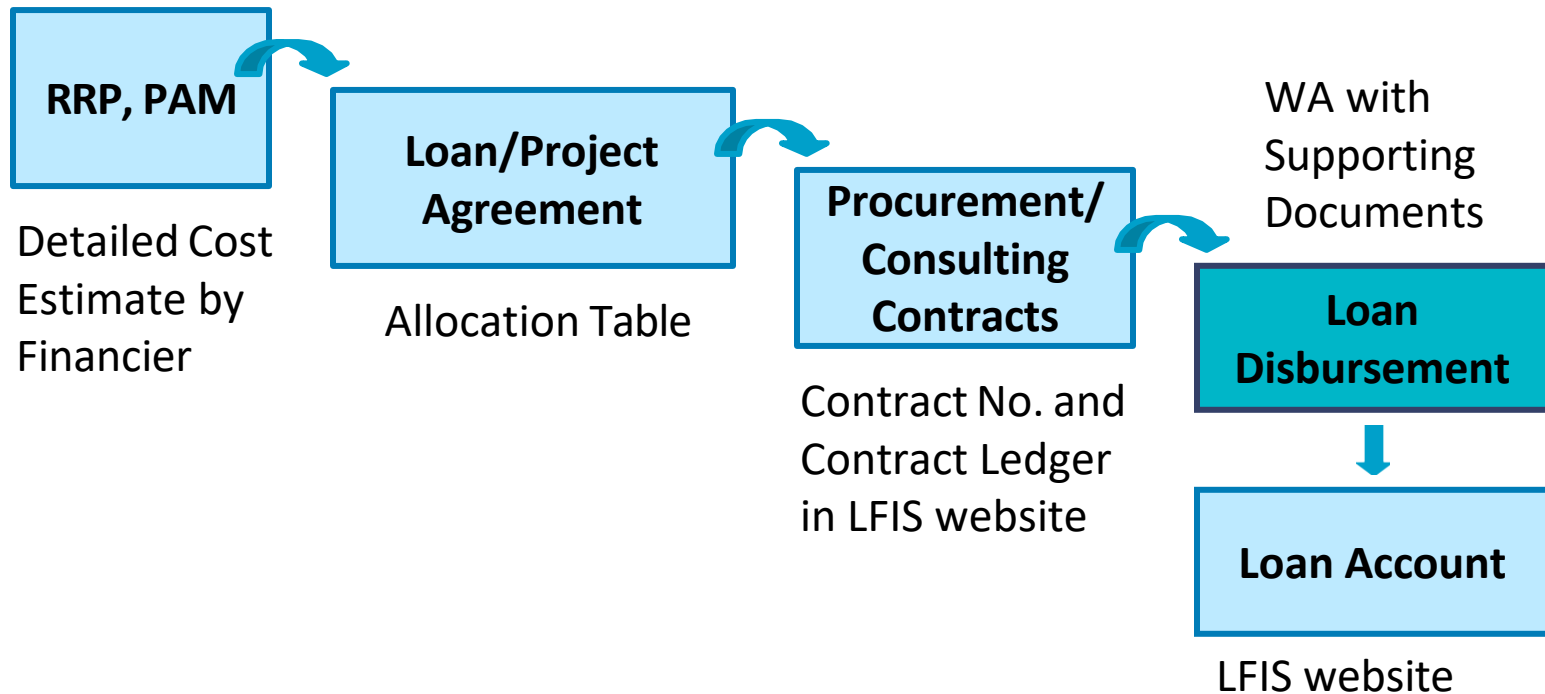
Nature of Expenditures

Specific project expenditures considered eligible:

i. 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 *(Note: To be described in the loan proposal)*

ii. Taxes and duties on ADB financed expenditures

iii. Incidental project expenditures (recurrent cost, severance pay, local transport and insurance costs, late payment charges imposed by suppliers and contractors, bank charges, nutrition assistance and interest during construction on non-ADB loans)

Loan Milestone Dates

(LDH Section 3.6)

- **Approval Date**
  - → Amortization Schedule

- **Signing Date**
  - → Commitment Fee Accrual
  - → Retroactive Financing

- **Effective Date**
  - → Eligibility

- **Project Completion Date**

- **Loan Closing Date**
  - → Eligibility

- **Financial Closing Date**

Country Partnership Strategy/
Regional Cooperation Strategy

Completion/
Evaluation

ADB Project Cycle

Preparation

Implementation

Approval

Timing of Expenditures

6 months   **4 months**

Milestone dates (LDH 3.6)

Signing Date	Effective Date	Project Completion Date	Loan Closing Date	End of winding-up
3 MAR 2022	3 MAY 2022	30 JUNE 2027	31 DEC 2027	30 APR 2028

Project Expenditures Incurred*

INELIGIBLE (except for Retroactive Financing**)**	ELIGIBLE	INELIGIBLE
		WA may be accepted only for eligible expenditures

The borrower's obligation to pay either as a result of contractual terms or after goods and services have been provided.

Retroactive Financing
(LDH Sections 3.7-3.9)

ADB

Eligible expenditures *[20% ceiling / 30% for EAL]*

Up to 12 months
prior to Signing date

Effective Date

Signing Date
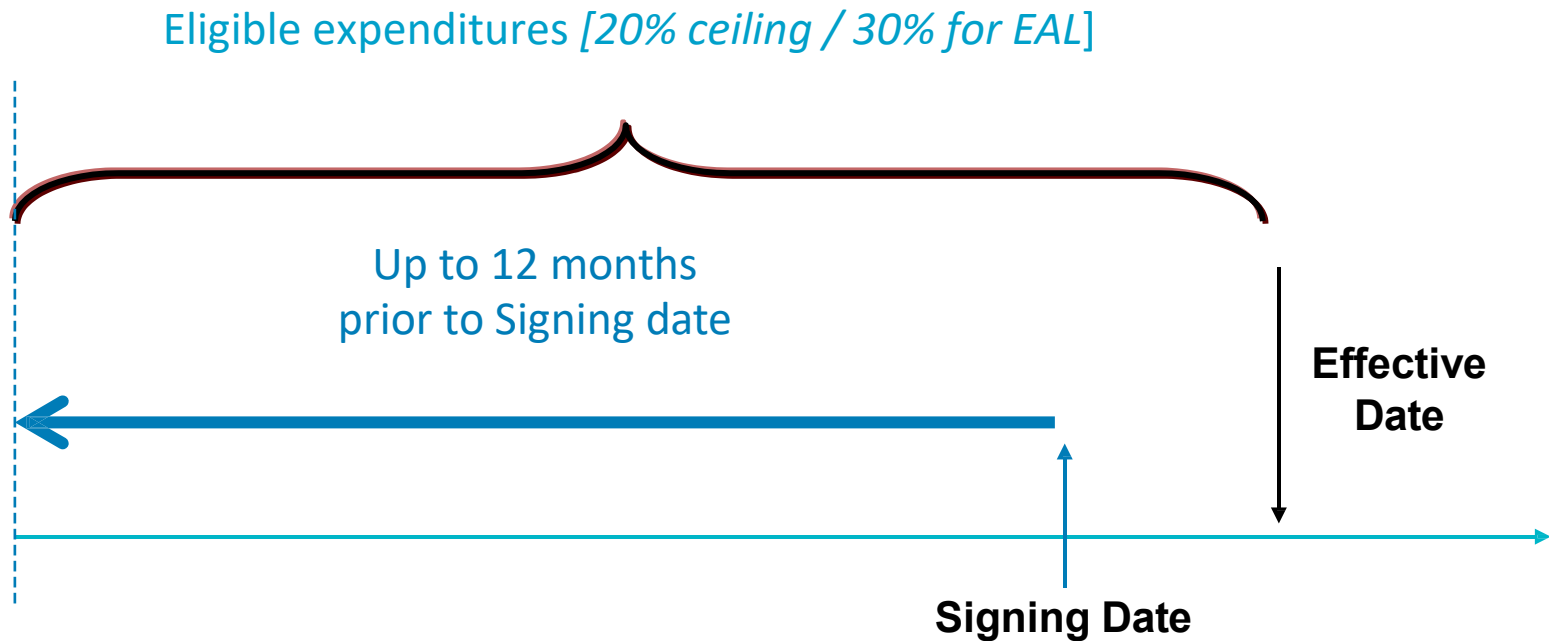
"Conditions for Withdrawal" or "Disbursement Condition"

(Legal Arrangements)

1. What is it?

Stipulated in loan agreement

Conditions to be met before the loan or grant proceeds can be disbursed

Action by the borrower

2. How it works?

Conditions may be linked to particular expenditures category,

Should not prevent implementation of other portions of the project.

ADB

Legal Agreement

Allocation Table

→ Project expenditures to be financed through ADB loans are usually grouped into expenditure categories.

→ The allocation table is normally inserted for all types of project loan agreements.

→ The allocation table is input to the Loan Financial Information Services (LFIS) or Grant Financial Information Services (GFIS) website

Allocation Table (ADB Financing Taxes and Duties)

Minimize number of categories as possible

Allocation Table
"Net-of-Tax Basis" Presentation

2. **Net-of-tax basis.** If ADB intends to finance 100% or part of the cost under a certain category <u>except</u> local taxes and duties, then ADB's disbursement percentage can be presented on a net-of-tax basis, i.e., "100% excluding local taxes and duties."

An asterisk [*] that denotes "Exclusive of taxes and duties imposed within the territory of the Borrower" is placed on the expenditure category in the allocation table.

Allocation and Withdrawal of Loan Proceeds

(_____ Project)

Number	Item	Total Amount Allocated for ADB Financing ($) Category	Basis for Withdrawal from the Loan Account
1	Civil Works, Equipment, Consultants, Training, and Recurrent Costs	178,000,000	100% of total expenditure claimed*
2	Financing Charges During Implementation	5,000,000	100% of total amount due
3	Unallocated	17,000,000	
	TOTAL	200,000,000	

*Exclusive of taxes and duties imposed within the territory of the Borrower.

Disbursement Percentage

Allocation Table (Shown on Net-of-Tax Basis)

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS

(_____ Project)

Number	Item	Total Amount Allocated for ADB Financing ($ or SDR equivalent) Category	Basis for Withdrawal from the Loan Account
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	Financing Charges During Implementation	3,000,000	100% of total amount due
4	Unallocated	15,000,000	
	TOTAL	200,000,000	

Reallocation may be agreed.

No disbursement directly from "Unallocated"

Reallocation of Loan Proceeds
(LDH 4.10)

Ineligible Expenditures

- ADB disallows or adjusts the amount the Borrower requested in the WA

- If payment was previously made, ADB may offset the amount against the next WA, or request for refund to the loan account or advance account.

- An email or message via CPD is sent to the Borrower/EA citing amount applied for, amount paid, and reason for non-payment

- For condiment claims, ADB sends a SWIFT advice to negotiating bank citing the reason for non-payment or adjusted settlement

Module 3:
The Four Major Disbursement Procedures

Four Major Disbursement Procedures

- Reimbursement
- Advance Fund
- Direct Payment
- Commitment

Simplified Documentation (SOE* or FAW**)

Borrower

* Statement of Expenditures
** Force Account for Works
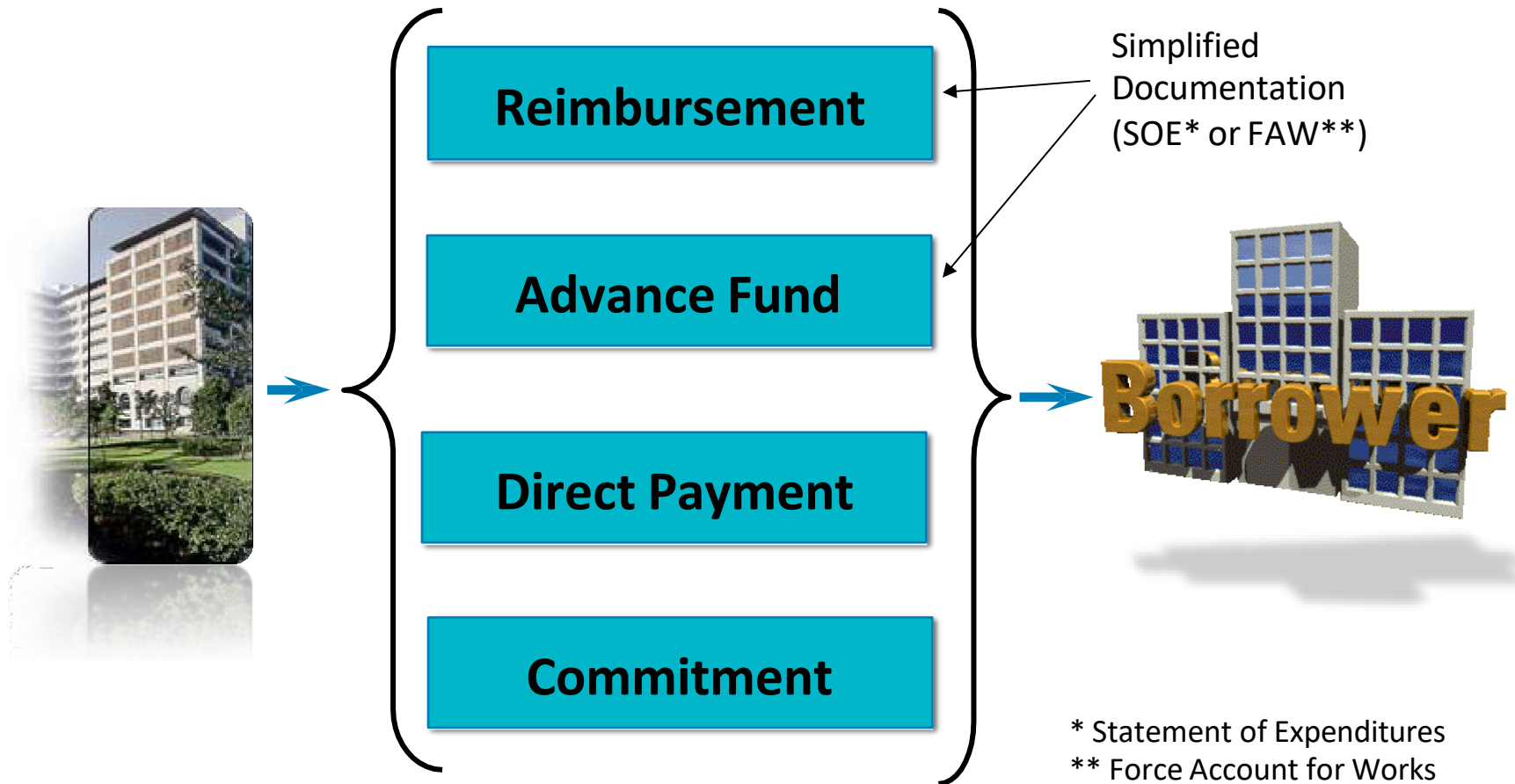
Disbursement Procedures	Suggested Types of Payments
Reimbursement	Encouraged for all eligible project expenditures when the borrower has sufficient resources
Advance Fund	Expected for all eligible project expenditures when the procedure is approved for a project
Direct Payment	Mainly large value payments when there are insufficient borrower resources to pre-finance expenditures and there is no provision of advance fund procedure for the project. May also be used when payments are required to be made in currencies that the borrower may have difficulty obtaining
Commitment	Large importation costs

Suggested Types of Payments

Approval Authority for the Procedures	Disbursement Procedures	Required Supporting Documentation or Simplified Documentation
No need for prior ADB Approval	Reimbursement, with required supporting documents	Required supporting documents
	Direct payment	
	Commitment	
Need prior ADB Approval (description in PAM)	Reimbursement, without required supporting documents	FAW certificate
		SOE
	Advance Fund	FAW certificate
		SOE
		Required supporting documents

Types of Documentation and Approval

Recommended Disbursement Types
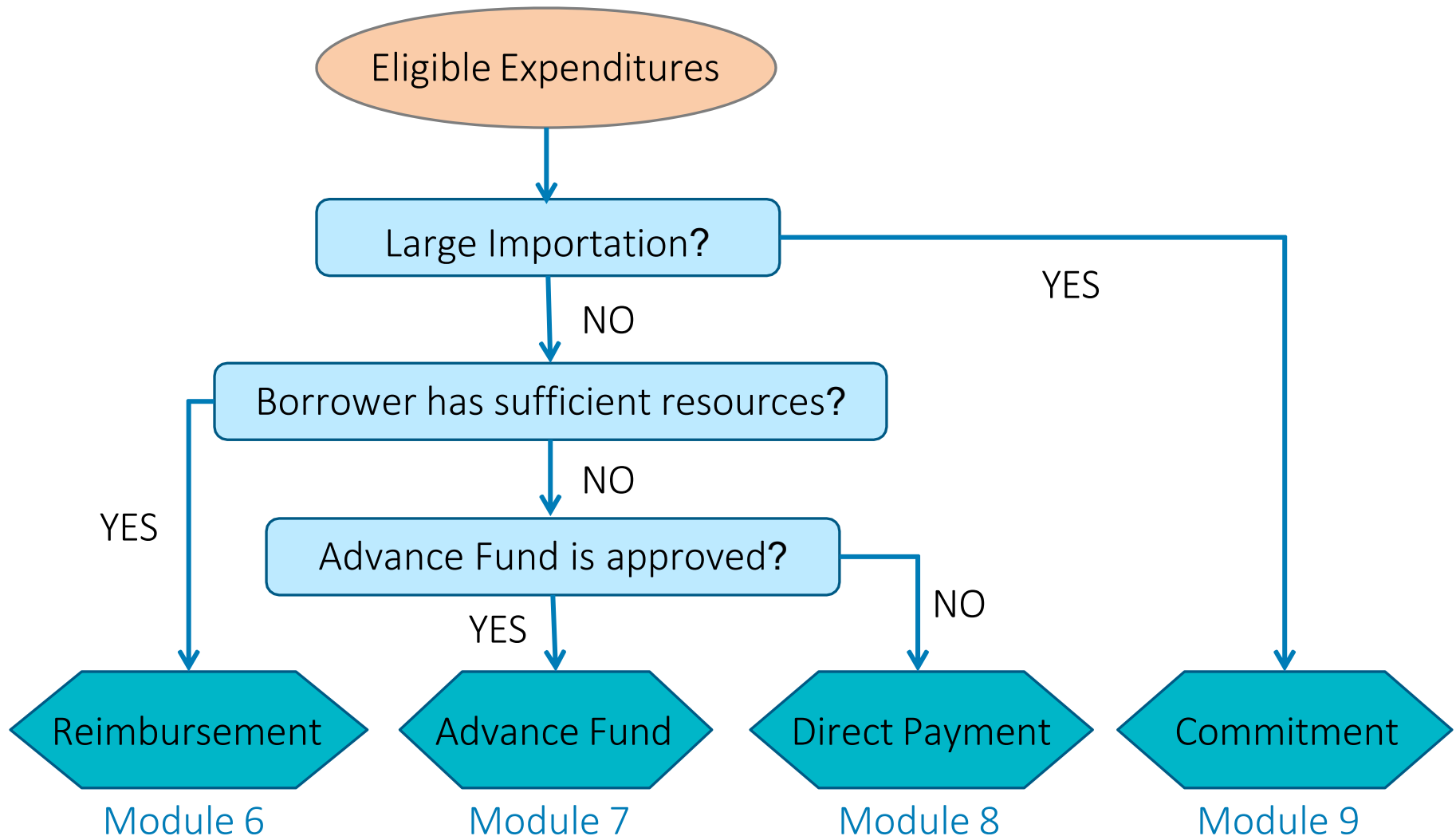
Module 4:
Withdrawal Application

Loan Effectiveness Letter

➔ Sent by ADB after the loan agreement is signed

➔ Reminds the borrower to submit sufficient Evidence of Authorized Persons to Sign WAs

- ✓ Includes the authority to deliver WA by electronic means using ADB's Client Portal for Disbursements (CPD).

- ✓ Borrower's representative <u>designated in the loan agreement</u> to provide sufficient evidence of signatory's authority *(Appendix 4A)*

- ✓ Need to authenticate specimen signature

Basic Requirements for Disbursement

Requirements for First Withdrawal :

- ❑ Loan declared effective;

- ❑ Receipt of authenticated specimen signatures;

- ❑ Disbursement conditions per loan agreement have been met, as appropriate

Disbursement Guidelines and Practices

Application for withdrawal

→ Use the appropriate withdrawal application form *(Appendixes 5A & 10A).*

    → *Integrated into CPD by disbursement type*

→ Use the appropriate summary/SOE sheet *(Appendixes 6A, 6B or 10B).*

    → *Integrated into CPD*

→ Assign a 5-digit application number to the applications to facilitate reference and control.

Withdrawal Application Form

ADB

Withdrawal Application consists of:

☑ The application itself, submitted via CPD or in original hard copy *(Appendix 5A of LDH)*

☑ Summary/SOE sheet(s) for each category claimed

→ *Except when line items are entered in CPD*

☑ Supporting documents, if required

→ *Should be electronic or photocopies*

☑ Force account for works (FAW) certificates, as applicable.

Sample Withdrawal Application Form
(Integrated in CPD)

Basic Information
- Inputted in CPD

WITHDRAWAL APPLICATION

Asian Development Bank **ADB**

To: Asian Development Bank (ADB)
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Attention: Loan Administration Division, Controller's Department (CTLA)

ADB Loan/Grant No. _____ - _____
Application No. _____

1. Type of Disbursement (indicate an 'x' in the appropriate box)
   ☐ Reimbursement   ☐ Direct Payment   ☐ Policy-based Lending   ☐ Results-based Lending
   ☐ Initial/Additional Advance   ☐ Liquidation and Replenishment   ☐ 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)
   _____   _____   _____

Payment Instructions
- A record must be registered in the Beneficiary Registration Facility (BRF)

3. Payment Instructions (Not required in the case of liquidation only):
   A. Payee's Name and Address
      Payee's Name & 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 1 Name   _____
      Bank 1 Address   _____
      Account No. of Payee's Bank _____   SWIFT Code _____
      Bank 2 Name   _____
      Bank 2 Address   _____
      Account No. of Bank 1   _____   SWIFT Code _____
   D. Special Payment Instructions and Other References
      _____

Sample Withdrawal Application Form
(Integrated in CPD)

WA Contents

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

- ☐ Summary/Statement of Expenditures (SOE) sheets
- ☐ Estimate of Expenditures sheets
- ☐ Copies of supporting documents (e.g., invoices, receipts, etc.)
- ☐ Others (please specify or attach list as necessary): _____
- ☐ Advance Account Reconciliation Statement
- ☐ Certificates for Force Account for Works (FAW)
- ☐ Summary Sheet for Results-based Lending

5. The undersigned certifies and agrees as follows:

a. 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.

b. The works, goods, or services claimed for reimbursement, liquidation of advance, or direct payment 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).

c. 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.

d. 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.

e. 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.

f. The payee is able to receive payments through the international banking system.

g. For direct payment, the payee is not on ADB's complete Sanctions List, based on checks done by the borrower, the executing agency, or the implementing agency pursuant to the Project Administration Manual, other project documents and applicable ADB regulations, and in connection with the underlying contracts related to this withdrawal application. A guide on ADB's complete Sanctions List and how to get access to it is available at www.adb.org/publications/faqs-adb-sanctions.

h. For direct payment, the payee is not subject to sanctions by decisions of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

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

The undersigned certifies and agrees as indicated.

Authorized Signatory - WA Approver in CPD

Application Number

❑ ADB's numbering system should be adopted. The withdrawal application should be numbered sequentially not exceeding 5 digits or characters. Ex. 00001, 00002, 00003, etc.

❑ If the project has more than one EA/IA, an alpha identification may be assigned by the project coordinator for each EA/IA. Ex. A0001 to A9999; B0001 to B9999, C0001 to C9999, etc.

Currency of Disbursement

➔ Disbursement is made

   a) in the currencies in which cost of goods and services has been paid or is payable, or

   b) in the currency of the advance account, when providing advances.

➔ Minimum value per Withdrawal Application is set at <u>US$200,000 equivalent</u>, or 1% of the loan amount, whichever is lower, unless otherwise stipulated in PAM.

➔ A separate application should be made for <u>each different currency</u> being withdrawn, and for <u>each payee</u>.

   → *A separate record must be registered in the BRF for the first payment and is re-used for subsequent payments and updated as necessary for changes in payment information.*

Payment Instructions

- Borrower should designate a <u>bank in the country of the requested currency of payment</u>.

- ADB will make payments to the <u>specified account</u> in the <u>designated bank</u>.

- For example:

  → If the currency of disbursement (USD) is the same as the currency of supplier's country (USA) => a bank in the country of the currency (USA) should be designated.

  → If the currency of disbursement (USD) is to be paid to a non-US supplier (IND) => in addition to the bank in the supplier's country (IND), a bank in the country of the currency (USA, Correspondent Bank) should also be designated.

Summary Sheet

❑ A summary sheet lists individual items according to category or subcategory to which they relate.

❑ Use separate sheet(s) for each category or subcategory.

→ *Except when line items are entered in CPD*

❑ List items of payment to the same supplier together, one below another.

Sample of Summary Sheet Form

ADB Contract Number (formerly PCSS)

➔ Assigned by ADB and used for identifying a particular contract.

➔ The contract number should be indicated in the summary/SOE sheet.

➔ Refer to ADB's monthly report ("List of Contracts by Executing Agency"), which is available on the LFIS/GFIS website.

➔ The borrower should ensure sufficient contract balances before requesting disbursements

Module 5:

Required Documentation

Documentation Requirement

- The required supporting documents must be submitted together with the WA

- ADB will return WAs that do not meet the requirements.
  - → **Partial payment may be made for the portion(s) of the claim that meets ADB requirements.**

- Do not submit documents that are not required to avoid delays in disbursement.
  - → **ADB may discard submitted documents that are not required**

- If supporting documents are written in local language, there should be an English translation of important words and items in the documents

- Other supporting documents may be requested by ADB depending on the transaction involved.

Documentation Type

Module 6	Module 7	Module 8	Module 9
Reimbursement	**Advance Fund**	**Direct Payment**	**Commitment**

Simplified Documentation applicable?

YES

NO

Simplified Documentation (SOE sheets, FAW certificates)

Required Supporting Documentation (Invoices, bills, receipts, letters of credit, etc.)
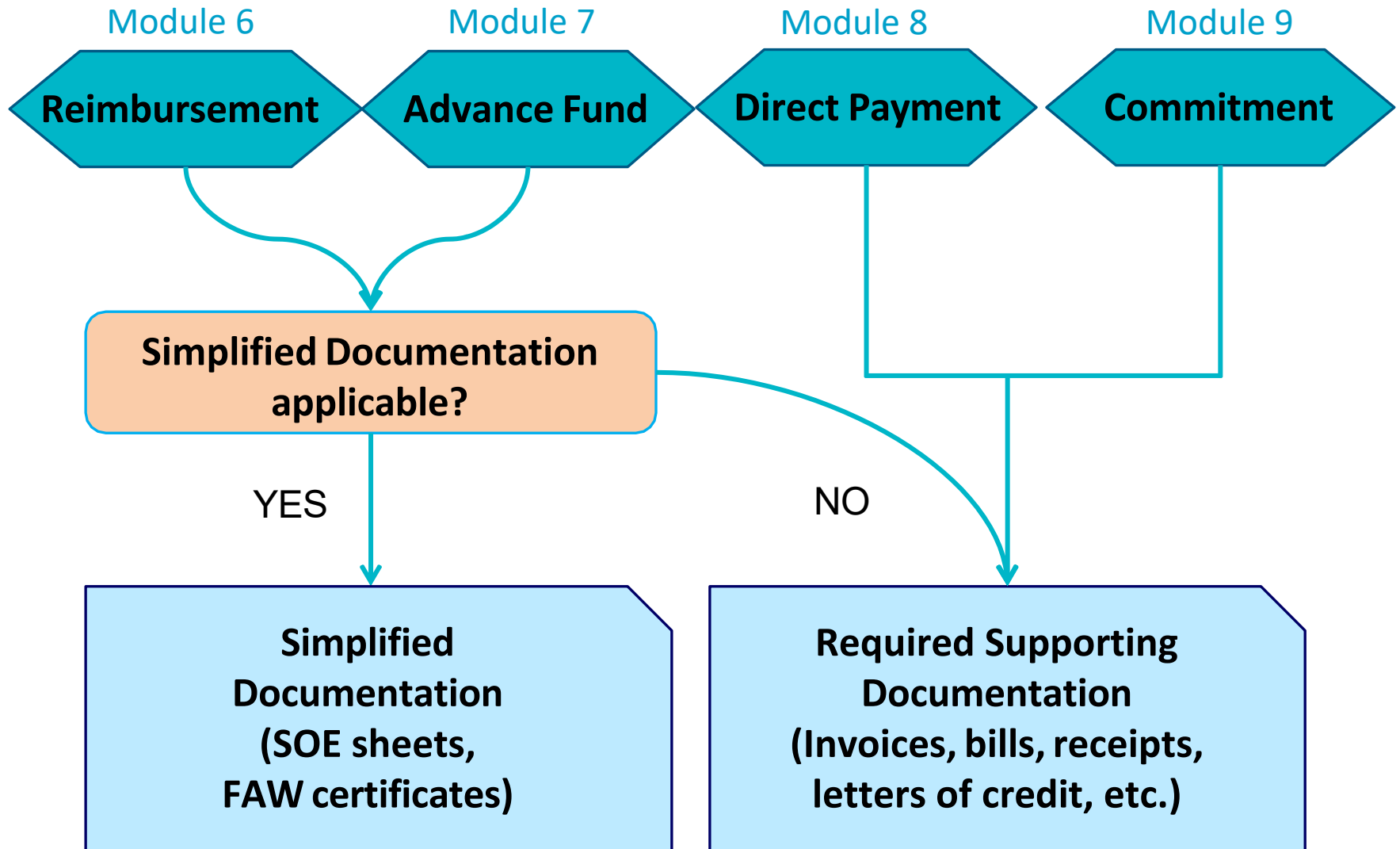
Required Supporting Documents

Payment for	Payment Type	Required Supporting Documents*[a]
Goods	One time or installment payment	Supplier's invoice (indicating date, amount, and bank account details) with proof of payment (e.g., official receipt, bank transfer record, acknowledgement receipt)
Services	One time or advance payment	Consultant's or service provider's invoice or request for payment (indicating amount of advance payment and bank account details) with proof of payment (e.g., official receipt, bank transfer record, acknowledgement receipt)
	Progress payment	Consultant's or service provider's invoice (indicating date, amount, and bank account details) with proof of payment (e.g., official receipt, bank transfer record, acknowledgement receipt)
Civil works	One time or advance payment	Contractor's invoice or request for payment (indicating date, amount, and bank account details) with proof of payment (e.g., official receipt, bank transfer record, acknowledgement receipt)
	Progress payment	Contractor's invoice and interim payment certificate[b] or summary of work progress (indicating period covered, amount, and bank account details) with proof of payment (e.g., official receipt, bank transfer record, acknowledgement receipt)
	Release of retention money	Contractor's invoice or request for payment (indicating date, amount, and bank account details) and unconditional bank guarantee (if required under section 4.27 of this handbook) with proof of payment (e.g., official receipt, bank transfer record, acknowledgement receipt)
Subloans under Financial Intermediation Loan		Invoices for subproject, subloan agreement, and/or other documents required in the PAM with proof of payment (e.g., official receipt, bank transfer record, acknowledgement receipt)
Others		Depending on project-specific requirements provided in the PAM, the contract or other legal document, or other fiduciary evidence that may be requested by ADB

*Proof of payment is not required for direct payment procedure.

[a] "Invoice" in this table refers to the final invoice. A proforma or preliminary invoice is not acceptable.

[b] The interim payment certificate refers to the certificate issued by the engineer under civil works contracts that certifies the work performed by the particular contractor.

Other Supporting Documents

Payment for	Payment Type	Other Supporting Documents
Goods	One time or installment payments	Bill of lading or delivery receipt, bank guarantee if required under the contract, documents substantiating the amounts invoiced, and other documents as required in the contract
Services	One time or advance payment	Contract terms and conditions that refer to payment of advance and progress payments, breakdown of amount due, documents substantiating the amounts invoiced, and other documents as required in the contract
	Progress payment	
Civil works	One time or advance payment	Contract terms and conditions that refer to payment of advance, bank guarantee if required under the contract, documents substantiating the amounts invoiced, and other documents as required in the contract
	Progress payment	Breakdown of amount due, documents substantiating the amounts invoiced, and other documents as required in the contract
	Release of retention money	Contract terms and conditions that refer to release of retention money, documents substantiating the amounts invoiced, and other documents as required in the contract
Others		Depending on project-specific requirements provided in the project administration manual, the contract, or other legal documents; or other fiduciary evidence that may be requested by ADB

Simplified Documentation

➢ Used when certain conditions met.

➢ These are:
- Statement of Expenditures (SOE); and
- Force account for works (FAW) certificate

➢ SOE and FAW certificate procedures should not be used in combination.

Statement of Expenditures (SOE) Procedure

❑ Reimbursement/advance fund procedure

❑ No submission of supporting documentation

❑ SOE sheet is submitted instead of the usual supporting documents

❑ SOE sheet provides data on contracts and disbursements of individual payments (up to any applicable SOE ceiling)

❑ Expected to be used when certain conditions met

Statement of Expenditures (SOE) Procedure

Forms – Two Types

- SOE sheet for Project Loans (*Appendix 6A*)

- SOE sheet for Financial Intermediation Loans *(Appendix 6B)*

SOE Sheet for Project Loans

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

Asian Development Bank **ADB**

Type of Form [*Select (one) appropriate box*]:

☐ Summary Sheet [b]

☐ SOE Sheet [c]

Indicate applicable SOE ceiling, if any [d] _____ -

ADB Loan/Grant No.	_____ - ____
Application No.	____ ____ ____ ____
Category/subcategory No. [a]	_____
Sheet No.	_____ of _____

Type of Disbursement:
[*Select (one) appropriate box*] ☐ Reimbursement ☐ Liquidation of Advance ☐ Direct Payment

For the period: From _____ to _____

Item No.	EA's Contract/PO Record No.	ADB Contract No.	Description of Goods and Services	Name and Address of Supplier	Total Amount of Bill Paid/Payable [d] (i)	ADB's Disbursement Percentage (ii)	ADB's Share of Expenditures [e] (iii = i * ii)	For Advance Fund Only		Remarks [g]	Date Paid [h]
								Exchange Rate [f] (iv)	Amount for Liquidation [f] (v = iii / iv)		
1											
2											
3											
4											
5											

EA = Executing Agency, PO = Purchase Order.

TOTAL [e1] _____ -   TOTAL [e2] _____ -

Add: Total from previous sheet (if any) _____

Total claim amount _____ -   _____ -

Notes:

a. Prepare separate form for each category or subcategory.
b. Summary Sheet is used for direct payment, or for expenditures for which supporting documents are required to be submitted to ADB (e.g. individual payments exceeding any applicable SOE ceiling).
c. Not applicable for direct payment procedure.
d. For all individual payments exceeding any applicable SOE ceiling, prepare a separate summary sheet (Appendix 6A) and attach the required supporting documents.
e. Ensure that the total claim amount or the aggregate total claim amount of all summary/SOE sheets agrees with the amount indicated in the withdrawal application for (i) reimbursement or direct payment (e1) or (ii) advance fund (e2).
f. 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).
g. Indicate down payment, advance payment, an installment payment number, Interim Payment Certificate number or other relevant information. If the item was claimed in a previous WA but withheld by ADB, indicate the WA no. where the item was previously claimed, and the reason why the item was withheld.
h. Applicable only for liquidation of advance or reimbursement.

ADB Form No. ADB-SS/SOE

Conditions for Approval to Use the SOE Procedure

ADB

Borrower's Capacity

✓ EA/IA has adequate administrative and accounting capacity to maintain SOE records and make them available for examination.

✓ If capacity is inadequate, SOE procedure should not be used.

Audit Arrangements

✓ EA/IA capable of arranging audit of SOE transactions.

Other Considerations for SOE Procedure

- ❑ Approval of the procedure

- ❑ SOE ceiling

- ❑ Ineligible payments

- ❑ Audit arrangements

- ❑ Review by ADB staff

Approval of the SOE Procedure and SOE Ceiling

Approval of the SOE Procedure

→ Approval by ADB – Use considered during project preparation and provided for in the PAM.

→ If use of the procedure is identified only during project implementation, borrower may request ADB's approval.

SOE Ceiling

→ No ceiling for EA/IAs with adequate capacity.

→ A ceiling may be established when there is concern or uncertainty about the EA/IA's capacity.

→ Ceiling applies to the <u>total amount</u> paid by the EA/IA

Ineligible Payments under the SOE Procedure

→ Offset against subsequent withdrawals for reimbursement, or

→ Request the borrower to refund the amount to the loan account, or to the advance account if the related payment was made from the advance account.

Audit Arrangements

❑ SOE records audited as part of the regular audit of the project financial statements by <u>independent and qualified auditors</u>.

❑ Audit should ascertain the expenditures claimed under SOE are eligible for inclusion in the project and that the procedure was administered in accordance with ADB's Loan Disbursement Handbook and the project documents.

Review by ADB

- ADB reserves the right to conduct spot or random checks of SOE expenditures.

- The borrower has 30 calendar days to submit the supporting documents requested by ADB for review.

- Failure to submit the supporting documents within this period may result in ineligibility of the expenditures selected for review, and/or suspension of the use of SOE procedure.

Suspending the Use of SOE Procedure

ADB

→ Borrower fails to timely submit documents requested by ADB for review;

→ Borrower continuously claims ineligible expenditures;

→ Borrower fails to submit the audit report within 6 months after the due date;

→ Audit report/disbursement missions indicate irregularities in financial management, accounting, internal control or the use of ADB funds; or

→ Disbursement or review mission find irregularities in use of ADB funds.

Module 6: Reimbursement Procedure

Recommended Disbursement Types
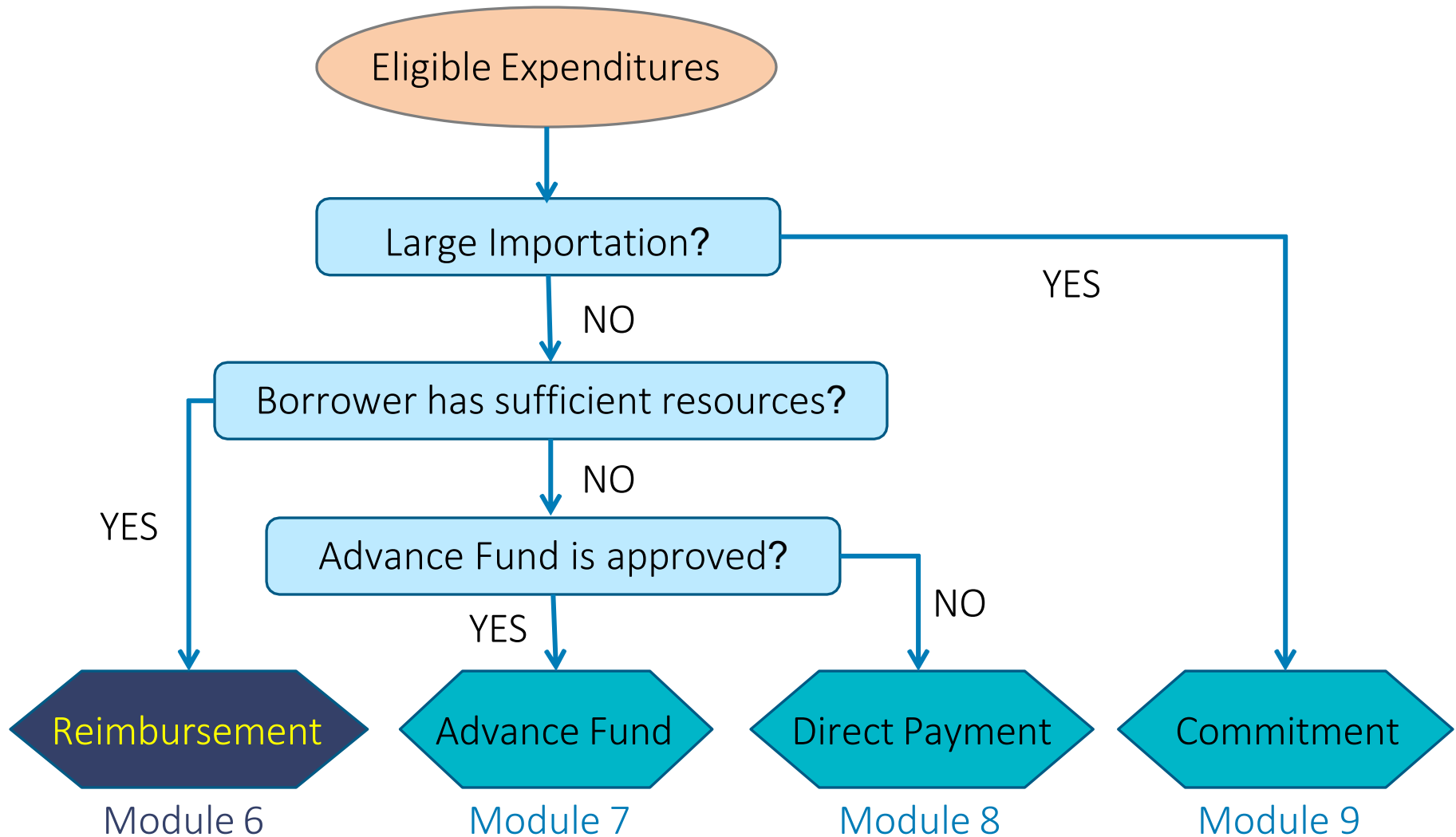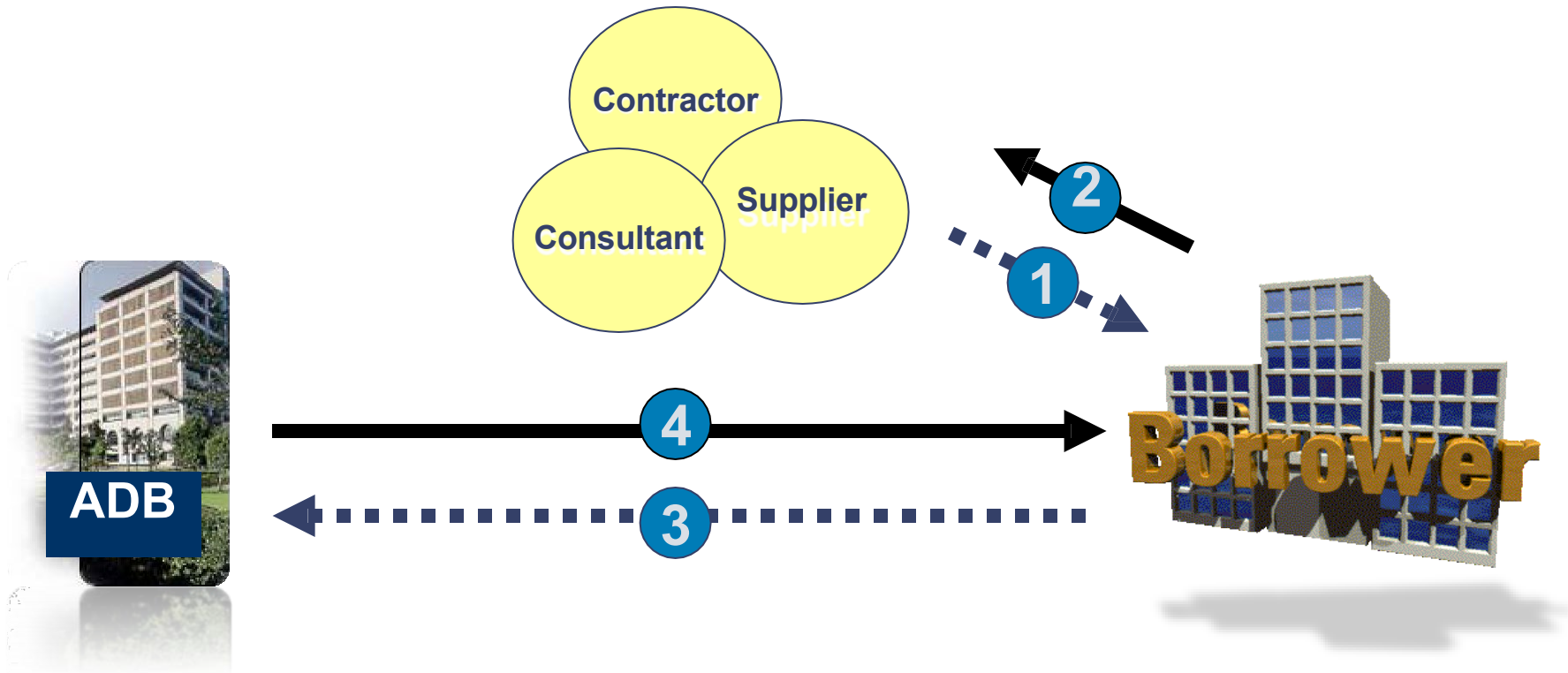
Reimbursement Procedure
Documentation required or Simplified documentation used (SOE, FAW certificate)

Reimbursement Procedure

- ADB pays the borrower 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 <u>encouraged</u> for all eligible project expenditures when the borrower has sufficient resources.

Basic Requirements

☑ Signed withdrawal application submitted via CPD or in original hard copy *(Appendix 5A of LDH)*

☑ Summary/SOE sheet
(Appendix 6A and 6B of LDH)

☑ Documentation

→ Required supporting documents (including proof of payment); or

→ SOE or force account for works (FAW) certificate as applicable

Module 7: Advance Fund Procedure

FORMERLY IMPREST FUND PROCEDURE

Recommended Disbursement Types
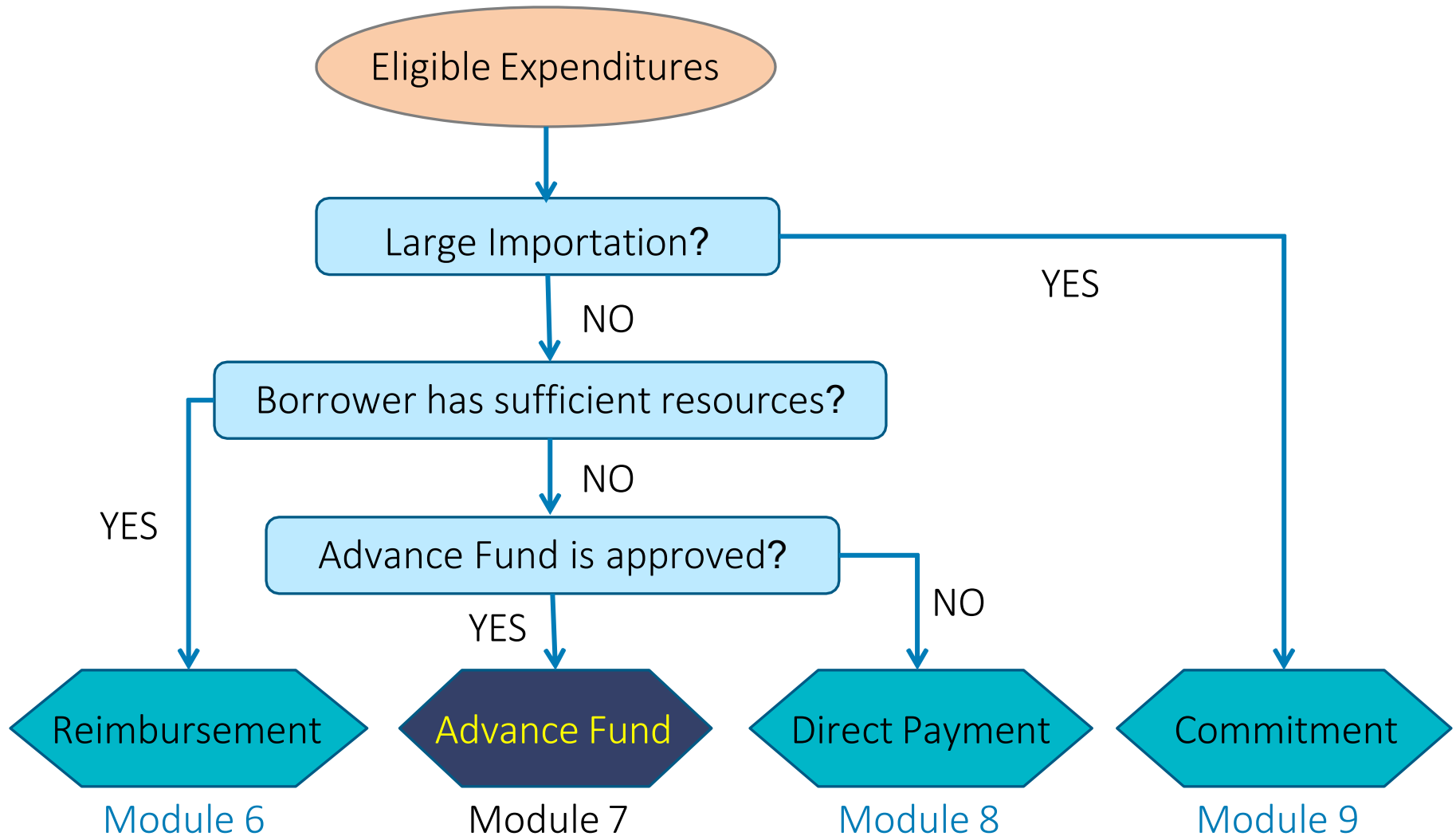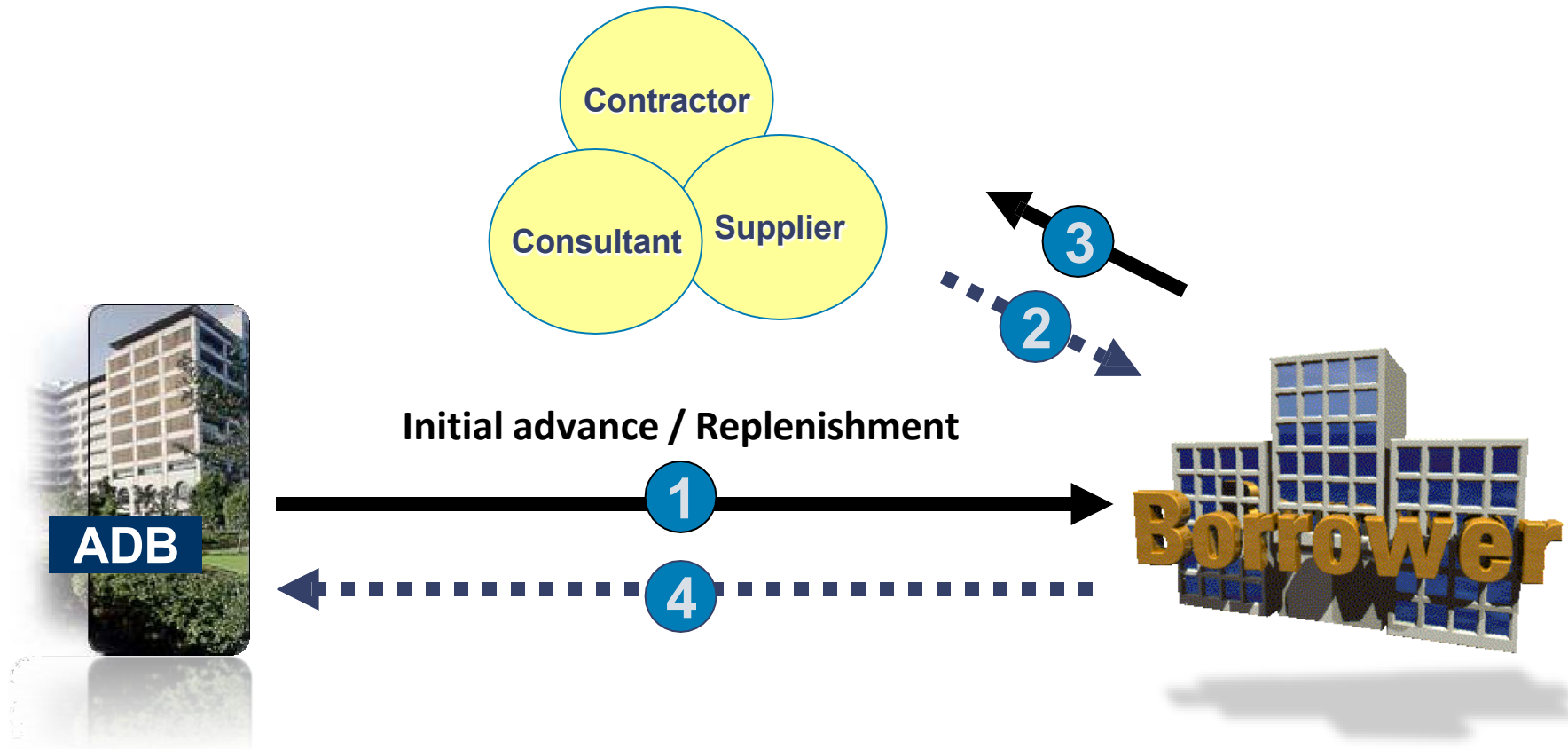
Advance Fund Procedure

Advance Fund Procedure

❑ ADB makes advance disbursement from the loan account to an Advance Account to be used <u>exclusively</u> for <u>ADB's share</u> of eligible expenditures.

❑ The borrower may use the Advance Account <u>to reimburse</u> the borrower, EA and/or IA's accounts.

Advance Fund Procedure

Objectives

→ Provide the borrower <u>more control over payments</u>; and

→ <u>Reduce the number of withdrawal applications (WAs)</u> and related costs.

When is it Applicable?

→ Certain conditions are met

→ Expected for all project eligible expenditures

Conditions for Approval to Use the Advance Fund Procedure

Borrower's capacity
- ✓ Borrower must have adequate administrative and accounting capacity.

Audit arrangement
- ✓ Borrower has the capability to arrange annual audits.

Approval to Use the Advance Fund Procedure

❑ If use of the procedure is considered and decided during project preparation, it is provided for in the PAM, or

❑ If the need for the procedure is identified only during project implementation, borrower may request ADB's approval *(Sections 4.16 - 4.17 of LDH)*

Borrower's (EA's) Responsibility

➔ Accountable and responsible for the use of advances to the advance account.

➔ Liquidation/refund of outstanding advances.

➔ Monitoring of advance account turnover ratio.

➔ Monitoring/reconciliation of advance account

Establishment of the Advance Account

- Open a <u>separate</u> bank account

- No restrictions on withdrawing funds.

- Opened in the name of the borrower/executing agency/project.

- "Conduit" or "pass-through" purpose account is not considered an advance account.

Location and Currency of the Advance Account

Location of the Advance Account

→ Central bank of the borrower's country or in a commercial bank designated by the borrower/EA/IA.

- Commercial bank must be capable of:
  - ✓ Executing foreign exchange and local currency transactions;
  - ✓ Handling a large volume of transactions; and
  - ✓ Issuing detailed monthly bank statements promptly.

Currency of the Account

→ To be indicated in the PAM.

→ "Freely convertible"

Request for Advances

✓ Initial and additional advances based on estimate of eligible expenditures for forthcoming 6 months, paid through the advance account.

☑ Signed withdrawal application submitted via CPD or in original hard copy *(Appendix 5A of LDH)*;

☑ Estimate of Expenditure *(Appendix 8A of LDH).*

→ Endorsement by ADB's relevant sector division/RM

→ Estimated expenditures for a period longer than 6 months will not be accepted.

✓ All advances deposited to the advance account

Estimate of Expenditures (EES)

➔ Should normally be for the forthcoming 6-month period (e.g., for replenishment requests, if the balance of the advance account per bank statement is as of 30 June, forthcoming 6-month period should be from July to December)

➔ Should be based on the amount of the contracts awarded and to be awarded. For expenditures related to operational costs, the amount should be linked to the project's annual budget provision.

ESTIMATE OF EXPENDITURES[a]
TO BE FINANCED FROM THE ADVANCE ACCOUNT

Asian Development Bank | ADB

Date: _____

ADB Loan/Grant No. [____] - [____]

Application No. [_____]

Estimate Sheet No. _____ of _____

Period Covered:[b] _____ to _____

Category No.	Contract No.[c]	Description of Goods/Services	Name of Contractor/ Supplier/ Consultant/Etc.[d]	Estimated Amount of Expenditures for the Period Covered (i)	ADB's Disbursement Percentage (ii)	Estimated Amount of Expenditures for ADB Financing (iii = i * ii)	Exchange Rate [e] (iv)	Estimated Amount in Advance Account Currency Equivalent [f] (v = iii / iv)

1. Total this page _____ -

2. Add: Total from previous sheet(s) if any _____

3. Total estimated expenditures to be financed from the advance account _____ -

4. Requested level of advance _____

5. Less: Current outstanding amount advanced to the advance account, if any [g] _____

6. Requested amount for initial/additional advance [g] [h] _____ -

Liquidation & Replenishment or Liquidation (only)

ADB

➜ Borrower submits:

☑ Signed withdrawal application via CPD or in original hard copy (*Appendix 5A of LDH*)

☑ Advance Account Reconciliation Statement (*Appendix 8B of LDH*)

☑ End balance per the corresponding bank statement

☑ Summary/SOE sheet (*Appendix 6A or 6B of LDH*)

☑ Required supporting documents, as applicable

Advance Fund Turnover Ratio

➢ Number of times the average outstanding advance is replenished over the period of a year.

➢ Available at LFIS/GFIS website

➢ Formula:

$$\frac{\text{Cumulative Amount of Liquidation in the past year}}{\text{Weighted Average Outstanding Advance}}$$

Requirement for Sufficient Advance Fund Turnover

❑ Initial and additional advance to the advance account is determined based on <u>6 months</u> projection of expenditures.

❑ As such, target turnover ratio should be at least <u>2.0</u>.

❑ If the turnover ratio is lower than the target (2.0), ADB may reduce the level of advance by adjusting the amount of replenishment or by requesting for refund.

ADB

Advance Account Reconciliation Statement (AARS)

ADVANCE ACCOUNT RECONCILIATION STATEMENT (AARS)

LOAN/GRANT NO. _____

WA Number: _____   With (Bank): _____

Bank Account Number: _____   Bank Address: _____

1	**PRESENT OUTSTANDING AMOUNT ADVANCED TO THE ADVANCE ACCOUNT NOT YET RECOVERED**	US$[a] **4,000,000.00**
2	**BALANCE of advance account as of** _____ **per bank statement** [b]	US$ [_____]
3	**ADD: Amount of eligible expenditures claimed in attached application (WA No.** _____ **)**	US$ [_____]
4	**ADD: Amount claimed in previous applications not yet credited at date of bank statement**	US$ [-]

Withdrawal Application No. / Amount

_____ US$ [_____]
_____ US$ [_____]
_____ US$ [_____]

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

a.   Subaccount(s) [c]
a.1 Total balance for subaccount #1 _____ US$ [-   ]
a.2 Total balance for subaccount #2 _____ US$ [-   ]
a.3 Total balance for subaccount #3 _____ US$ [-   ]
a.4 Total balance for subaccount #4 _____ US$ [-   ]
a.5 Total balance for subaccount #5 _____ US$ [-   ]

Total subaccount balances accounted for   US$ [-   ]

b.   **Transfer(s) in transit**   US$ [-   ]

c.   **Petty cash balance**   US$ [-   ]

d.   **Amount of unliquidated expenses** [d]   US$ [-   ]

e.   **Others** [*please specify, for example bank charges, etc.*]   US$ [-   ]   US$ [-   ]

6	**TOTAL ADVANCE ACCOUNTED FOR**	US$ [-]

[*Explain any discrepancy between totals appearing in lines 1 and 6 above (e.g., earned interest credited to the account, etc.)*]

7	**ADVANCE ACCOUNT TURNOVER RATIO** [e]	**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 (See *Loan Disbursement Handbook,* Sections 8.13 and 8.18).

"Appropriate" Level of Advance Account

Computed as:

➤ [outstanding advance (e.g., $4 million) x turnover ratio (e.g., 1.6) x 6/12]

- *If the requested level of advance (e.g., $4 million normally, the outstanding advance) is higher than the appropriate level of advance (e.g., $3.2 million), then:*
  - → Submit 6-month projection *(Appendix 8A of LDH)* justifying the required level, or
  - → Reduce further replenishment/refund surplus fund (e.g., $800,000) to ADB.

- *If replenishment is less than the amount of the WA, ADB will notify the borrower.*

Final Liquidation of the Advance Account

❑ Advances are normally liquidated without replenishment during the 6 months prior to the loan closing date .

❑ This is to ensure (i) refund of advance is zero or minimal amount, and (ii) the borrower can obtain supporting documentation for clearing the outstanding advances before the end of the loan closing date.

Refund of Advance

➢ Any unliquidated balance of advance to the advance account, must be promptly refunded to ADB, in the currency of the advance account.

➢ ADB applies the current value of the refund.

➢ Exchange differences are borne by the borrower.

Use of Subaccounts

➜ Subaccount refer to a secondary bank account in the name of an <u>implementing agency or other unit</u> (IA), which receives advances from the advance account, to meet project expenditures incurred by the IA.

➜ Not "petty cash".

➜ Forex difference is borne by the borrower.

Advance Fund Procedure

Fund Flow

ADB Initial Advance and Replenishment

Executing Agencies

Advance Account

Implementing Agency 1

Implementing Agency 2

Implementing Agency 3

Subaccount 1	Subaccount 2	Subaccount 3
Suppliers, Contractors, Consultants, etc.	Suppliers, Contractors, Consultants, etc.	Suppliers, Contractors, Consultants, etc.
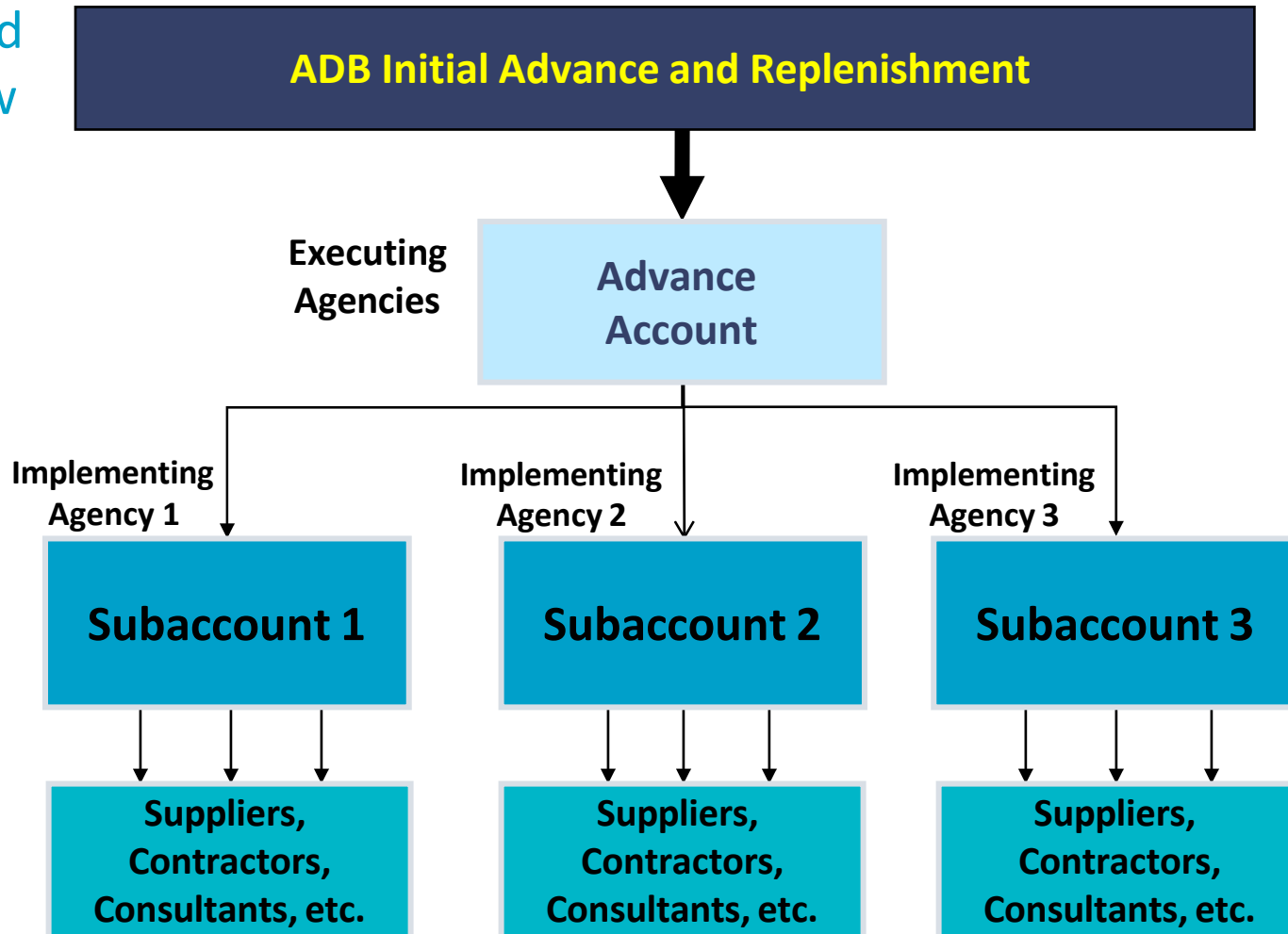
Criteria for the Use of Subaccounts

- ✓ Clearly defined need

- ✓ EA/IA's adequate administrative and accounting capacity to establish sufficient internal controls over the subaccount(s)

- ✓ Separate bank account for exclusive use

- ✓ Currency of subaccounts

Use of Subaccounts

→ The borrower, EA and IA should ensure that every liquidation and replenishment of each subaccount is supported by (i) the bank statement and (ii) a subaccount reconciliation statement *(Appendix 8C)*.

→ These supporting documents should be retained by the borrower, EA or IA, as appropriate, and be made available to ADB upon request.

Audit Arrangements and Review

Audit Arrangements

→ Advance fund procedure must be audited annually

→ Review by ADB Mission

→ ADB reserves the right to conduct random checks of expenditures covered by the advance fund procedure through <u>review missions</u>, or upon request on a sampling basis.

Withholding Replenishment

- ADB may withhold replenishment when these situations happen:
  - → Loan is declared suspended, whether partially or fully;
  - → Irregularities are identified in FM, accounting, internal control and/or operation of the advance account;
  - → The advance account has been inactive more than 6 months; and
  - → Failure to submit audited financial statements within 6 months after due date

- No additional funds will be advanced to the account.

- Available advance funds can be used, unless otherwise instructed by ADB.

- WAs submitted will be applied to liquidation only

Module 8:
Direct Payment

Recommended Disbursement Types
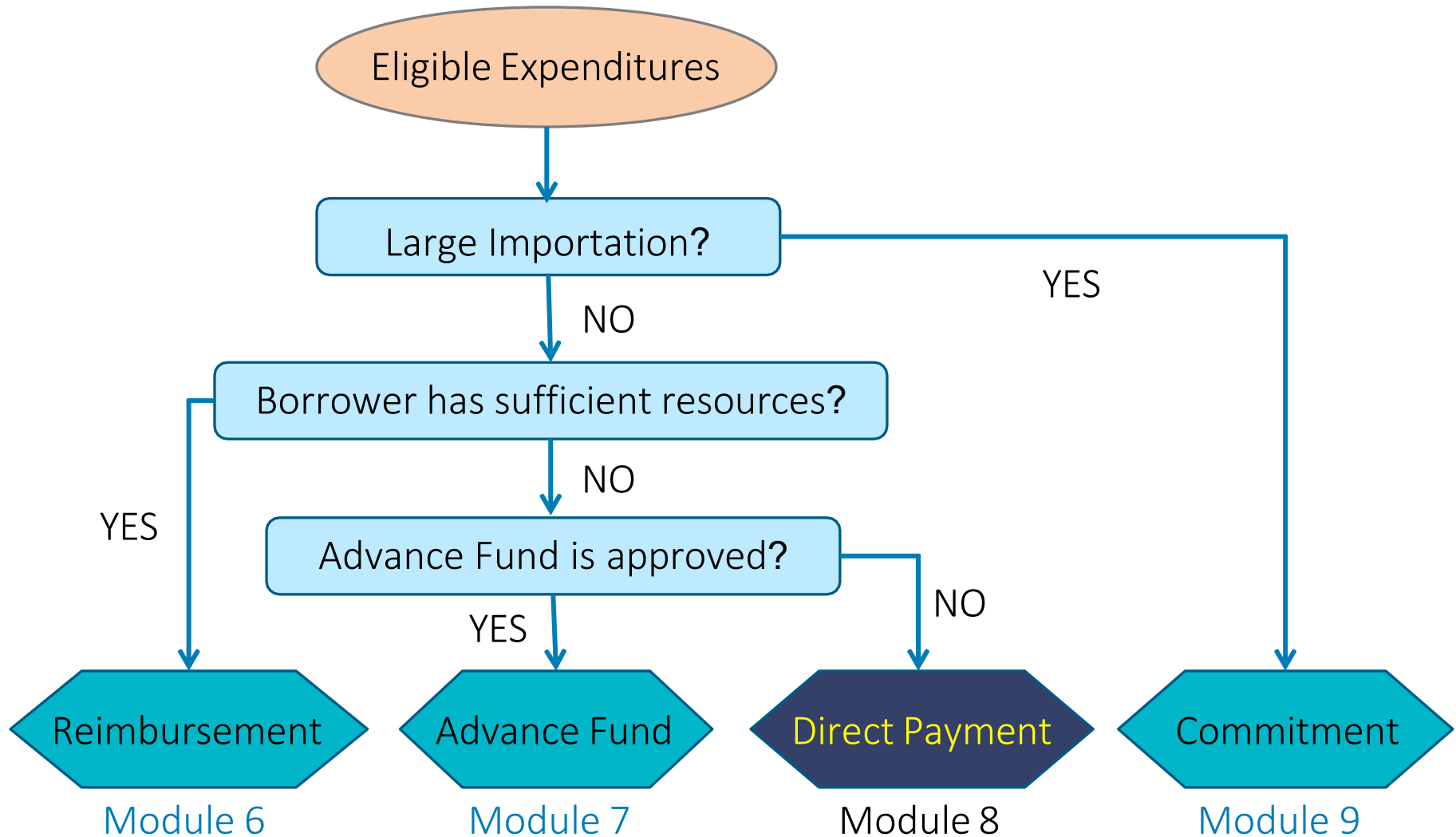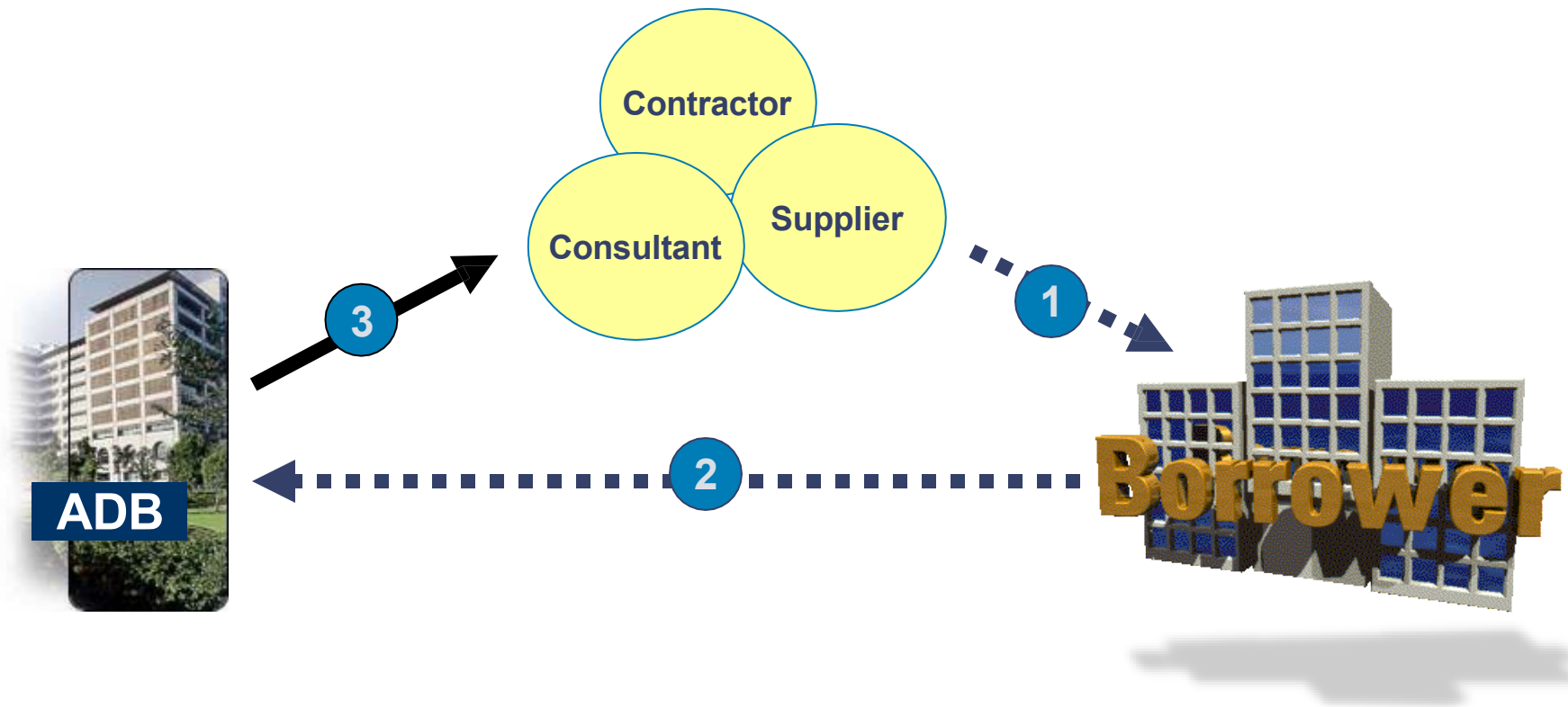
Direct Payment
Documentation Required

Direct Payment

- Normally used for large value payments when the borrower has insufficient resources, and the advance fund procedure is not approved for the project

- Requires:
  - ☑ A signed WA either submitted via CPD or in original hard copy *(Appendix 5A);*
  - ☑ A summary sheet either entered in CPD *(Appendix 6A or 6B);* and
  - ☑ Supporting documents, as appropriate *(electronic or photocopies)*

- A separate record for the first payment must be registered in CPD's BRF and is re-used for subsequent payments and updated as necessary for changes in payment information.

- Payment to a trust is not permitted.

Module 9:
Commitment Procedure

Commitment Procedure

Under the Commitment procedure, 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).

What is a Letter of Credit (LC)?

A written undertaking by the "LC issuing bank" given to the seller at the request of the buyer to pay a stated sum of money within a prescribed time limit and against stipulated documentary proof of delivery.

Buyer	Contract	Seller
LC issuing bank	LC	Nominated Commercial Bank
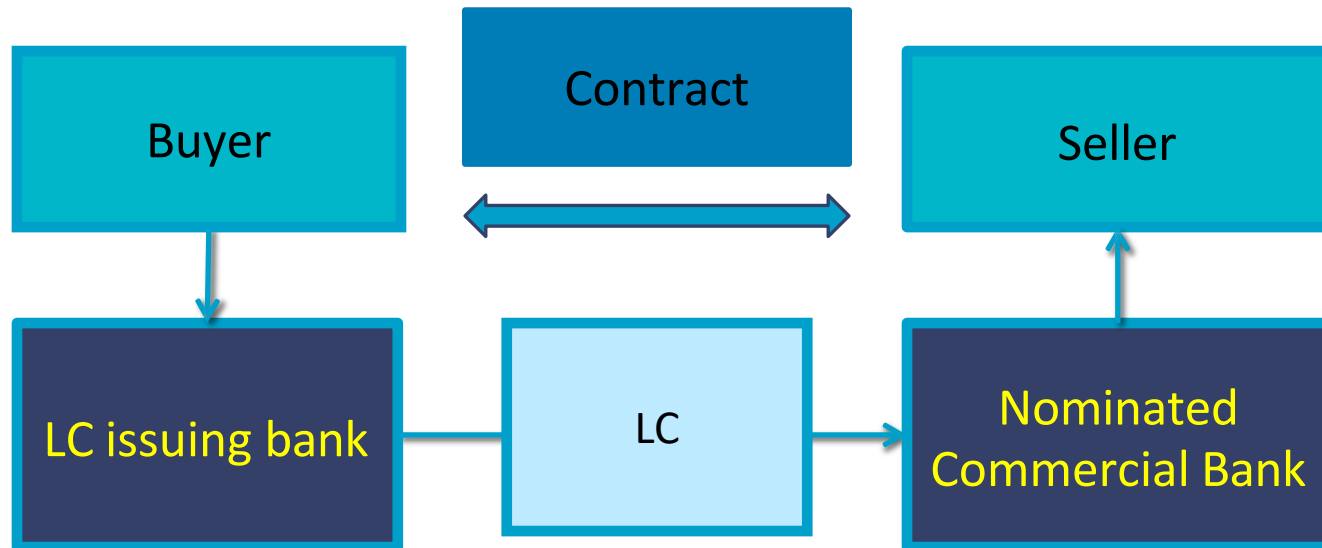
Features of Commitment Procedure

- For financing the large importation costs, the amount of which is not less than minimum WA amount.

- ADB's payment assurance is limited to the amount available in the loan account.

- LC issued by the LC issuing bank becomes operative only if and when ADB issues its commitment letter to the nominated commercial bank.

- Irrevocable in the sense that ADB's obligation is not be affected by suspension or cancellation of the loan.

- May not be used for fund held by cofinancier.

- Needs to be consulted first with CTLA for cofinancier's funds held by ADB but provided in tranches based on a specific schedule
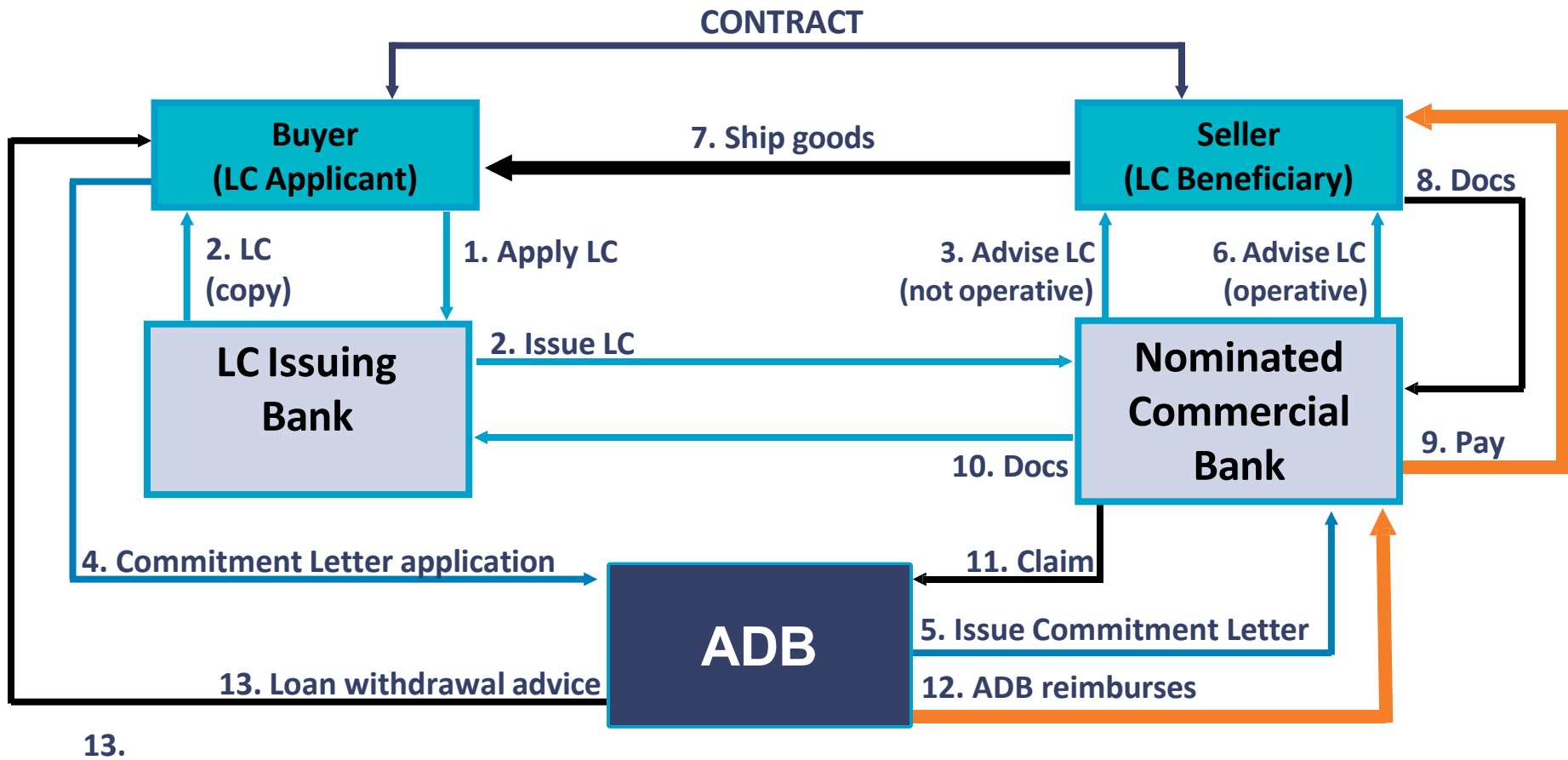
DIAGRAM OF STEP-BY-STEP ACTIONS PERFORMED BY PARTIES INVOLVED

Basic Requirements for Issuance of ADB's Commitment Letter

ADB

☑ Signed Application for Issuance of Commitment Letter submitted via CPD or in original hard copy *(Appendix 10A of LDH)*

   → Separate application for each currency

☑ Summary Sheet for Commitment Letter *(Appendix 10B of LDH)*

☑ Required supporting documents

   → Contract or confirmed purchase order, if not submitted earlier to ADB.

   → A copy of the LC.

Issuing the Commitment Letter

- Upon approval of borrower's application for a Commitment Letter, Commitment Letter is issued to a commercial bank specified in LC.

- When LC indicates a separate advising bank and nominated bank, Commitment Letter will be issued to the nominated bank, with a copy to the advising bank.
  - → *"negotiation with any bank" is not acceptable*

- A "transferrable" LC is not acceptable.

- No Commitment Letter is issued if shipment or LC expiry date fall beyond the loan closing date.

Linking the LC to the Commitment Letter *(Section 10.23 of LDH)*

The LC is linked to ADB's Commitment Letter with following clause:

"This LC 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."

Payment to Nominated Commercial Banks

❑ ADB pays after the receipt of the confirmation of from the nominated commercial bank that has paid or agreed to pay in accordance with the LC.

❑ Requests for reimbursement are made in authenticated Society for Worldwide Interbank Financial Telecommunication (SWIFT).

Payment to Commercial Banks

Requests must include the word 'Condiment' or

"(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 the LC issuing bank."

Amendments to the LC

❑ ADB's approval of amendments to the LC should be requested as soon as the LC amendment is obtained from the LC issuing bank. *(Appendix 10E of LDH)*

❑ ADB communicates its approval by the form in LDH *(Appendix 10F)* or by authenticated SWIFT, or a formal letter of approval.

❑ In urgent cases, application by email are allowable.

❑ Message includes (i) amendment was made by LC issuing bank and (ii) relevant documents are airmailed to ADB.

LC Amendments Requiring ADB's Prior Approval

ADB's prior approval is required for amendments to the LC involving changes such as

- Extension of LC expiry date beyond loan closing date;
- Change in LC's value or currency;
- Description or quantity of goods;
- Country of Origin;
- Beneficiary; and
- Terms of payment.

LC Amendments Without ADB's Prior Approval

The following amendments do not need to be submitted for ADB's approval:

→ Amendments to the LC for extending the expiry date and shipping dates up to loan closing date.

→ Others except those mentioned in previous slide.

Discrepancies

❑ 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 case, the nominated bank must seek, through the LC issuing bank, the borrower's authorization for payment despite such discrepancy.

Limitation of ADB's Commitment

In the Commitment Letter application form, the borrower agrees to the following:

→ If the loan currency equivalent as specified in ADB's commitment is exceeded at the time of ADB's payment 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 pays the remaining obligation.

Module 10: Procedures during Implementation and Account Closing

Loan Disbursement Handbook (LDH)
Chapters 3 and 4

- ❑ Changes in Loan Projects
- ❑ Capitalization of Interest, Commitment Charges and Other Fees and Charges
- ❑ Prepayment
- ❑ Loan Cancellation
- ❑ Suspension of Loans
- ❑ Loan Account Closing (winding-up period, payment of final audit fees, refunds, retention money, retention of supporting documents)

Changes in Loan Projects
(LDH 4.16)

These changes in disbursement arrangements should be approved by ADB:

- The use of the statement of expenditure (SOE) procedure

- Change, establishment, or removal of the ceiling of the SOE procedure

- The use of the advance fund procedure

- Others

Capitalization of Interest, Commitment Charges and Other Fees and Charges (LDH 4.15)

- **If ADB finances FCDI, ADB withdraws from the loan account and pays itself amounts due until the FCDI budget is fully utilized**
  - → *Once FCDI budget is fully utilized, Borrower may request ADB to reallocate the loan proceeds to FCDI before the loan closing date <u>except</u> when:*
    - ➢ the loan is financially closed,
    - ➢ fully disbursed, or
    - ➢ when billing for the loan charges were generated and sent to the borrower.

- **If ADB does not finance FCDI or FCDI budget is fully utilized**
  - → *All charges are settled in cash as a part of loan service payment.*

Loan Cancellation

(LDH 3.10-3.13)

Cancellation by the Borrower

→ The borrower may, by notice to ADB, cancel any amount of the loan which has not been withdrawn.

→ The effective cancellation date is when ADB receives the borrower's notice of such cancellation issued after consulting with ADB and obtaining the guarantor's concurrence where needed.

Loan Cancellation

(LDH 3.10-3.13)

Cancellation by ADB

→ ADB may cancel any unwithdrawn amount of the loan when:

- ➢ Suspension for a continuous 30 days;
- ➢ An amount of the loan will not be required;
- ➢ Corrupt, fraudulent, coercive, or collusive practices were engaged in;
- ➢ Irregularity in procurement; or
- ➢ An amount of the loan remains unwithdrawn from the loan account by loan closing date.

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

Financial Closing Date
(LDH 3.13)

Fully disbursed loans

→ The last financial transaction (e.g., disbursement, refund, etc.) date

Loans with undisbursed balances

→ The date of the final cancellation of the loan

➢ *The cancellation is effective from the effective date specified in such notice to the borrower, or from the date of ADB's notice to the borrower if not specifically indicated in such notice.*

Suspension of Loans
(LDH 3.14)

→ Nonpayment of principal, interest, or any other charges;

→ Nonperformance of any obligation under the loan, guarantee, or project agreements;

→ Non-fulfillment by the borrower, the guarantor, or the EA 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 EA; or

→ Any other event as specified in loan agreement.

For a suspended loan, no further withdrawal can be made until suspension is lifted.

Loan Account Closing

(LDH 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.

- 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.

Loan Account Closing

(LDH 4.18)

(Best Practice) - during the 6 months,

- ✓ Project expenditures incurred are paid,

- ✓ Project financial statements are compiled and audited,

- ✓ Audit fees are paid

- ✓ Advances to advance account are fully liquidated, and

- ✓ Refund is paid to ADB's accounts

Winding-up Period
(LDH 4.20-4.21)

- 4 months for winding-up may be provided to allow the borrower to:

  (i) submit WA for expenditures incurred on or before the loan closing date, and

  (ii) fully liquidate expenditures incurred on or before the loan closing date.

- The borrower must promptly inform ADB of any expected delay in submitting WA by the end of the winding-up period.

- Within 2 months after the winding-up period, the borrower should fully refund any outstanding advances provided to the advance account to ADB.

Loan Account Closing
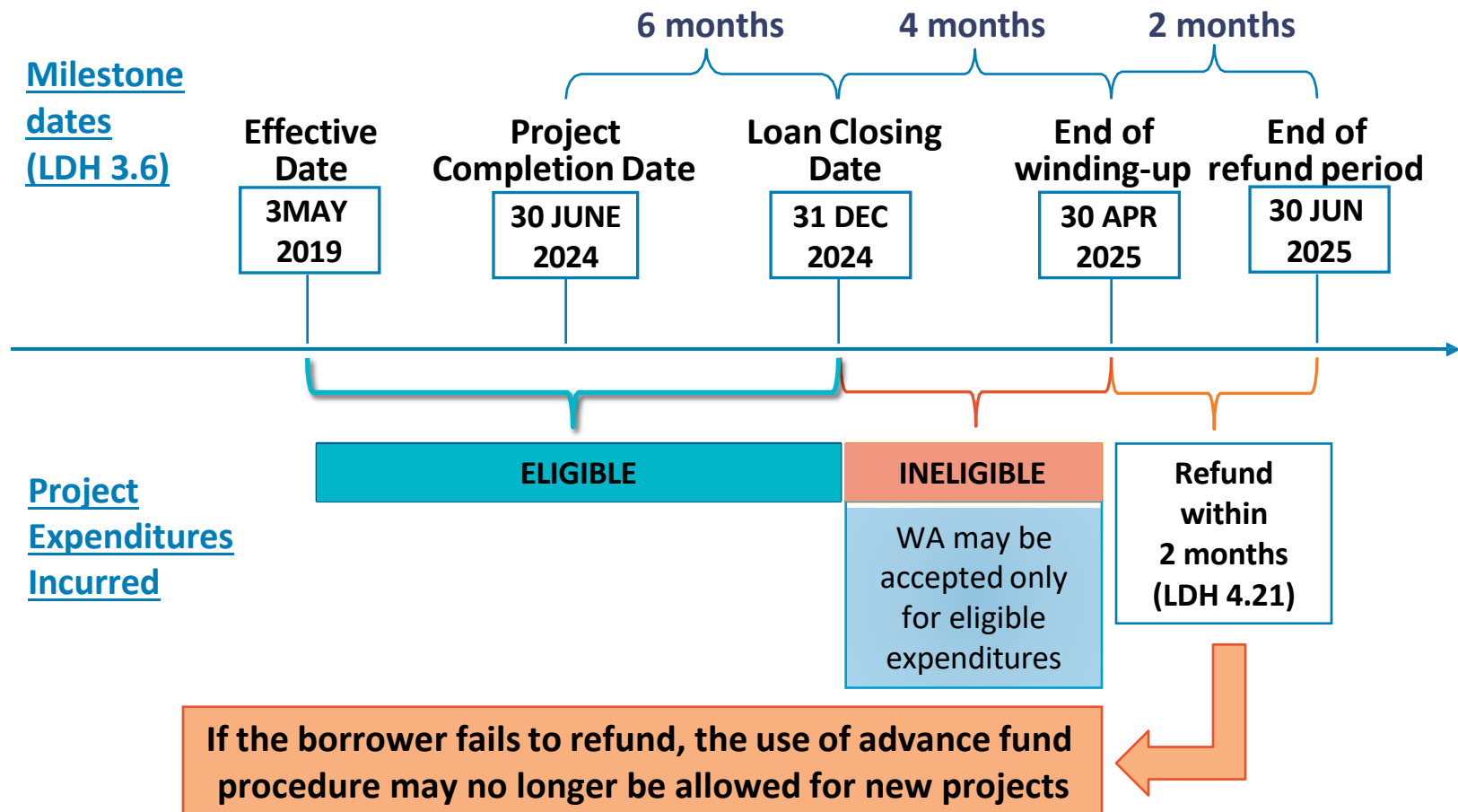
Payment of Final Audit Fees
(LDH 4.22)

➔ Eligible, if category and amounts are provided

➔ Best practice: Audit to be completed before the loan closing date

➔ Second best: Audit to be completed after the loan closing date and paid during the winding-up period.

- The contract signed by the borrower before the loan closing date,
- Lump-sum or fixed-price contract, requiring audit completion within 6 months after the loan closing date

➔ The last option: Audit completed after the loan closing date, use of escrow account (Appendix 4D)

Payment of Final Audit Fees
(LDH 4.22)

Escrow Account (Appendix 4D)

- ✓ Letter of Agreement with Escrow Agent

- ✓ Agreed lump-sum to be paid to the audit firm upon audit completion

- ✓ Deposit from the advance account or through direct payment from ADB

- ✓ Refund unused fund at Escrow Account to ADB

ADB

Refunds

→ If loan withdrawal is determined ineligible for ADB financing, the Borrower must arrange for refund.

→ All refunds must be paid to ADB's accounts at its depository banks with payment details

→ The refund is normally credited to the borrower's loan account on the date of receipt in ADB's depository account

→ ADB applies current value of the refund. The exchange difference may be absorbed by the borrower's loan account, if no restriction is imposed.

ADB

Retention Money
(LDH 4.27)

❑ Payment of retention money is made at the end of the warranty period.

❑ Where payment is due after the loan closing date; ADB may disburse the retention money to the contractor, as expenditure incurred, against an unconditional bank guarantee.

Retention Period of Supporting Documents (LDH 4.32)

- All records evidencing eligible expenditures: contracts, purchase orders, invoices, bills, receipts, subloan agreements etc.

- The borrower should retain such records
  - → 1 year after receipt by ADB of the final audited project financial statement to ADB;
  - → 2 years after the financial closing date; or
  - → Period required in the relevant contract's bidding document, whichever is later

- Comply with the government's law and regulations.

Module 11:
Financial Intermediation Loans and Results-Based Lending

Financial Intermediation Loans (FILs)

❑ Participating financial intermediaries

→ receive loans directly from ADB (or through the borrower) that are passed on to final beneficiaries as subloans.

→ are normally allowed to approve subloans up to the "free limit", as agreed with ADB.

❑ Subloans exceeding the free limit require ADB's prior approval.

FIL Disbursement Procedures

- Disbursement arrangements and funds flow under FILs should be indicated in the PAM.

- Reimbursement, advance fund, direct payment, and commitment procedures may be used.

- Advance to the advance account should not exceed 6 months' estimated cash flow required for payments to be made to sub-borrowers.

- Advance account may be maintained in a separate bank account, or separate account or ledger of participating financial intermediaries.

SOE for Financial Intermediation Loans (FILs)

ADB

- ✓ SOE procedure may be used.

- ✓ SOE ceiling, if any, for FIL may be established at the "free limit".

- ✓ Individual payment amounts exceeding the SOE ceiling (i.e., free limit), if any, should be accompanied by appropriate supporting documents (e.g., invoices for subproject, subloan agreement).

SOE Sheet for FILs

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 **ADB**

Type of Form [*Select (one) appropriate box*]:

☐ Summary Sheet [b]
☐ SOE Sheet [c]

Indicate applicable SOE ceiling, if any [d] [-]

Type of Disbursement:
[*Select (one) appropriate box*]
☐ Reimbursement   ☐ Liquidation of Advance   ☐ Direct Payment

ADB Loan/Grant No. [ ] - [ ]
Application No. [ ]
Category/subcategory No.[a] [ ]
Sheet No. _____ of _____
For the period: From _____ to _____

Subloan No.	Sub-Borrower [e]	Industry Sector/ ISIC Code	Project Purpose and Description	Country of Origin	Subproject Cost	Subloan Amount Approved (i)	ADB's Disbursement Percentage (ii)	Subloan Amount to be Financed by ADB (iii = i * ii)	Amount of Individual Payment Claimed	Cumulative Amount of Disbursement for the Subloan	Remarks [f]	Date Paid [g]

ISIC = International Standard Industrial Classification Code.

TOTAL _____ -
Add: Total from previous sheet (if any) _____
Total claim amount _____ -

Notes:

a. Prepare separate form for each category or subcategory.
b. Summary Sheet is used for direct payment, or for expenditures for which supporting documents are required to be submitted to ADB (e.g. individual payments exceeding any applicable SOE ceiling).
c. Not applicable for direct payment procedure.
d. For all individual payments exceeding any applicable SOE ceiling, prepare a separate summary sheet (Appendix 6B) and attach the required supporting documents.
e. Sub-borrowers should not be on ADB's complete Sanctions List, nor subject to sanctions by decisions of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. A guide on ADB's complete Sanctions List and how to get access to it is available at www.adb.org/publications/faqs-adb-sanctions.
f. Other information such as maturity, grace period, interest rate, security taken, and any other relevant data may be indicated.
g. Applicable only for liquidation of advance or reimbursement.

ADB Form No. ADB-FI-SS/SOE

Results-Based Lending (RBL)

→ A performance-based form of financing

→ Disbursements are linked to the achievement of program results as measured by disbursement-linked indicators (DLIs) agreed with the borrower

→ DLIs are the specific results linked to the disbursement of ADB financing and are determined by the RBL program's objectives, results framework, program systems assessments, and program action plan agreed between the DMC and ADB.

→ Disbursements are not linked to individual expenditures or transactions

→ Partial disbursement allowed if DLIs are partially met, as agreed with ADB

Results-Based Lending (RBL)

Requires:

- ☑ A signed WA either submitted via CPD or in original hard copy *(Appendix 5A);* and

- ☑ A summary sheet for RBL *(Appendix 11A).*

Advance Financing

→ Advance financing ("advances") of up to 25% may be provided to achieve the initial and subsequent DLIs during RBL program implementation

→ Any outstanding advances should be liquidated first before any disbursement can be made

Results-Based Lending (RBL)

- The amount of liquidated advances is then available, as needed, for further advances (revolving advances)

- If the government requires replenishment of the liquidated advance amount and/or further advances (i.e., revolving advances), this should be indicated in the disbursement request.

- The borrower must refund any unliquidated advances within 2 months after the winding-up period.

- If the amount(s) allocated to the DLI(s) achieved exceeds the amount of outstanding advance, such excess will be treated as reimbursement to the government.

Results-Based Lending (RBL)

Financing prior results

→ Up to 20% of the amount of the loan proceeds against DLIs achieved before the effectiveness of the loan, but no earlier than 12 months before the signing date of the loan agreement

→ Agreed at negotiations and indicated in the loan agreement

Ceilings

→ Combined outstanding balance of advance financing and amount for financing prior results may not exceed 30% of total ADB financing

Summary Sheet for RBL (*Appendix 11A of LDH*)

➔ Needs to be cleared with CTL before the WA is submitted

➔ The breakdown by disbursement type should be indicated in the "Special Payment Instructions and Other References" section of the WA (e.g., Additional Advance for USDXX,XXX , Liquidation for USDXX,XXX , Reimbursement for USDXX,XXX , and Replenishment for USDXX,XXX)

SUMMARY SHEET FOR RESULTS-BASED LENDING

Asian Development Bank | ADB

Fill out this form and submit to CTL for clearance together with the draft **Withdrawal Application (Appendix 5A)**

Date: _____

ADB Loan/Grant No. _____ - ___

Application No. _____

Item No.	Category No.	Contract No.	DLI No.	Prior results? (indicate "Yes" or "No")[a]	Amount of DLI Achieved[b]	Remarks
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

1. Total amount of DLIs achieved (if any) _____ -

2. Less: Current outstanding advance (if any)[c]

3. Eligible for reimbursement (if positive) _____ -

[Please fill out items 4 and 5 below, as applicable]

4. Total amount requested for replenishment and/or advance (if any)[d]

    4a. Amount requested for replenishment (if any) _____

    4b. Amount requested for initial or additional advance (if any)[e] _____

5. Net amount for liquidation (if any)

    5a. Current outstanding advance or DLIs achieved, whichever is lower _____ -

    5b. Less: Amount requested for replenishment _____ -

6. **TOTAL WA AMOUNT**[f] _____ -

7. *Breakdown by Disbursement Type:* [g]

    Initial or Additional Advance _____ -

    Liquidation _____ -

    Reimbursement _____ -

    WA AMOUNT _____ -

    Replenishment _____ -

Results-Based Lending (RBL)

- DLIs must be achieved on or before the program's completion date (same date as the loan closing date under RBL)

- Disbursement must be completed within 6 months after the RBL program's completion date

- The borrower will have a winding-up period (4 months after the RBL program's completion date)

- Verification of the results must be completed within the winding-up period

Results-Based Lending (RBL)

Reconciliation

→ Aggregate disbursements of ADB financing under RBL programs should not exceed the total expenditures by the government under the RBL program during its implementation period, excluding expenditure pertaining to procurement from nonmember countries (unless universal procurement applies)

→ Any excess should be refunded to ADB within 6 months after the RBL program completion date

Module 12:
Cofinancing Operations

Cofinancing Operations

"Cofinancing"

➢ Transaction-specific arrangement

➢ Funds or risk-sharing capacity provided by a third party

➢ Associated with ADB funds, guarantees, or administrative involvement.

Disbursement Procedures

❑ ADB's administration of cofinanced component

    ✓ ADB's guidelines/procedures followed

    ✓ Explicit ADB's approval required

    ✓ Cofinancing agreement signed

❑ Normally, submit a separate application for withdrawal

Types of Cofinancing Administration

- **Fully Administered** – Cofinancier's funds are deposited with ADB.
  - → For funds provided in tranches based on a specific schedule, the use of commitment procedure needs to be consulted first with the Loan Administration Division of the Controller's Department

- **Partially Administered** – Cofinancier's funds remain with the cofinancier and are paid directly to beneficiaries.
  - → Borrower submits 2 WAs to withdraw cofinancier funds
  - → Commitment procedure may not be used

Disbursement Arrangements

❑ Financing Options
  ➔ Pro-rata
  ➔ Front-loading
  ➔ Cost-sharing

❑ Separate advance and subaccounts

❑ Cofinancier's specific requirements indicated in the PAM

Module 13:
Financial Information Services Website

Loan and Grant Financial Information Services Website
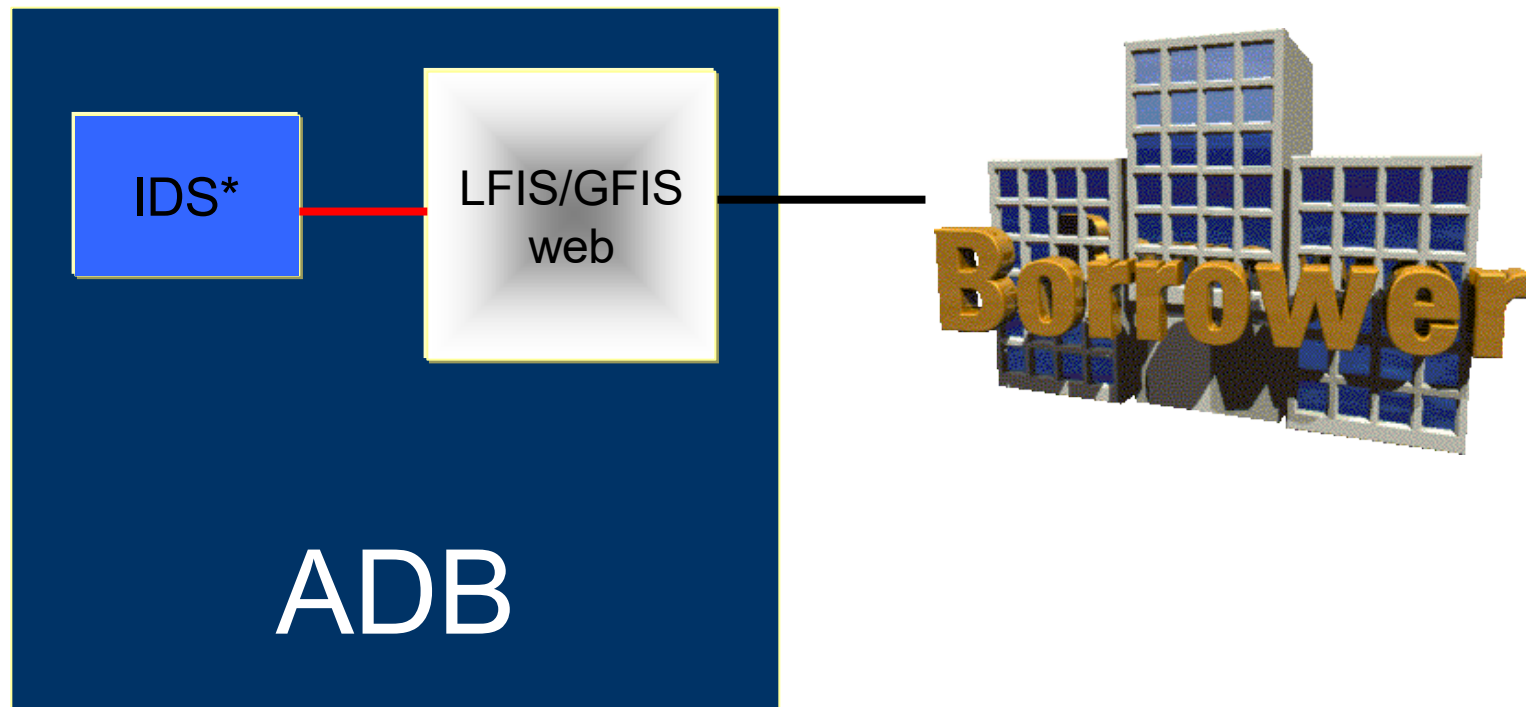
*IDS=Integrated Disbursement System

LFIS/GFIS Key Information

1. Contract ledger, by contract number

2. Disbursement history, value date, disbursed and undisbursed amounts

3. Where is my Withdrawal Application?

4. Soft copy of Appendixes of LDH

5. Link to Loan Accounting Website

6. Other batch reports and references

Request for LFIS/GFIS Web Access

❑ Borrower/EA should complete, authorize and submit the form - REQUEST FOR LFIS/GFIS/LAS WEB ACCESS (Appendix 13E)

❑ Attention: Webmaster, Systems Support Group, Controller's Department
Email address: lfisgfislas@adb.org

❑ Inquiries: lfis@adb.org

Module 14:
Client Portal for Disbursements (CPD)

Client Portal for Disbursements (CPD)

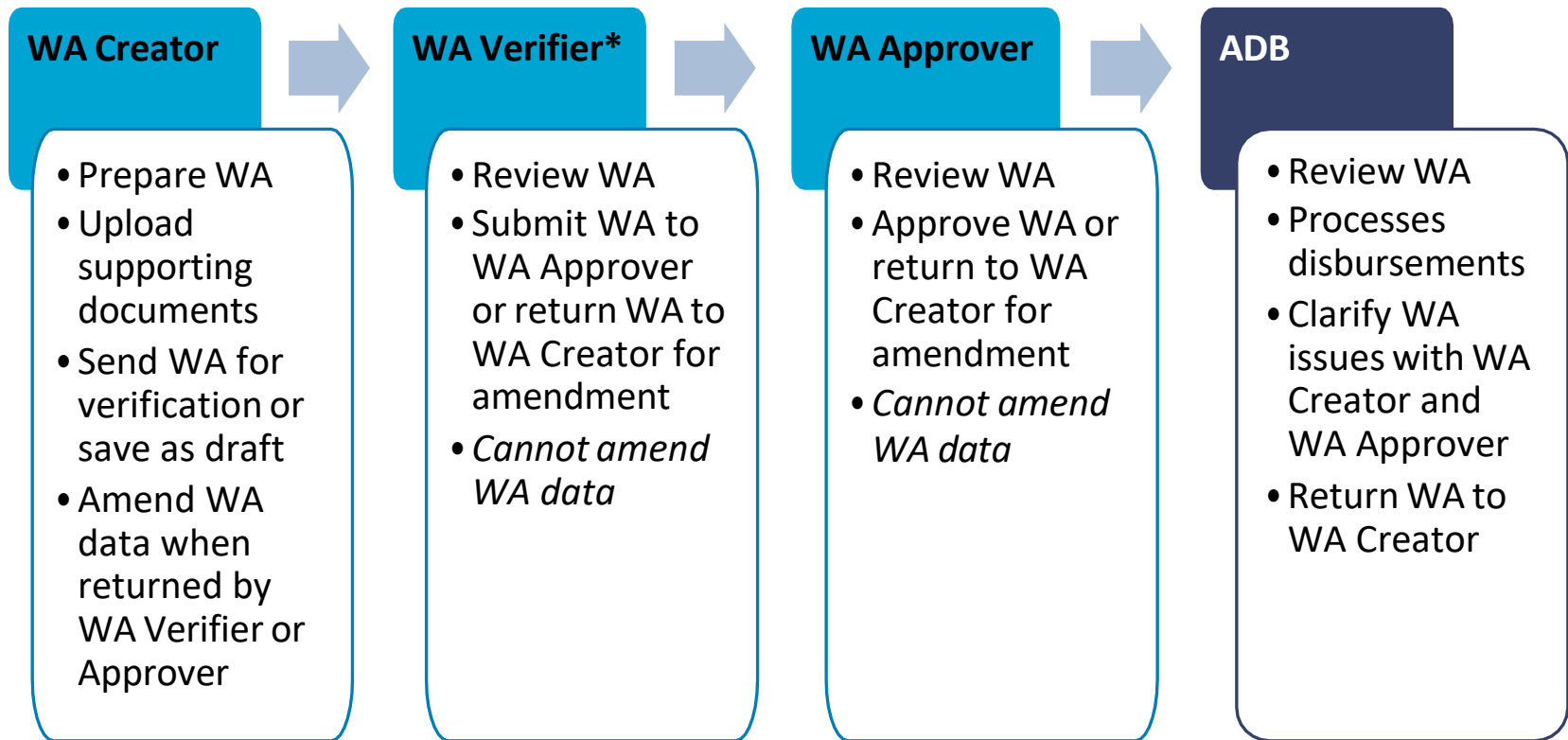➜ ADB's secure web-based application that allows the borrower to prepare and submit withdrawal applications (WA) online to ADB.

➜ Paperless submission

➜ Zero time and cost of mailing hard copy WA to ADB

➜ Reduced errors in WA preparation

➜ Expedited disbursement due to automated data validation

➜ Status tracker

➜ Quick access to reference documents

Workflow		Roles	Function
3-touch	**2-touch**		
1st touch	1st touch	WA Creator	Prepares the draft WA and submits it to the verifier (3-touch) or to the approver (2-touch)
			Can save the draft WA prior to submission, and amend it upon return by the verifier or approver
			Can respond to queries from ADB via CPD's messaging functionality
2nd touch		WA Verifier	Verifies the draft WA and submits it to the approver
			Can return the draft WA to the creator for modification (as verifiers cannot amend any data on the draft WA)
			Can respond to queries from ADB via CPD's messaging functionality
3rd touch	2nd touch	WA Approver	Reviews the draft WA, approves it using a security token, and submits the WA to ADB
			Can return the draft WA to the creator for modification (as approvers cannot amend any data on the draft WA)
			Can respond to queries from ADB via CPD's messaging functionality
		WA Viewer	Can only view the WA in CPD

Workflow Options and User Roles in CPD

WA Submission via CPD

WA Creator →

- Prepare WA
- Upload supporting documents
- Send WA for verification or save as draft
- Amend WA data when returned by WA Verifier or Approver

WA Verifier* →

- Review WA
- Submit WA to WA Approver or return WA to WA Creator for amendment
- *Cannot amend WA data*

WA Approver →

- Review WA
- Approve WA or return to WA Creator for amendment
- *Cannot amend WA data*

ADB

- Review WA
- Processes disbursements
- Clarify WA issues with WA Creator and WA Approver
- Return WA to WA Creator

Not applicable in 2-touch workflow

Roles	Required Form	Description
WA Creator, Verifier, and Viewer	Registration Form for Client Portal for Disbursements (Appendix 14A)	This form, indicating the persons to be given country access or project access in Client Portal for Disbursements, is to be signed by a competent authority in the particular executing or implementing agency
WA Approver	Evidence of Authorized Persons to Sign WA (Appendix 4A)	This form, indicating the persons authorized to (i) deliver the WA by electronic means and (ii) manually sign hard copy WA is to be signed by the borrower's designated representative indicated in the loan agreement This form may also include the persons whose authority is requested to be revoked, as applicable

Required Forms for CPD

Key Features of CPD

- Automated validations
  - → Duplicate WA number warning
  - → Insufficient contract or loan balances
- Auto-generation of information
  - → Contract name and description, contract balances, and contract currencies and cost categories
- Auto-population of payment instructions
  - → Upon creation of Beneficiary Registration Facility (BRF) record
- E-mail notifications—for updates on WA status
- Workflow history—for tracking the WA status

Key Features of CPD

- Messaging function

  → ADB and the executing agency can communicate for queries, and upload supporting documents, if requested

- Preview, export, and search facility

  → Preview the WA in PDF;

  → Export the summary/SOE sheet in Excel format; and

  → Search WA by various parameters such as loan or grant number, disbursement type, WA status, and date created or submitted.

- Multilingual interface, available in Bahasa Indonesia, Chinese, Khmer, Mongolian, Russian, and Vietnamese
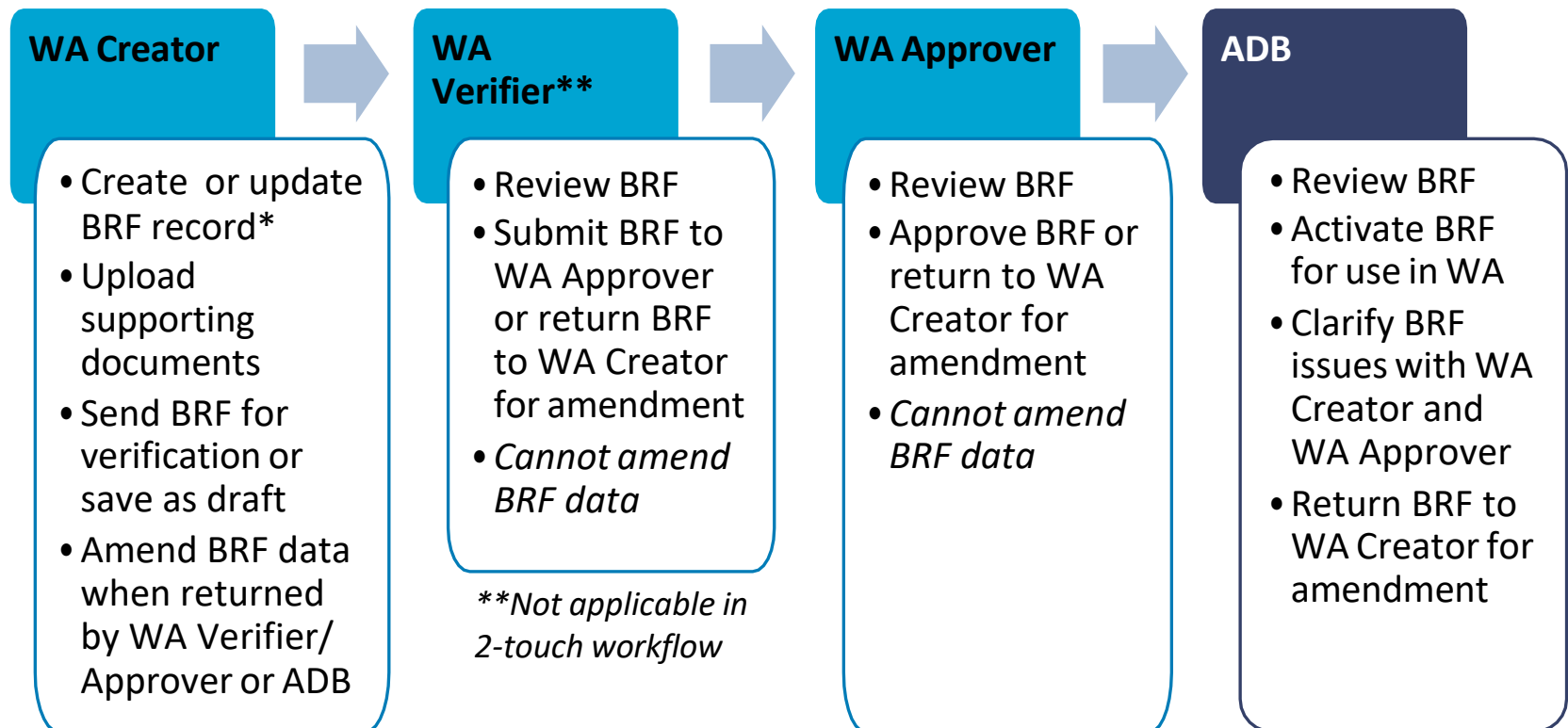
Beneficiary Registration Facility (BRF)

ADB

➔ Allows the borrower to create a one-time registration of payment beneficiaries

➔ Designed to strengthen internal control over the payment information provided by the borrower

➔ A BRF record must be submitted to and activated by ADB before the first payment to the beneficiary can be made

→ Once the BRF record is activated, the payment instruction section will automatically be populated when creating WA in CPD

→ For direct payments, WA Creators have the option to select from a list of BRF records created under the same Loan, Grant, Agency, Currency, and contract

BRF Submission in CPD

WA Creator → **WA Verifier**** → **WA Approver** → **ADB**

WA Creator
- Create or update BRF record*
- Upload supporting documents
- Send BRF for verification or save as draft
- Amend BRF data when returned by WA Verifier/ Approver or ADB

WA Verifier**
- Review BRF
- Submit BRF to WA Approver or return BRF to WA Creator for amendment
- *Cannot amend BRF data*

**Not applicable in 2-touch workflow

WA Approver
- Review BRF
- Approve BRF or return to WA Creator for amendment
- *Cannot amend BRF data*

ADB
- Review BRF
- Activate BRF for use in WA
- Clarify BRF issues with WA Creator and WA Approver
- Return BRF to WA Creator for amendment

*One-time registration of the payee's bank information. A BRF record should be updated in case of changes in the registered payment instructions.

Security

Use of security token

➢ To secure the process of approval and submission of WA to ADB

➢ Electronically authenticates the WA Approver's identity

➢ Serves as the authorized WA Approver's digital signature to be used exclusively for approving and submitting BRFs and WA in the portal

Soft Token for WA Approver

→ Available in **Apple** and **Android**
→ OS Requirements
- iOS 7 and later (Apple)
- OS 2.3 (Gingerbread) and later (Android
→ Applications to download
- **Entrust Smart Credential** (for approving WA)
- **QR Reader for iPhone/ Lightning Qrcode Scanner** (for activation of soft token)

System Requirements

IT Resource	Minimum Specification	Recommended Specification
Central processing unit	Dual Core 2.5 MHz	Quad Core 3.1 MHz or faster
Random access memory	1 GB	1 GB or higher
Hard drive (free space)	500 MB of free space	1 GB of free space
Internet speed	2 Mbps	5 Mbps
Internet browser	Chrome v32, Firefox v32, IE v11	Chrome v33, Firefox v37.0.2, IE v11

Inquiries, Web Link and Tutorial Videos

- Contact the ADB CPD Help Desk:

  ADB CPD Help Desk
  Tel: +632 8632-4422
  E-mail address: adbcpd@adb.org

- Available references inside https://cpd.adb.org

  → Detailed guides on how to use CPD, user manuals, product brochures, quick reference guides, and legal forms

  → Video tutorials for BRF creation, verification, and submission are available under the CPD references tab.

- E-learning

  → Send an e-mail to elearning@adb.org to enroll in the elearning modules for WA creation, verification, and submission using CPD available at https://elearn.adb.org.

Thank you!