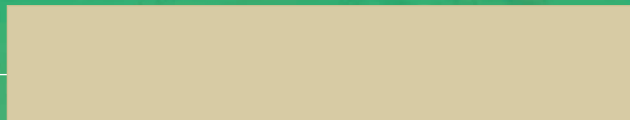


Disbursement Handbook



African Development Bank

Disbursement Handbook



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The African Development Bank Group

Disclaimer: The Disbursement Handbook provides guidance on the African Development Bank's disbursement policies and procedures. Bank policy and procedure documents referenced herein may be obtained from our website <http://www.afdb.org> or by writing to us at loandisbursements@afdb.org. This handbook does not provide a full treatment of all documents, policies, and procedures that are referenced. For full treatment of particular policies, readers should refer to the relevant source document. This handbook is not a contractual or legal document. It does not create any legal rights, which are found exclusively in the Legal Agreements with the Bank, and is not intended to be used to interpret such rights.

Acronyms

ADB	African Development Bank
ADF	African Development Fund
AWF	Africa Water Facility
BIC	Bank Identification Code
CBFF	Congo Basin Forest Fund
CSP	Country Strategy Paper
EA	Executing Agency
FAPA	Fund for Africa Private Sector Assistance
FSF	Fragile States Facility
GNP	Gross National Product
IBAN	International Bank Account Number
LC	Letter of Credit
MIC	Middle Income Countries
NEPAD	New Partnership for Africa's Development
NTF	Nigeria Trust Fund
PBL	Policy Based Loan
PIU	Project Implementation Unit
PPF	Project Preparation Facility
RG	Reimbursement Guarantee
RMC	Regional Member Country
RWSSI	Rural Water Supply and Sanitation Initiative
SDR	Special Drawing Rights
SOE	Statements of Expenditure
UA	Unit of Account

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Preface

Preface

Preface

The Disbursement Handbook (the Handbook) sets out the disbursement policies, guidelines, practices, and procedures of the African Development Bank Group (ADB). It serves as a reference guide for Bank staff, Borrowers¹, Executing Agencies², Co-Financiers, Suppliers and other contracting parties in designing, operating disbursement activity and withdrawing loan³ proceeds to ensure efficient and effective project implementation.

The Handbook complements the following documents:

Articles of Agreements	Bank Group Policy on Recovery of Arrears on Loans
Loan or Protocol Agreements	Guidelines for financial reporting and auditing of project accounts
General conditions applicable to Loan Guarantee and Grant Agreements	Bank Group Guidelines on Loan Cancellation
Policy on expenditure eligible for Bank Group financing operations	Guidelines for Financial Management and Financial Analysis of Projects
Rules and Procedures for Procurement of Goods and Works	Disbursement Letter
Rules and Procedures for the Use of Consultants	Project Appraisal Report

The principles and procedures described in the Handbook apply equally to sovereign/ sovereign guaranteed investment projects and programs funded in whole or in part from Bank Group resources, special funds, donor-funded trust funds administered by the Bank and co financing operations for which a development partner has requested the Bank to assume responsibility for reviewing disbursement applications.

This Handbook supersedes all previous editions and takes effect immediately. The Handbook is available electronically on the Bank's website (<http://www.afdb.org>). It will be updated regularly to reflect feedback from users, lessons learned, and changes in disbursement administration policies and practices.

The Financial Control Department is responsible for the adequacy and appropriateness of disbursement arrangements and for approving disbursement requests for financing provided or administered by the Bank. For further information, please visit our website: www.afdb.org or contact an ADB country office (see annex 1) or inquire from the following address.

Disbursements Division
Financial Control Department
African Development Bank
Avenue du Ghana, BP. 323
1002 Tunis Belvédère / Tunisia
FAX : +216 71 25 20 53
EMAIL : loandisbursements@afdb.org

¹ "Borrower(s)" in this Handbook refers to borrowers and/or recipients of grants.

² The term Executing Agency (EA) is used interchangeably with Project Implementation Unit (PIU). The Borrower designates an Executing Agency (EA), who in turn constitutes a PIU.

³ "Loans" in this Handbook also refers to grants(s) unless the context requires otherwise.

Chapter 1

The African Development Bank Group

1. The African Development Bank Group

1.1 Purpose of the African Development Bank Group

The purpose of the African Development Bank Group⁴ – which comprises the African Development Bank (ADB), the African Development Fund (ADF) and the Nigeria Trust Fund (NTF) – is to promote the sustainable economic development and social progress of its regional member countries (RMCs). To achieve this purpose, the Bank:

- Mobilizes resources for the financing of projects and programs;
- Undertakes and participates in the selection, study and preparation of projects, enterprises and activities that contribute to such development;
- Promotes investment of public and private capital in Africa; and
- Provides technical assistance for the study, preparation, financing and execution of development projects and programs.

Although the ADF and NTF are legally and financially distinct from the ADB, they share the same staff, and their operations are subject to the same high standards as those of the ADB.

1.2 The African Development Bank (AfDB)

The Agreement establishing the ADB was signed in Khartoum in 1963 and entered into force in 1964. The Bank officially began operations in 1967. Following an amendment to the Agreement in 1982, the capital of the ADB was opened up to non-regional countries.

Resources come from ordinary and special resources. Ordinary resources comprise:

- the subscribed shares of the authorized capital by its 77 member countries (see Annex 2), a portion of which is subject to call;
- funds received in repayment of ADB loans;
- funds raised through ADB borrowings on international capital markets;
- income derived from ADB loans; and
- other income received by the Bank, e.g. income from other investments.

Article 8 of the Agreement establishing the ADB, authorizes the Bank to establish or be entrusted with administering and managing special funds which are consistent with its purposes and functions.

In line with this provision, the African Development Fund (ADF) was established with non-African states in 1972 and the Nigeria Trust Fund (NTF) with the Nigeria Government in 1976.

Other special and trust funds managed by the Bank include:

⁴ The term “The Bank Group” refers to the African Development Bank (ADB), the African Development Fund (ADF) and the Nigeria Trust Fund (NTF). Where a discussion pertains specifically to one of these institutions, it is explicitly named.

Africa Water Facility (AWF)
Congo Basin Forest Fund (CBFF)
Fragile States Facility (FSF)
Fund for Africa Private Sector Assistance (FAPA)
Global Environmental Facility (GEF)
Middle Income Countries Fund (MIC)
NEPAD - IPPF
Rural Water Supply & Sanitation Initiative (RWSSI)

Special funds are subject to the Bank's Disbursement policies and procedures as described within their respective operational manuals.

1.3 The African Development Fund (ADF)

The Agreement establishing the ADF, which comprises the ADB and State Participants, was signed in Algeria in 1972, and it became effective in 1973. The ADF provides assistance to developing countries with lower per capita income through loans and grants that are extended on concessional terms. ADF resources come from contributions and periodic replenishments by the 26 non-African State Participants (see Annex 3). Replenishments to the Fund are usually made on a three-year basis, unless State participants decide otherwise. Eligibility for concessional ADF resources is primarily determined by the economic circumstances prevailing in the country, as measured by per capita GNP and debt service capacity.

1.4 Nigeria Trust Fund (NTF)

The NTF was established following the signing of an agreement between the Nigerian Government and the ADB in 1976, and became effective the same year. The original Agreement expired in 2006. After two one-year interim extensions, the agreement was extended for a further 10 years in 2008. The NTF supports the development efforts of ADB regional member countries, particularly those in more needy circumstances. Its resources are wholly derived from contributions by the Government of Nigeria and from income generated from its operations.

1.5 Financing Criteria

Eligibility

Lending criteria depend on the funding window used. A RMC's eligibility for financing from the three funding windows is determined primarily by the economic circumstances of the country, as measured by per capita gross national product (GNP) and debt sustainability capacity. On the basis of these criteria, RMCs are categorized into one of three borrowing categories - Category A (ADF Only), Category B (Blend of ADB and ADF) or Category C (ADB Only).

Commitment Currency

For the ADB, the loan amount is denominated in one of the lending currencies of the Bank (US Dollars, Euro, Japanese Yen, and South African Rand) as selected by the Borrower. For the ADF and NTF loans/grants are denominated in Units of Account (UA). The Unit of Account is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF).

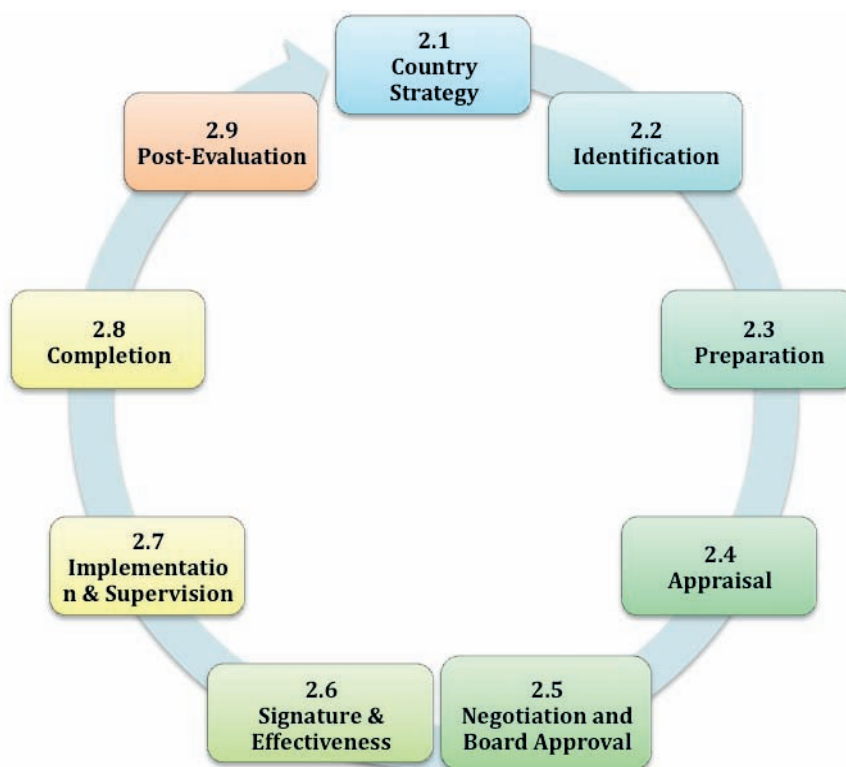
Chapter 2

The Project Cycle

2. The Project Cycle

Bank Group financed projects are developed and managed using a standard project cycle. The project cycle is a number of successive phases, from identification to post-evaluation, intended to achieve specific objectives consistent with the country's development plan and Bank strategy.

Figure 1 The Project Cycle



Key dates in the project cycle are described in Table 2.1.

2.1 Country Strategy Paper

The Bank works with each borrowing regional member country to define a development strategy and operational program in a country strategy paper (CSP).

In preparation for a CSP, the Bank conducts multidisciplinary economic analysis and studies in close consultation with the government, other country stakeholders and development partners. The CSP outlines the overall sectoral analysis likely to benefit from Bank financing, guides the Bank's interventions in the countries and is the major instrument of policy dialogue with countries.

2.2 Identification

Based on the CSP, the Bank, in consultation with RMCs, includes in its pipeline, projects deemed implementable and considered technically, socio-economically, financially, and environmentally justified.

2.3 Preparation

The Borrower is responsible for project preparation but may request technical or financial assistance from the Bank. During this stage, the RMC conducts studies and assessments that define the objectives, components, activities, outcomes and expected results of the project. The studies seek to confirm that technical, environmental, economic, financial, institutional and social objectives are achievable within the schedule, institutional responsibility and implementation plan of the project.

During preparation, the Bank determines the conditions required for the project to succeed and for the Bank to be satisfied the project will have positive economic, financial, social and environmental impacts.

2.4 Appraisal

The Bank is responsible for project appraisal. During this stage, the Bank assesses the technical, environmental, economic, financial⁵, and institutional and social studies conducted during preparation. Appraisal culminates in the preparation of a project appraisal report that informs the Bank's decision to provide financing and forms the basis of the legal documents.

2.5 Negotiation and Board Approval

During formal negotiations, the Bank and the Borrower agree on the contents of the project appraisal report, draft Legal Agreement (or agreements) and the disbursement letter. After negotiations, the Bank submits the financing proposal to its Board of Directors for approval.

2.6 Signature and Effectiveness

Once the Bank approves a loan, authorized representatives of the Borrower and the Bank sign the Legal Agreements. After the Borrower has furnished the Bank with satisfactory evidence that the standard and special conditions of effectiveness have been met, the Bank declares the Legal Agreements effective.

2.7 Implementation and Supervision

The Borrower is responsible for implementing the project and is required to periodically report on the progress of the project and submit annual audited financial statements. The Bank in turn, periodically, supervises the project to review progress and to ensure that disbursed funds are used for the purposes that they are intended with due regard for economy, efficiency and effectiveness.

2.8 Project Completion

The Borrower prepares and provides to the Bank a completion report presenting its own evaluation of the project, the benefits to be derived from it, the performance of various stakeholders, the extent to which project objectives were achieved, lessons learned and measures taken to ensure sustainability of project outputs.

The Bank prepares a Completion Report assessing the degree to which the project achieved its objectives; significant outcomes and impacts; prospects for the project's sustainability; the Bank and Borrowers performance; and identifies the lessons learned from implementation.

⁵ Includes an assessment of the borrower's institutional capacity and the adequacy of financial management systems.

2.9 Post-Evaluation

Following the preparation of the project completion reports by the Borrower and the Bank, the Bank conducts an evaluation to measure its outcome against the original objectives. Post-evaluation reviews the preparation, design, appraisal and implementation aspects of the project, the cost and benefits; and the results of the project in relation to its initial objectives. Post-evaluation also takes stock of lessons learned from the project to enhance the effectiveness of development aid and improve Bank practices and procedures.

Table 2.1 Significant Dates in the Project Cycle

Event	Definition
Approval Date	The Date on which the appropriate authority of the Bank approves the loan
Signature Date	The date on which the Borrower and the Bank sign the Legal Agreement. The date determines the start date for commitment fees, where applicable and the repayment schedule of the loan
Effective Date	The date on which the Bank determines that the Borrower has satisfied all conditions for effectiveness of the Legal Agreement
First Disbursement Date	The date on which the Bank determines that the Borrower has fulfilled all conditions precedent to the first disbursement.
Retroactive Financing Date	For projects where retroactive financing is permitted, the date earlier than the date of the Legal Agreement, as specified in the Legal Agreement for determining payments eligible for reimbursement.
Closing Date	The date specified in the Legal Agreement after which the Bank terminates the Borrowers' right to make withdrawals from the loan account. Borrowers may, prior to this date, provide appropriate justification and request an extension of the closing date at least six months before the closing date. Expenditures incurred after the closing date cannot be financed from the loan resources.
Disbursement Deadline Date	The Bank permits withdrawals for a limited period (not exceeding three months) after the closing date to cover payments made or payments due for goods, works and services provided on or before the closing date.
Repayment Date	The dates on which the Borrower makes debt service payments (charges and principal) to the Bank. The repayment dates are determined during negotiations, generally on a half-yearly basis and specified in the Legal Agreement.

Chapter 3

Disbursement Policies

3. Disbursement Policies

3.1 Articles of Agreements

The Articles of the Agreement establishing the Bank⁶ outlines three basic principles that guide disbursements to development projects.

- **Article 17(d):** “The proceeds of any loan, investment or other financing undertaken in the ordinary operations of the Bank shall be used only for procurement in member countries of goods and services produced in member countries, except in any case in which the Board of Directors determines to permit procurement in a non-member country or of goods and services produced in a non-member country in special circumstances making such procurement appropriate, as in the case of a non-member country in which a significant amount of financing has been provided to the Bank”

Effective 1st November 2008, the African Development Fund permits firms and individuals from all countries (i.e. member as well as non-members) to offer goods, works and services for ADF funded projects. In the case of projects or programs funded by the African Development Bank and the Nigeria Trust Fund, only firms or individuals from member countries may supply goods or services.

- **Article 17(g):** “In the case of a direct loan made by the Bank, the Borrower shall be permitted by the Bank to draw its funds only to meet expenditure in connection with the project as it is actually incurred”
- **Article 17(h):** “The Bank shall make arrangements to ensure that the proceeds of any loan made or guaranteed by it are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency”

3.2 General Conditions

The standard terms and conditions governing Bank Group loans and grants are contained in the Bank's **General Conditions applicable to Loan, Guarantee and Grant Agreements of the African Development Bank and the African Development Fund**. The General Conditions, which are an integral part of the Legal Agreement, cover, among other things, the following:

- repayment provisions, interest, and other charges
- currency provisions
- withdrawal of proceeds
- cancellation and suspension
- acceleration to maturity
- project implementation
- enforceability of agreement
- entry into force, operational conditions and termination
- other legal provisions

If any provision of a Legal Agreement is inconsistent with the provisions of the General Conditions, the provision of the Legal Agreement governs.

⁶ The same basic principles are contained in Article 15 of the Agreement establishing the African Development Fund.

3.3 Legal Agreements

The main legal document for a Bank Group financed project or programme is an agreement signed between the Borrower and the Bank, which sets out the specific terms and conditions of the loan. The Agreement is called "Loan Agreement" for loans, and "Protocol of Agreement" for grants.

When the Bank lends to a public entity other than the Member State, it also enters into "Guarantee Agreement" with the Member State or, in accordance with the applicable rules, another entity acceptable to the Bank, which will in this case be considered as the Guarantor.

The Legal Agreements set out the specific terms and conditions, including, among other things, the following:

- currency and amount to be financed
- specific activities for which expenditure can be incurred
- financial and repayment terms, if applicable
- financial reporting and audit requirements
- procurement provisions
- applicable disbursement conditions
- key dates in the project cycle

The Legal Agreement, may be amended either by notice to the Borrower or subject to agreement between the Bank and the Borrower. An amendment that significantly alters the conditions as originally approved may require approval by the Board of Directors.

3.4 Procurement of Goods, Works and Services

The procurement of goods and services financed by the Bank is governed by "*Rules and Procedures for Procurement of Goods and Works*" and "*Rules and Procedures for the Use of Consultants*". Project specific provisions for procurement are set out in the Legal Agreement and complement these rules and procedures. Compliance with these rules and procedures, a contractual obligation for the Borrower, contributes to proper project implementation and facilitates disbursements.

The responsibility for project implementation, as well as the award and administration of contracts rests with the Borrower. The Bank supervises contract award activities carried out by the Borrower in accordance with the provisions of the Legal Agreement and as detailed in the Procurement Plan.

3.5 Cancellations

The General Conditions and the Guidelines on Cancellation of African Development Bank Loans and African Development Fund Loans and Grants prescribe the conditions and procedures for cancellation. Prior to cancellation, the Bank ensures that there are no pending disbursement requests or commitments, and that contracts financed under the loan that are not entirely disbursed have been regularly terminated. The Bank will not cancel any amount in respect of which the Bank has entered into a special commitment to cover letters of credit, except as otherwise provided in such commitment.

Commitment charges, where applicable, continue to accrue beyond the closing date specified in the Loan Agreement, even if the said date has not been extended. Commitment charges cease to accrue only after the cancellation of the unused balance.

3.6 Suspension of Disbursements

The Bank may suspend disbursements if the Borrower fails to comply with conditions specified in the Legal Agreement or the General Conditions. Suspension may apply to one or more loans or to specific loan components. The suspension of disbursements takes effect from the date of the decision of suspension, and remains in effect until the date of cessation of the event(s) that led to the suspension, and notification of the Bank of the total or partial lifting of the suspension.

In the case of debt-service related defaults, the Bank suspends disbursements on all loans to, or guaranteed by the member country. The *“Policy on Loan Arrears Recovery”* specifies the different types of, and exemptions from, sanctions.

3.7 Disbursement Letter

The disbursement letter (see Annex 4) provides Borrowers and executing agencies with specific instructions on disbursements for the particular loan. A draft version is agreed to by the Bank and the Borrower at negotiations. After signing the loan agreement, the Bank sends a signed disbursement letter to the Borrower. In some projects, several agencies as well as the Borrower may be involved in project implementation and therefore may be entitled to send disbursement applications to the Bank. The Borrower is responsible for ensuring that all project entities receive a copy of the signed disbursement letter. The Bank, following consultations with the Borrower, may issue a revised disbursement letter to modify disbursement arrangements as may be required during project implementation.

Chapter 4

Disbursement of Loan Proceeds

4. Disbursement of Loan Proceeds

The Borrower is responsible for implementing projects and programs in accordance with all agreements. The Bank on its part monitors the project/program to ensure compliance with agreements and rules and procedures as described in this Handbook and other documents and guidelines.

4.1 Effectiveness

The Bank declares a Legal Agreement effective after the Borrower has fulfilled the effectiveness conditions specified in the Agreement and the General Conditions.

4.2 Conditions for first Disbursement and Other Conditions

In addition to the effectiveness conditions, the loan may be subject to conditions for first disbursement, and conditions for subsequent disbursements. The documents submitted, for fulfillment of conditions, must be originals or certified true copies, and be acceptable to the Bank. These conditions are also stated in the Legal Agreement.

4.3 Authorized Signatories for Disbursement Requests

Before disbursements may commence, the Borrower is required to designate officials authorized to sign withdrawal applications and provide originals of their specimen signatures to the Bank. The letter designating signatories (see Annex 5) should clearly state the number and/or combination of signatories required for withdrawals. Unless otherwise stated, designation will take effect from the date the Bank receives the letter designating authorized signatories.

The persons designated by the Authorized Representative of the Borrower shall sign the disbursement requests. Related documents, such as Statements of Expenditure activity programmes and budgets that accompany disbursement requests, must be countersigned by the project coordinator.

The Borrower may provide a blanket authorization, for an official or officials to sign applications for all loans in a country.

If authorized signatories change during the life of the project, the borrower must promptly notify the Bank and provide the names and specimen signatures of the newly designated officials.

4.4 Retroactive Financing

In general, expenses incurred prior to the date of signature of the Legal Agreement are not eligible for financing. However, based on a prior agreement between the Bank and the Borrower, a special clause in the Legal Agreement authorizing the financing of certain expenses incurred before the date of signature of the Legal Agreement may be included to facilitate project implementation. The clause shows the amount of retroactive financing, the category of expenses concerned, and the date from which the expenses are considered eligible.

4.5 Eligible Expenditures

The General Conditions define eligible expenditures as the reasonable cost of goods, works and services required for the project to be financed out of the proceeds of the loan and procured in accordance with the terms of the Legal Agreement.

Ineligible expenditures include the following:

- Items not included in the expenditure categories in the Legal Agreements.
- Items procured not in accordance with the Bank's procurement rules and procedures.
- Payments made before the signing of the Legal Agreements or, for projects with retroactive financing, before the date specified in the Legal Agreement
- Payments made for expenditures incurred after the closing date.
- Expenditures for which the Bank has not received satisfactory or appropriate evidence/justification.

4.6 Expenditure Categories

Expenditure categories are formulated based on the nature of expenditure that a project is expected to incur over the period of the loan. They provide a means to monitor and manage the expenditures for project activities and are specified in the project appraisal report, Legal Agreement and disbursement letter. Disbursements are made within the limit of the amounts allocated to each category. Changes to the list of goods and services must receive the prior approval of the Bank. If it is anticipated that one category might require more funding than originally allocated, the Borrower must obtain prior approval of the Bank before incurring further expenditure or submitting a withdrawal application under that Category.

4.7 Reallocating Proceeds

Loan proceeds may be used only for the purposes for which the loan was granted. Disbursements may not be made directly from the "unallocated" category of the loan agreement. The Bank, at the Borrower's request, may agree to reallocate unallocated funds or uncommitted funds from other categories to another allowable category for the purposes of the project.

4.8 Supporting Documentation

The Bank determines the types of supporting documentation taking into consideration the disbursement method used. Supporting documentation may include: (i) Statements of Expenditure summarizing eligible expenditures incurred during a stated period, (ii) records, which may include invoices, bank debit advice or bank statements, receipts, shipping documents such as bills of lading, cheques, encashed bills of exchange, letters of credit paid and prior Bank approval or 'no-objection'.

The type of supporting documentation required is agreed during negotiations and reflects the specific circumstances of the project and the disbursement methods to be used.

4.9 Disbursement Currency

For the ADB, the Bank disburses loan proceeds in the loan commitment currency. For UA denominated ADF loans, the Bank disburses loan proceeds in one of the following currencies: US Dollar, EURO, Japanese Yen, Pound Sterling and South African RAND at the Borrowers' choice. For the NTF all loan proceeds are disbursed in USD. Table 4.1 summarizes the commitment, disbursement and payment/contract currencies for the different sources of Bank financing.

Payments against contracts are made only in the currency/currencies of the contract.

Table 4.1 Summary of Financing Source and Respective Currencies

Financing Source	Commitment Currency	Disbursement Currencies	Payment/Contract Currencies
ADB Loan	USD, EUR, JPY, GBP and RAND	Same as commitment currency	No restrictions
ADB Grant	UAC	Bank's Choice	No restrictions
ADF Loan	UAC	USD, EURO, JPY and GBP	No restrictions
ADF Grant	UAC	Bank's Choice	No restrictions
NTF	UAC	USD	No restrictions
Africa Water Facility (AWF)	EUR	EUR	EUR
Congo Basin Forest Fund (CBFF)	EUR	EUR	EUR
Fund for African Private Sector Assistance (FAPA)	USD	USD	USD
Fragile States Facility (FSF)	UAC	USD and EUR	USD and EUR
Global Environmental Facility (GEF)	USD	USD	USD
Middle Income Countries Fund (MIC)	UAC	USD and EUR	USD and EUR
NEPAD_IPPF	USD	USD	USD
Rural Water Supply & Sanitation Initiative (RWSSI)	EUR	EUR	EUR

4.10 Exchange rates used for the transactions disbursed

In making payments, the Bank may purchase the requested currency using another currency. In such cases the Bank purchases the payment currency using the exchange rate quoted by the selling bank.

4.11 Submission of Withdrawal Applications

The Financial Control Department, also represented in the Bank's regional and country offices (see Annex 1), is solely responsible for receiving and processing disbursement requests.

The Bank must receive a signed original (photocopies, facsimiles or scanned documents are not accepted) disbursement application signed by the Borrower's duly authorized representative(s) in the prescribed form and must include such information as the Bank may request. Application forms are available from the Bank on request or online from the Bank's Website at <http://www.afdb.org>.

⁷ **Commitment Currency:** Is the currency in which the loan or grant is denominated.

⁸ **Disbursement Currency:** The currency the Bank uses to purchase the currency to be paid on the order of the borrower as requested in the disbursement application. Debt service is payable in the disbursement currency.

⁹ **Payment/Contract Currency:** The currency in which the cost of goods and services has been paid or is payable.

The Bank makes every effort to verify and validate any unclear information in disbursement requests. If the Bank is unable to resolve issues within a reasonable period, it may approve the application for a lesser amount or return the entire application to the Borrower unpaid.

Numbering of Disbursement Applications

For ease in the identification, signed withdrawal application should be numbered chronologically with a maximum of 4 digits (e.g. 0001, 0002, etc), regardless of the disbursement method used. (When a project has more than one implementing agency, the project coordinator should assign a 3-character alpha identification for each agency e.g. 0001ABC to 9999ABC; 0001XYZ to 9999XYZ, etc.). When a project includes a loan and a grant, each should follow separate chronological numbering of applications.

Where justification of special account advances are submitted without a request for replenishment, the submissions should be numbered chronologically with a maximum of 4 digits followed by JUS.

Payment and Notification Process

Upon approval of the disbursement request, the Bank gives instructions to its depository banks to pay the funds requested to the beneficiary's account. These instructions are normally given by SWIFT. At the end of each month, the Bank sends a statement of confirmed disbursements to the Borrower. Confirmations can also be provided on request.

4.12 Refunds

The Bank may require the Borrower to refund disbursed amounts for any of the following reasons:

- advances to the Special Account that have not been justified within a reasonable time;
- unutilized funds in the Special Account that are no longer needed for project implementation;
- amounts that have been disbursed due to borrower error that should not have been disbursed;
- amounts that have been disbursed due to Bank error that should not have been disbursed;
- expenses deemed non-eligible for financing under the loan or grant; and
- declaration of misprocurement when payments have already been made against the misprocured contract.

The refund shall be paid into an account specified by the Bank. The Bank reserves the right to cancel the amount refunded or to credit the loan account for future eligible expenditures.

4.13 Contracts

Disbursements are made against contracts concluded between the Borrower and service providers only after review, approval and notification of "no objection" by the Bank in accordance with Bank procurement rules; and receipt of a signed copy of the contract. In principle, payment is made in the currency in which the cost of goods and services has been paid or is payable.

On receipt of the withdrawal application, which contains the instructions of the Borrower, the Bank makes payments to the beneficiary within the limit of the amounts approved. If the contract is expressed in several

currencies, a separate disbursement request is required for each currency of payment, and, where relevant, the exchange rate used for payment should be indicated.

Withdrawals against a contract, using one method of disbursement, must continue to use the same method for all subsequent claims under that contract, unless otherwise approved by the Bank.

Where required under the contract Advance payment guarantees and performance bonds must be denominated in the currency of the advance payment and worded in accordance with the contract signed between the project and the service provider. The Borrower shall monitor the validity of advance payment guarantees performance bonds and ensure amendment/extension as necessary.

Payments of **retention money**¹⁰ under contracts are made at the end of warranty/defects liability period or commissioning, or against an acceptance certificate issued by the project. Alternatively, and/or when payment of retention money is due more than 3 months past the closing date, retention money may be disbursed against an unconditional guarantee provided by the contractor or supplier to the executing agency.

All Guarantees must be issued by a bank or financial institution licensed to do so in the country of the Guarantee issuer. Where a guarantee is issued by a non-bank financial institution, such guarantee must be accompanied with appropriate documentation confirming that the financial institution is licensed to issue such guarantees.

Within the framework of the implementation of a contract, cost overruns may occur due either to price escalation or physical contingencies. These may require a contract addendum. All contract addenda are subject to the same approval process as the original contract.

4.14 Bank References

Beneficiary's Bank: Account holder name, name and full address of the beneficiary's bank, beneficiary's account number, IBAN code (if applicable) and the SWIFT code of the beneficiary bank must be indicated in the request.

Correspondent Bank of the Beneficiary Bank: Where a settlement for a beneficiary is payable in a country in which the currency of the disbursement request is not legal tender, the name of the correspondent bank of the beneficiary bank, its full address, SWIFT code, and account number should be indicated in the disbursement request.

4.15 Disbursements as closing date approaches

The loan closing date is determined on the basis of the project completion date. All eligible expenditures must have been incurred by the closing date. The Borrower is normally granted an additional three months after the closing date to complete submission of applications and supporting documentation for those expenditures incurred on or before the closing date. If it is anticipated that the project will not be completed by the closing date, a formal request for extension should be submitted to the Bank at least 6 months before the closing date.

¹⁰ Retention Monies: Funds withheld from a supplier by the Borrower pending successful completion of the contract warranty period or until another specified date.

4.16 Final Audit Fees

The Bank will permit withdrawal for the payment of the auditor's fees for the final audit of the project if the Borrower has signed a lump sum or fixed price contract for the final audit before the closing date, and the final audit is completed and submitted to the Bank within six months of the end of the fiscal year.

Final payments to the auditor are subject to the Bank's approval of a final audit report.

To expedite the processing of disbursement requests, Borrowers should:

1. Ensure that effectiveness and first disbursement conditions have been fulfilled;
2. Complete forms as per the instructions provided for form completion;
3. Ensure that the disbursement requests are signed by the authorized signatories;
4. Ensure that the names and designations of the signatories is legible on the request;
5. Indicate the appropriate Loan or Grant number that is being used to finance the amounts being requested;
6. Indicate the chargeable ADB contract numbers in the SOE Sheet;
7. Send original requests to the Director of Financial Control Department, or to the Resident Representative of the country office indicated in the Disbursement Letter;
8. Send a copy of the relevant contract and any amendments;
9. Ensure that the wording, currency, amount and validity period of advance payment guarantees and performance bonds are as stated in the related contract;
10. Submit applications denominated in a single currency;
11. Attach applicable supporting documents in English or French. If these are in local language English or French translations should be submitted;
12. Ensure that the invoice or billing statement contains complete payment instruction (i.e. bank name, branch, bank address, account number (IBAN for payments in the Euro zone) and payee's bank SWIFT/BIC code);
13. Ensure correspondent bank is indicated if Payee's bank is not located in the country of currency for payment;
14. Ensure that the information contained in the request is consistent with the supporting documents;
15. Ensure availability of resources under the relevant expenditure category;
16. Ensure that any changes to expenditure categories and list of goods and services have been approved by the Bank;
17. Ensure that required audit reports have been sent to and approved by the Bank.
18. Indicate contact details of the person handling the project (i.e. telephone and fax number and email address)

Chapter 5

Disbursement Methods

5. Disbursement Methods

5.1 Introduction

The Bank disburses funds using one or more of four methods. The methods, decided on during negotiations, are based on project characteristics, the categories of expenditures to be financed, and the capacity of the executing agency to manage project resources. A combination of methods and/or their revision, during implementation is possible with prior approval of the Bank.

For all disbursement methods, the Bank disburses funds in accordance with authorized instructions received from the Borrower.

Table 5.1 Disbursement Method Descriptions

Nature of Expenditure	Recommended Disbursement Method	Description
Local currency cost, Small purchases, Small civil works.	Reimbursement	For eligible expenses already incurred and paid for by the Borrower of project from its own resources
Small and numerous expenditures; Training expenses; Operating expenses and small works and goods	Special Account	The Bank makes an advance disbursement from the loan account to a special account to be used exclusively for the Bank's share of eligible expenses
Works progress payments; Consultant's progress claims; Purchasing goods/equipment	Direct payment	The Bank, at the Borrowers request, pays a designated beneficiary directly.
Financing import of goods	Reimbursement Guarantee	The Bank provides an irrevocable undertaking to reimburse a commercial bank for payments made or to be made to a beneficiary against a letter of credit. Referred to as "special commitment" in the general conditions

5.2 Reimbursement of Payments Made By the Borrower

Under this method, the Bank reimburses the Borrower or the project entity for all types of eligible expenses that have been incurred and pre-financed by the Borrower or the project from its own resources.

Where full documentation is not practical, the Bank may accept simplified documentation in the form of a Statements of Expenditure signed by the authorized persons and the project manager. For the Bank to accept disbursement requests against Statements of Expenditure, the Borrower/PIU must have demonstrated (i) sufficient administrative and accounting capability to prepare and maintain Statements of Expenditure records; (ii) existence of adequate internal controls; and (iii) proper arrangements for regular and independent audits of statements of expenditure transactions.

In the Statements of Expenditure, the Borrower certifies that expenditures have been incurred and paid for in accordance with the terms and conditions of the legal agreement and that the records are maintained and available for examination by the Bank and/or independent auditors.

Table 5.2 summarizes procedures and documentation requirements for the Reimbursement method of disbursement.

Table 5.2 Reimbursement Method –Documentation Requirements

Procedure for Borrower	Documentation Requirements for Borrower
<div>1. Completes and signs withdrawal application Form A1</div> <div>2. Completes and signs the Statement of Expenditures (SOE) Form A2 (see Annex 7):</div> <div>3. Attaches supporting documents, as agreed to with the Bank</div> <div>For Subloan (Lines of Credit) Approval and Withdrawal</div> <div>4. Completes and signs withdrawal application Form A1</div> <div>5. Completes and signs the appropriate Statement of Expenditures (SOE) Form A2</div> <div>6. Attaches supporting documents, as agreed to with the Bank</div>	<div>Form A1 (separate application for each currency) (see Annex 6)</div> <div>Form A2 (see Annex7)</div> <div>Supporting Documentation</div> <div>Mandatory:</div> <div>Evidence of payment showing the amount paid, the date of payment and the payee;</div> <div>A bank attestation stating the exchange rate applied for the operation, if the currency of payment is different from the currency requested</div> <div>Other (As agreed with the Bank and as prescribed in the contract):</div> <div><ul style="list-style-type: none">• Copy of contract(with the first request for payment)• Confirmed Purchase Order• Copy of Advance payment bank guarantee• Copy of Retention Money bank guarantee• Copy of Invoice/Bill/Claim• Copy of interim payment certificate• Copy of Bill of Lading• Copy of Delivery Receipt• Acceptance Certificate• Copy of Completion Certificate• Copy of fulfillment of Defects Liability Period• Letter from the Project stating acceptance of report/study</div> <div>The Bank reserves the right to request any additional documents as and when required.</div>

5.3 Payment under a Reimbursement Guarantee (RG)

Under this method, The Bank, at the Borrower's request, irrevocably agrees to reimburse the nominated confirming bank for payments made to a supplier against a Letter of Credit (LC). Once the Bank has issued a RG, all claims received on or before the expiry date of the RG are honoured by the Bank. The RG expires three months after the LC expiry date unless the loan closing date is before that expiry date. The Bank will not issue or extend RGs if the shipment or LC expiry date fall beyond the loan closing date. RGs are generally not issued in the borrower's local currency, as they are meant to facilitate the importation of foreign goods.

Limitation of the Reimbursement Guarantee

The Bank's policy is to retain sufficient funds in the loan account to fully cover all outstanding RGs. The Bank routinely reviews the limitation clauses of its RGs and increases the limits where conditions warrant if uncommitted loan funds are available. Borrowers who request RGs agree in the application form that if, because of this limitation clause, the Bank cannot disburse the full amount needed to make payments against the LC covered by the RG; any uncommitted portion of the loan may be disbursed to cover the deficiency. If the uncommitted portion of the loan is insufficient to cover the deficiency, the Borrower must arrange to make payment to the bank holding the RG promptly after receiving the Bank's notice.

Charges, Fees and Interest

The Borrower will make all necessary arrangements regarding charges and fees in respect of LC's guaranteed by the Bank.

Issuance of the Reimbursement Guarantee

The Bank issues the RG in the currency of the LC to the confirming bank specified in the LC. For every request accepted, the Bank sends an original of the RG to the confirming bank by mail and by authenticated SWIFT (MT 799). A copy of the RG is sent to the Borrower and/or executing agency for information.

Accepting the Reimbursement Guarantee

The confirming bank's first request for payment under the RG constitutes its acceptance of the terms and conditions of the RG issued by the Bank.

Request for Reimbursement by Confirming Banks

Immediately after making payment under a LC, the confirming bank shall request reimbursement from the Bank by authenticated SWIFT (MT 742 or MT 799).

Payment to Confirming Bank

Upon receipt of the payment request, the Bank will make payment by SWIFT in the currency of the LC to the confirming bank.

Amendment of the Letter of Credit

It may become necessary to amend the terms and conditions of the LC covered by the Bank's guarantee. In such a case, the Borrower is required to inform the Bank of all amendments to the LC. The Bank's prior agreement is required for any amendments relating to:

- The value of the letter of credit;
- The description and quantity of the goods supplied; and
- The beneficiary

The Bank shall confirm its approval of the amendments to the confirming bank by SWIFT.

Table 5.3 summarizes procedures and documentation requirements for the Reimbursement Guarantee disbursement method.

Table 5.3 Reimbursement Guarantee Method –Documentation Requirements

Procedure for Borrower	Procedure for Bank	Procedure for Confirming Bank	Documentation Requirements
A. APPLICATION FOR THE ISSUANCE OF A REIMBURSEMENT GUARANTEE			
1. Completes and signs request for a Reimbursement Guarantee (RG) Form B1; 2. Attaches the supporting documents to each request for a RG.	3. Receives the completed Form B1 and the related supporting documents		Form B1 (see Annex 9) <i>Supporting Documentation</i> <ul style="list-style-type: none">• Copy of the LC with a valid expiry date, which the issuing bank (opening bank) has issued to the supplier;• Copy of the contract
B. ISSUANCE AND ACCEPTANCE OF THE REIMBURSEMENT GUARANTEE			
	1. Issues a RG (B2) (see Annex 10) to the confirming bank.	2. Accepts the issued RG	
C. AMENDING THE REIMBURSEMENT GUARANTEE DUE TO AN AMENDMENT TO THE LETTER OF CREDIT			
1. Receives the LC amendment from the Issuing Bank 2. Completes a request for approval of amendment to the LC 3. Attaches supporting documents	4. Informs the Borrower and confirming bank by SWIFT.		<ul style="list-style-type: none">• Request for amendment (see Annex 11)• Copy of the
D. CONFIRMING BANK'S SUBMISSION OF CLAIMS AGAINST THE REIMBURSEMENT GUARANTEE			
	2. Bank pays the confirming bank	1. Submits a request for payment of claim, to the Bank, in a MT742 or MT 799 format.	<ul style="list-style-type: none">• MT 742 or MT 799.

5.4 Revolving Fund or Special Account

Introduction

The Revolving Fund or Special Account method provides for advance payments for use by the Borrower to finance the Banks share of eligible expenses. The main objective of the Special Account is to help the Borrower or executing agency to meet its local currency or foreign exchange requirements, and provide resources on a revolving basis as well as flexibility in the implementation of some components of the project.

Projects operating special accounts are expected to have: (i) effective administrative, financial and accounting procedures and systems by the Borrower, (ii) satisfactory internal control systems, and (iii) a commitment to undertake regular and independent audit of the Special Account.

Choice of Bank and Opening of a Special Account

In general, Special Accounts are held in commercial banks, but in certain circumstances may be held in a central bank. The bank holding the Special Account must be financially sound and capable of:

- executing foreign exchange and local currency transactions;
- performing a wide-range of banking services
- executing a large number of transactions promptly;
- providing monthly bank statements to the account holder

Currency of Special Account

The Special Account will be held in a currency appropriate for the expenditures that the Borrower/Project expects to incur. Any exchange risk will be borne by the Borrower.

Use of Sub-Accounts

In light of the specific needs of decentralized projects, it may be necessary to open several accounts to allow for flexible project implementation. It shall be subject to assurances given to the Bank that adequate mechanisms will be established for the control and monitoring of decentralized accounts and that a reconciliation statement with the main Special Account into which the Bank's disbursement is paid will be submitted.

Nature of Expenditure to be financed by the Special Account

The Special Account must be used exclusively for the Bank's share of financing project expenditures and are generally meant to finance recurrent project expenditure.

If the Bank determines that any payment out of the Special Account is not justified or was made for ineligible expenditures, the Bank will require the Borrower to provide additional evidence of the expenditure and/or refund the amount into the Special Account or to the Bank.

Account Management

The management of the Special Account shall comply with the following requirements:

- The account shall be used only for the loan, and shall not receive any counterpart funds or other resources. Any waiver of this rule should be decided during the negotiations and included in the Loan Agreement;
- The Special Account may neither be used as collateral nor incur overdrafts;
- The Special Account may be an interest-bearing account and the Borrower may use the interest earned, in accordance with the procedures in force in its country, to cover the account management charges. However, funds must not be transferred from the Special Account for investment purposes.
- The Borrower is accountable for all funds advanced to the Special Account including amounts that may have been transferred to sub- accounts.

Work Programme and Estimated Budget of Activities

In support of the request for initial advance or replenishment of the funds of the Special Account, the Borrower is required to submit a work programme for one year, as well as an estimated budget of the project's activities for a period of up to six months, or as agreed during negotiations and specified in the disbursement letter. The estimated budget and annual programme of activities shall be subject to prior approval by the Bank.

Replenishment of the Special Account

The funds of the Special Account may be maintained on a replenishable basis over the disbursement life of a loan or grant. If the project requires more than two replenishments between annual audits, an interim audit of the Special Account, related Statements of Expenditure, and an audit opinion may be required.

The last replenishment shall take place no later than 6 months before the deadline for the closing on the condition that the immediately preceding advance has been utilized and justified up to at least 50 percent and that the other older advances have been fully justified.

Justification for Utilization of the Advance

Justification for expenditure under the Special Account in the form of Statements of Expenditure and supporting documents as required may be submitted as often as possible, but at least semi-annually, unless otherwise agreed. Such justifications need not be accompanied with a request for replenishment. The requirements for supporting documentation shall be specified and agreed upon during negotiations or during project implementation.

The Borrower shall ensure that all the funds advanced are justified within 3 months of the closing date.

Supporting Documents

Based on the nature of project expenditures to be incurred and/or on the financial management assessment of the Borrower, the Borrower may be exempt from sending certain supporting documents to the Bank. The Bank reserves the right to request submission of supporting documents and/or conduct checks of expenditures covered by the Special Account.

Suspending Replenishment

The Bank may suspend the replenishment of the Special Account if:

- The Bank suspends the loan;
- Audited financial statements are not received within six months of the financial year end;
- Audit reports or Bank missions indicate significant irregularities in the operation of the Special Account or significant internal control weaknesses.

During suspension, no additional funds will be advanced to the Special Account. However, available funds in the Special Account may continue to be used to meet eligible expenditures.

Final Liquidation of Special Account Advances and Balance

The Borrower must, within 3 months of the closing date, refund to the Bank, in the currency of the Special Account, any unused/unjustified balance. Non-compliance with this request may lead to the suspension of the use of the Special Account method on any new projects granted in the country.

Table 5.4 summarizes procedures and documentation requirements for the Special Account disbursement method.

Table 5.4 Special Account Method - Documentation Requirements

Procedure for Borrower	Documentation Requirements for Borrower
A. ADB's INITIAL ADVANCE TO THE SPECIAL ACCOUNT	
1. Completes and signs withdrawal application for funds (Form A1) 2. Completes an estimate of expenditure sheet (Form A3)	Form A1 (see Annex 6) Form A3 (see Annex 8)
B. LIQUIDATION OR REPLENISHMENT OF THE SPECIAL ACCOUNT	
1. Completes and signs withdrawal application for funds (Form A1) 2. Completes and signs the Statement of Expenditures (SOE) Form A2 3. Prepares the necessary Special Account reconciliation statement and attaches the bank statement(s) 4. Attaches supporting documents, as agreed to with the Bank 5. Refunds the disallowed amount to the Special account	Form A1 (see Annex 6) Form A2 (see Annex 7) Form A3 (see Annex 8) Supporting Documentation Mandatory: Reconciliation Statement (see Annex 12) Bank Statements for the Special Account Bank Statements for sub-accounts Other (As agreed with the Bank and as prescribed in the contract): <ul style="list-style-type: none">• Copy of contract(with the first request for payment)• Confirmed Purchase Order• Copy of Advance payment bank guarantee• Copy of Retention Money bank guarantee• Copy of Invoice/Bill/Claim• Copy of interim payment certificate• Copy of Bill of Lading• Copy of Delivery Receipt• Acceptance Certificate• Copy of Completion Certificate• Copy of fulfillment of Defects Liability Period• Letter from the Project stating acceptance of report/study <i>The Bank reserves the right to request any additional documents as and when required.</i>

Table 5.4 Special Account Method - Documentation Requirements (Continued)

Procedure for Borrower	Documentation Requirements for Borrower
C. FINAL LIQUIDATION OR RECOVERY OF ADVANCES	
1. Completes and signs withdrawal application for funds (Form A1) 2. Completes and signs the appropriate Statement of Expenditures (SOE) Form A2: 3. Prepares the necessary Special Account reconciliation statement and attaches the bank statement(s) 4. Attaches supporting documents, as agreed to with the Bank 5. Refunds promptly to the loan account any amount that remains outstanding in the Special Account after the loan closing date, as specified in the Loan Agreement.	Form A1 (see Annex 6) Form A2 (see Annex 7) Supporting Documentation <i>Mandatory:</i> Reconciliation Statement (see Annex 12) Bank Statements for the Special Account Bank Statements for sub-accounts Annual Work Programme Other (As agreed with the Bank and as prescribed in the contract): <ul style="list-style-type: none">• Copy of contract(with the first request for payment)• Confirmed Purchase Order• Copy of Advance payment bank guarantee• Copy of Retention Money bank guarantee• Copy of Invoice/Bill/Claim• Copy of interim payment certificate• Copy of Bill of Lading• Copy of Delivery Receipt• Acceptance Certificate• Copy of Completion Certificate• Copy of fulfillment of Defects Liability Period• Letter from the Project stating acceptance of report/study The Bank reserves the right to request any additional documents as and when required.

5.5 Direct Payment

Introduction

Direct payment consists of making a disbursement, at the request of the Borrower, to one of the following beneficiaries:

- a supplier for goods supplied or to be supplied;
- a contractor or consultant for work or services done or to be done;
- a sub-contractor working under a contract for which the Bank has provided its no-objection.

Direct payments are subject to the terms and conditions as contained in the related contract between the supplier/contractor/consultant and the project.

Table 5.5 summarizes procedures and documentation requirements for the Direct Payment disbursement method.

5.6 Disbursing Budget Support/Policy Based Loans

Budget support/policy based loans are quick disbursing financing to support policy and institutional reforms. The Bank disburses budget support/policy based loans in one or more tranches with each tranche disbursed against satisfactory fulfilment of and compliance with pre-agreed conditions.

Only a Form A1 is required for the disbursement of budget support/policy based loans.

Table 5.5 Direct Payment Method - Documentation Requirements

Procedure for Borrower	Documentation Requirements for Borrower
<div>1. Completes and signs withdrawal application Form A1 using a separate application form for each currency.</div> <div>2. Completes and signs the Statement of Expenditures (SOE) Form A2:</div> <div>3. Attaches supporting documents</div>	<div>Form A1 (see Annex 6)</div> <div>Form A2 (see Annex 7)</div> <div>Supporting Documentation</div> <div>Mandatory:</div> <div><ul style="list-style-type: none">• Copy of contract (with the first request for payment)• Confirmed Purchase Order• Copy of Advance payment bank guarantee• Copy of Retention Money bank guarantee• Original Invoice/Bill/Claim• Original interim payment certificate• Copy of Bill of Lading• Original or Certified copy of Delivery Receipt• Original or Certified copy of Acceptance Certificate• Original or Certified copy of Completion Certificate• Original or Certified copy of certification of fulfillment of Defects Liability Period• Letter from the Project stating acceptance of report/study</div> <div>The Bank reserves the right to request any additional documents as and when required.</div>

Financial Management

Chapter 6

6. Financial Management

6.1 Financial Management Capacity

The Bank assesses and monitors the adequacy of the borrower's financial management which includes (i) budgeting; (ii) internal control; (iii) accounting (iv) funds flow; (v) financial reporting; and (vi) external audit in order to ensure the effective and efficient use of project resources. Where the Bank finds the arrangements satisfactory, the Bank relies on such arrangements to provide assurance that loan proceeds are used for the purposes intended. In cases where the Bank has identified weaknesses, it requires the borrower to undertake appropriate measures to mitigate the risks posed by the weaknesses and may re-design or modify disbursement and procurement arrangements to help mitigate identified weaknesses.

6.2 Accounting Management

Legal Agreements require the Borrower to - (i) maintain accounts and books, as well as prepare financial statements for projects and programmes financed from Bank resources and (ii) implement accounting, administrative and financial procedures documents in manuals. These accounts and records should provide justification for the use of funds disbursed to the project, and prepared in accordance with applicable accounting standards.

6.3 Accounting Standards and Practices

Although accounting standards and practices may differ from country to country, the accounts of the project shall, irrespective of the system adopted, comply with the principles of transparent management and provide exhaustive information on the following:

- Accountability of funds provided to the project ; such funds may comprise proceeds from the Bank's loan or grant, or other resources from co-financiers and counterpart funds;
- Disclosure of expenditure and specific information on components financed by the Bank.

6.4 Assessment of the Accounting System

During project preparation/appraisal, the Bank shall ensure that the Borrower establishes an appropriate accounting system, and that the structure responsible for the project has adequate financial and accounting management capacity. The Bank would also require the existence of a comprehensive Accounting Procedures Manual and a sound internal control mechanism.

6.5 Project Financial Statements

The project financial statements prepared by project management shall include:

All Projects

- Statement of Receipts (funds received from the Bank, counterpart funding and where applicable, co-financiers' funding) and Expenditures (expenditures incurred for both the current year and accumulated to-date) showing separately Bank's funding, those of counterparty and co-financiers if applicable and cash balances;
- Statement of Special Account/s;

- Notes to the Financial Statements describing the applicable accounting principles used and a detailed analysis of the main accounts.

Revenue-Earning Projects (in addition to the requirements stated above)

- Balance Sheet showing accumulated funds of the project, bank balances and other assets and liabilities of the project as at the close of each fiscal year;
- Income Statement (or Operating, or Income and Expenditure, or Profit and Loss); and
- Cash Flow Statement disclosing cash flows during each fiscal year.

Annex to the financial statements

The following should be included as an annex to the financial statements of all projects:

- A reconciliation between the amount shown as “received from the Bank” and that shown as having been disbursed by the Bank. The reconciliation should indicate the methods used for disbursement, i.e. Special Account, direct payment or reimbursement guarantee, reimbursement methods with those recommended in the appraisal report and the disbursement letter; and
- A comprehensive list of all fixed assets purchased with given dates, value and condition of the assets.

6.6 Financial Reporting

The Borrower is required to regularly and exhaustively communicate accounting and financial information on the project. The information should detail out the various uses of the loan funds. Financial systems and financial communication reports may vary according to the nature of the project, the lending instrument and the country. The Bank may not require a standard format, but will ensure that the reports submitted for verification and consideration are adequately informed.

6.7 Keeping and Filing of Documents

The Borrower is required to keep up-to-date and preserve project documents and supporting documents, and to make them available to the Bank’s representatives as needed.

6.8 Retention of Documentation

The General Conditions require that the borrower retain all documentation related to the loan to enable external auditors or the Bank’s representative to examine the same. The documents should be retained in a manner where they are readily accessible.

Examples of original records to be maintained include:

- | | |
|--|--|
| <ul style="list-style-type: none"> • Procurement documents (bid documents, invitations to bid, evaluation reports) • Contracts • Invoices (consultants, contractors and suppliers) • Certificates of origin • Shipping or import documents • Inspection certificates | <ul style="list-style-type: none"> • Evidence of receipt of goods or services • Certificates of completion • Performance security documents • Advance payment guarantees • Recurrent costs records • Progress reports • Aide-memoirs • Bank statements • Accounting records |
|--|--|

6.9 Disbursement Reports

The Bank shall make disbursement reports and any other information available to Borrowers to help keep them informed of the status of loans. The reports and information will enable them to reconcile the project accounts, and make any required corrections. The reports available from the Bank include:

Report Name	Description
Statement of Confirmed Disbursement	Details of disbursement applications paid between two specified dates
List of Contracts/Sub Projects	Lists contracts approved by the Bank for financing from loan/grant resources
Contract ledger	Disbursements/commitments against a contract and remaining balance
Category Ledger	Shows disbursements against each expenditure category and remaining balance
Summary Ledger	Shows details of disbursements against the loan/grant and remaining balance
Revolving Fund Report	Shows advances made to the special account and justification submitted and approved by the Bank

6.10 Audit

The General Conditions applicable to loan and grant agreements require that project accounts are audited each year in accordance with the relevant generally accepted standards. The auditor, in accordance with the standard Terms of Reference for external audits of the Bank Group financed projects, is required, among other things, to examine pertinent documents, review internal financial control mechanisms to identify deficiencies and weaknesses that could affect the efficiency of the project, form an opinion on the quality of the financial statements and confirm that the funds granted to the project have been used for their intended purpose.

The Borrower must have the accounts of the project or programme audited by qualified and independent accountants that meet the Bank's requirements. In some countries, where auditing is entrusted to the Auditor General's Office under the supervisory authority of the State, the Bank may approve the designation of this Office provided that the matter is discussed at project appraisal and during the loan negotiations and the audit conducted in accordance with the Banks standard terms of reference for the audit for Bank financed projects/programs. The audited financial statements, the auditor's report and management letter must be received by the Bank no later than six months after the end of the financial year to which they relate. Non-compliance with this requirement will result in the immediate suspension of further replenishments to the Special Account.

The Special Account, as well as the entire project activities (including project counterpart funding) must be audited at the end of each financial year. Provisions shall be included in the terms of reference of the auditor to review documents relating to the use of the Special Account to ensure that: i) the requests for replenishment of the revolving fund (SOE's) submitted are consistent with relevant information; ii) the internal controls and procedures used for their preparation are reliable enough to justify the requests for replenishment; and iii) the goods and services financed from the Special Account have been received by the project.

The Bank may, in certain cases, and depending on the nature of the beneficiary institution and the instrument used, request an audit of the institution as a whole, with separation of the project accounts or a separate audit.

If the Borrower fails to provide acceptable audited financial statements in accordance with the Legal Agreement, the Bank will discontinue the use of statements of expenditure as supporting documentation for disbursements and withhold additional advances to the Special Account until such a time as the Borrower provides acceptable audited financial statements. The Bank may also suspend all disbursements.

If the audited financial statements reveal deficiencies in internal controls, including inadequate evidence that funds have been used for eligible expenditures, the Bank may suspend disbursements until it is satisfied that the borrower and executing agency have taken adequate remedial action.

Annexes

Annexes

Annex 1: List of ADB Country Offices

Algeria field office Bureau National de l'Algérie (DZFO) Commune Hydra Paradou 3, rue Hamdani Lahcene, Daira Birmouradrais Alger, Algérie	Ethiopia field office Ethiopia Country Office (ETFO) 7th and 8th Floor, Get-House Building, Kirkos Sub-City, Kabele 20/21, House N° 056 Addis Ababa, Ethiopia Tel: +251 115 546 336 Fax: +251 115 546 335	Mali field office Bureau National de Bamako (MLFO) 3e & 4e étages, Immeuble Investim Bâtiment B, Quartier du Fleuve BP 2950 Bamako, Mali Tel: (223) 222 28 85 ou 222 28 72 Fax: (223) 222 29 13	Sierra Leone field office Sierra Leone Country Office (SLFO) 5th & 6th floor, Bishop Building 13 Lamina Sarkoh Street, PMP335 Freetown, Sierra Leone Tel: +232 76541328
Burkina Faso field office Bureau National du Burkina Faso (BFFO) Immeuble Administratif et Technique de l'ARTEL 5eme Etage Ouagadougou, Burkina Faso Tel: +226 50375750/51/5 Fax: +226 50375749	Gabon field office Bureau Régional du Gabon (GAFO) Immeuble Saint Georges, Quartier Kaikak B.P. 4075 Libreville, Gabon Tel: +241 76 85 76/+241 76 85 79 Fax: +241 76 85 77	Morocco field office Bureau National du Maroc (MAFO) Immeuble "Espaces les Lauriers", 1er Etage Avenues Annakhil/Mehdi Ben Barka/Hay Riad BP 592 Rabat Chellah Rabat, Maroc Tel: (212) 537565937 / 537713826-7 Fax: (212) 537565935	Sudan field office Sudan Country office (SDFO) Higleig Petroleum Tower, 7th Floor Plot 499 Square 65, East-Second Khartoum, Sudan Tel: 249 922 735 071
Cameroon field office Bureau National du Cameroun (CMFO) Immeuble No 1067 bis Rue 1750 Nouvelle Route Bastos, Yaoundé, Cameroun Tel: +237 22 20 27 61 Fax: +237 22 20 27 64	Ghana field office Ghana Country Office (GHFO) Heritage Tower, 7th Floor Accra, Ghana Tel: (233) 21 66 28 40, (233) 21 66 28 18 Fax: (233) 21 66 28 55	Mozambique field office Mozambique Regional Office (MZFO) 3rd floor, JAT 4 Building, Zedequias Maganhela, 267 Maputo, Mozambique Tel: (258) 21326409 Fax: (258) 21315600	Tanzania field office Tanzania Country Office (TZFO) 5th Floor International House, Garden Avenue P.O. Box 6024 Dar Es Salaam, Tanzania Tel: (+255) 22 2125281/2/6 Fax: (+225) 22 2125283
Chad field office Bureau National du Tchad (TDFO) Immeuble BCC, 2eme etage Avenue Charles de Gaulle BP 193, N'Djamena, Tchad Tel: (235) 52 46 79/ 52 45 5 Fax: (235) 52 49 96	Kenya field office Kenya Country Office (KEFO) 12th FLOOR, LANDMARK PLAZA Argwings Kodhek Road, Upper Hill Nairobi, Kenya Tel: +254 20 2712925/6/8 Fax: +254 20 2712938	Nigeria field office Nigeria Country Office (NGFO) Plot 813 Lake Chad Crescent, Mai-tama District Tel: +234 9 4133261/ 4133262 Fax: +234 9 413 3260 / +1 321 956 3851	Uganda Field Office Uganda Country Office (UGFO) 14th Floor, Crested Towers Building Hannington Road P.O. Box 28509 Kampala – Uganda Tel: (+256-414) 236 166/7 Fax: (+256-414) 234 011
DRC field office Bureau Régional de la R. D. Congo (CDFO) Immeuble de la BCDC (Banque de Commerce du Congo) Boulevard du 30 Juin - Kinshasa NRC Kinshasa 340/ Kinshasa I République Démocratique du Congo Tel: +243 815 560 291 Fax: +243 815 560 294	Madagascar field office Bureau National de Madagascar (MGFO) 9eme étage, Immeuble Fitaratra, Anko-rondrano. Rue Ravaninahitrinarivo, BP 1718 Analakely Antananarivo 101, Madagascar Tel: (261) 2022 643 61, 202264189 Fax: (261) 2022 642 32	Rwanda field office Bureau National du Rwanda (RWFO) Immeuble BCDI 8 Avenue de la Paix BP 7329 Kigali, Rwanda Tel: (+250) 50 42 97/50 Fax: (+250) 50 42 98	Zambia field office Zambia Country Office (ZMFO) Pyramid Plaza 746B Church Road Cathedral Hill P O Box 51449 Ridgeway, Lusaka, Zambia Tel: (260) 21 1257868/869/874 Fax: (260) 21 1257872
Egypt field office Egypt Country Office (EGFO) 72B Al Maahad Al Eshteraky St. Heliopolis Cairo / Egypt Tel: (202) 22563790 - 22563791 Fax: (202) 22563792	Malawi field office Malawi Country Office (MWFO) 2nd Floor, Kang'ombe House, Box 30732 City Centre, Lilongwe, Malawi Tel: (+265) 0 1 77 44 60-62/64 Fax: (+265) 0 1 77 44 69	Senegal field office Bureau Régional du Sénégal (SNFO) Immeuble Coumba, Route de Ngor Zone 12, Quartier des Almadies, BP 50544 - CP 18524 Dakar, Senegal Tel: (+221) 33.820.08.88/(+221) 33.869.75.44 Fax: (+221) 33.820.09.99	

Annex 2: ADB Member Countries

Regional member countries				Non-regional member countries	
1	Algeria	28	Libya	1	Argentina
2	Angola	29	Madagascar	2	Austria
3	Benin	30	Malawi	3	Belgium
4	Botswana	31	Mali	4	Brazil
5	Burkina Faso	32	Mauritania	5	Canada
6	Burundi	33	Mauritius	6	China
7	Cameroon	34	Morocco	7	Denmark
8	Cape Verde	35	Mozambique	8	Finland
9	Central African Republic	36	Namibia	9	France
10	Chad	37	Niger	10	Germany
11	Comoros	38	Nigeria	11	India
12	Congo	39	Rwanda	12	Italy
13	Côte d'Ivoire	40	São Tomé & Príncipe	13	Japan
14	Democratic Republic of Congo	41	Senegal	14	Korea
15	Djibouti	42	Seychelles	15	Kuwait
16	Egypt	43	Sierra Leone	16	Netherlands
17	Equatorial Guinea	44	Somalia	17	Norway
18	Eritrea	45	South Africa	18	Portugal
19	Ethiopia	46	Sudan	19	Saudi Arabia
20	Gabon	47	Swaziland	20	Spain
21	Gambia	48	Tanzania	21	Sweden
22	Ghana	49	Togo	22	Switzerland
23	Guinea	50	Tunisia	23	United Kingdom
24	Guinea-Bissau	51	Uganda	24	United States of America
25	Kenya	52	Zambia		
26	Lesotho	53	Zimbabwe		
27	Liberia				

Annex 3: ADF State Participants

1	Argentina	10	Germany	19	Saudi Arabia
2	Austria	11	India	20	South Africa
3	Belgium	12	Italy	21	Spain
4	Brazil	13	Japan	22	Sweden
5	Canada	14	Korea	23	Switzerland
6	China	15	Kuwait	24	U.A.E
7	Denmark	16	The Netherlands	25	United Kingdom
8	Finland	17	Norway	26	United States of America
9	France	18	Portugal		

Annex 4: Sample Disbursement Letter

1. Introduction

With the signing of the above mentioned Loan Agreement, we have the honor to specify herein the procedures to follow in withdrawing funds from the loan account, once the Loan Agreement becomes effective. Unless the context otherwise requires, terms defined in the Loan Agreement are used in this letter as defined therein.

2. Effectiveness of the loan

The first disbursement will not be made until you have fulfilled the conditions precedent to the effectiveness of the Loan Agreement and all the conditions precedent to first disbursement as stipulated in Sections X.XX and Y.YY of the Loan Agreement and Sections 12.01 and 12.02 of the General Conditions Applicable to Loan Agreements and Guarantee Agreements of the [Bank/Fund] as may be amended from time to time (hereinafter called the "General Conditions").

3. Person(s) Authorized to Sign the Disbursement Requests

A letter authorizing person(s) nominated to sign withdrawal applications, together with the relevant specimen signature(s) should be sent to the Bank before disbursements on the loan can commence. A sample format letter for designating authorized signatories and providing specimen signatures is provided in Annex 5 of the Disbursement Handbook.

To ensure uninterrupted processing of disbursements, a new authorization letter and specimen signatures should be sent to the Bank if there are any changes to authorized signatories.

4. Closing Date for Disbursements

The loan agreement has fixed the closing date for disbursements at [closing date]. Withdrawals will be permitted for a period not exceeding 3 months after this date to cover payments made or payments due for goods, works and services that have been provided on or before the closing date. If an extension is required, a formal application for such extension should be submitted to the Bank at least 6 months before the Closing Date.

5. List of Categories of Goods and Services

Expenditures for which payment is requested must fall within one of the following categories:

Category of Expenditure	In [Loan Currency] millions		
	Foreign Cost	Local Cost	Total Cost

Any changes to this list or relevant allocations must receive the prior approval of the Bank.

6. Audit reports

In accordance with the General Conditions, the Borrower must have the accounts of the [project or programme] audited each year, in accordance with generally accepted rules, by independent accountants that meet the Bank's requirements. Certified copies of the audit report should be submitted to the Bank not later than six months after the financial year to which they relate.

The auditor is required, among other things, to:

- Review the activities of the Special Account associated with the project;
- Audit all Statements of Expenditures (SOEs) used as a basis for the submission of withdrawal applications to the Bank by the project

- Determine the eligibility of expenditures in accordance with the loan agreement and appraisal report and identify any ineligible expenditures;
- Review the internal control mechanisms to identify deficiencies and weaknesses which could affect the efficiency of the project;
- Form an opinion on the compliance with Bank Group policies; and
- Form an opinion on the quality and reliability of the financial statements.

7. Disbursement Method(s)

The following Disbursement Methods, which are explained in detail in chapter 5 of the Disbursement Handbook, may be used under the loan:

Method I	Reimbursement
Method II	Reimbursement Guarantee
Method III	Revolving Fund/Special Account
Method IV	Direct payment

8. Special Account (if Method III is permitted)

[The Borrower] will open [X] foreign currency and [X] local currency special account(s) into which funds will be deposited. Expenditure should be committed to the items eligible under the loan and should cover a previously approved work for a period of [X] months.

Individual advances will not exceed the estimated Bank's share of eligible expenditures to be financed through the Special Account for 6 months. The funds advanced under the Special Account shall be fully justified within a maximum of [X] months.

The Special Account will be replenished on the condition that the Bank has received Statements of Expenditure in respect of at least 50% of the immediately preceding advance and 100% of older advances. The last replenishment shall take place no later than six months before the deadline for the last disbursement.

The statements of expenditures and the related supporting documentation must be audited regularly in accordance with paragraph 6. Non-compliance with this requirement will result in the immediate suspension of further replenishments to the Special Account.

The borrower should ensure that all amounts deposited in the Special Account are accounted for and their use reported prior to the deadline for the last disbursement. After this date, the borrower must immediately refund to the Bank any advances still unaccounted for or remaining in the Special Account.

9. Custody of Documents

The General Conditions require the borrower to retain and keep in safe custody all records (contracts, orders, invoices, bills, receipts, and other documents) evidencing eligible expenditures. These should be made available to the Bank's representatives and/or external auditors on request for at least [X] years after project completion.

10. Channeling Requests

Completed and signed applications and supporting documents should be sent to:
(Insert relevant address).

11. Currency of Disbursement

In accordance with the currency choice stipulated in Section X.XX of the Loan Agreement, all disbursements, irrespective of the actual currency paid to the beneficiary, will be denominated in [currency].

Each disbursement request should be for amounts payable in one currency. If the Borrower requires payments to be made in more than one currency, then a separate request should be submitted for each currency. Requests in payments denominated in more than one currency will not be processed.

12. Beneficiary Bank

Withdrawal requests should accurately indicate the full name and address of the beneficiary, the name and address of the beneficiary's bank, the account number and where applicable the IBAN code at the bank and the SWIFT/BIC/SORT/FEDWIRE code of the beneficiary's bank.

13. Correspondent Bank

Where a settlement for a beneficiary is made in a country in which the currency of the disbursement request is not legal tender, the request should include the full name and address of the correspondent bank of the beneficiary's bank in the country of the currency, the account number of the beneficiary's bank at the correspondent bank and the SWIFT/BIC/SORT/FEDWIRE code of the correspondent bank.

14. Loan Service Payments

The due date for payment of financial charges and repayment of the principal are [DD MMMM] and [DD MMMM]. To enable you to make necessary arrangements for prompt payments, the Bank will dispatch bills relating thereto to yourselves about six weeks before the due date.

You should advise the Bank whenever you make payments for amounts due under the loan. Such advice should indicate the currency and amount paid, the paying bank, the value date, the reference number of the loan to which the payment relates and the bank name and account number to which payment has been made.

15. Sanctions for Arrears on Loans

The Borrower should ensure that debt service payments (commitment fees, service charges, interest charges, and principal) due to the Bank Group on all loans to or guaranteed by the Borrower are settled as soon as due. If the Bank does not receive payments by the due date, the Bank will impose sanctions including but not limited to the suspension of disbursements in accordance with the provisions of "The Bank's Policy on the Recovery of Arrears on Loans.

16. Causes of Delay in Processing Disbursement Requests

Occurrences such as lack of a contract to support a request, lack of authorized signatures or non advice of changes thereto, or lack of other supporting documents, have been major causes of delays in the processing of requests. We hope care would be exercised so that such delays are eliminated.

17. Conclusion

The issues addressed herein will be found in the Disbursement Handbook, which gives detailed guidelines for the completion of disbursement requests. We mention them here to emphasize their importance in the disbursement process. We suggest that the Disbursement Handbook be studied thoroughly by the official responsible for administering the loan.

Please circulate this letter to the project staff, including project accountants.

To facilitate immediate response, please include the Loan Number in all messages to the Bank regarding this loan.

If you have any questions concerning our disbursement procedures, please do not hesitate to contact us.

Annex 5: Sample Letter Designating Authorized Signatories

[Letterhead of Borrower]

The Director
Financial Control Department
African Development Bank
BP 323
Tunis

Dear Sir,

Loan Number AAAABBBXXXXX

For the purpose of Section X.X of the General Conditions Applicable to Loan and Guarantee Agreements any one of persons whose authenticated specimen signatures appear below is authorized on behalf of the Borrower to sign applications for withdrawal under this loan:

Mr. XXXX YYYY
Minister of

Specimen Signature

Mr. XXXX YYYY
Deputy Minister of

Specimen Signature

Ms. XXXX YYYY
Project Manager
Ministry of

Specimen Signature

All previous notices providing signatures of official authorized to sign applications for withdrawal under this loan/grant are hereby revoked.

Yours sincerely,

Minister of Finance
(official representative of borrower)

Note: In the event that each application is to be signed by more than one official, the authorization letter must clearly state this. If authorized signatories are divided into more than one group, the signature of an official from each group is required, this must also be clearly stated.

Annex 6 Form A1: Disbursement Request

To: The Director Financial Control Department African Development Bank BP 323 Tunis 1002	1. Application Type: <input type="checkbox"/> Reimbursement <input type="checkbox"/> Initial Advance Special Account <input type="checkbox"/> Replenishment of Special Account <input type="checkbox"/> Direct Payment
2. Loan/Grant Number	<div style="background-color: yellow; height: 15px; width: 100%;"></div>
3. Project Title	<div style="background-color: yellow; height: 20px; width: 100%;"></div>
4. Other Financing Sources	<div style="background-color: yellow; height: 15px; width: 100%;"></div>
5. Request Number	<div style="background-color: yellow; height: 15px; width: 100%;"></div>
6. In accordance with the terms & conditions of the Agreement dated	<div style="background-color: yellow; height: 15px; width: 100%;"></div>
7. Please pay	<div style="background-color: yellow; height: 15px; width: 100%;"></div>

For request for replenishment of a Special Account -:

We hereby send the attached statement of expenditures for a total amount of:

The expenditures have been made under the advance granted within the framework of the above mentioned agreement.

We apply for this disbursement under the above Agreement, and hereby certify or agree as follows:

(a) *The undersigned has not previously withdrawn any amount to meet these expenses. The undersigned has not and does not intend to obtain funds for this purpose from the proceeds of any other loan, credit or grant.*

(b) *The goods and services covered by this application have been or are being purchased in accordance with the conditions of the agreement.*

(c) *The expenditures have been made or are being made solely on goods and services from approved origin.*

(d) *The expenditures are for eligible items to be financed under the loans and do not include taxes, duties and other ineligible items*

(e) *The supporting documentation for expenditures from the special account has been retained for review by the bank and/or external auditors*

8. Beneficiary Details														
Name														
Address														
City/Country														
Bank Name														
Bank Address														
City/Country														
Account Number														
Bank Code														
SWIFT Code														
IBAN Code														

For payments in Europe

9. Correspondent Bank (where applicable)	
Bank Name	
Bank Address	
City/Country	
Account Number	
Bank Code	
SWIFT Code	
IBAN Code	
	For payments in Europe
10 Borrower Details	
Name	
Contact Person	
Address	
City/Country	
Email	
Tel/Fax	
11 Executing Agency Details	
Name	
Contact Person	
Address	
City/Country	
Email	
Tel/Fax	
12. Authorized Signatories	
Name/Title	Signature
Name/Title	Signature
Name/Title	Signature
13. Date	

Instructions for Completing the Application for Disbursement Form A1

1. Application Type: Check the applicable type
2. Loan/Grant Number: Insert the 13 digit number as shown in the loan/protocol of agreement
3. Project Title: Insert the title of the project as shown in the loan/protocol of agreement
4. Other Financing Sources: Where a project is financed by sources other than the ADB, ADF and NTF, insert the name of co-financier
5. Request Number: Applications should be numbered chronologically with a maximum of 4 digits (e.g. 0001, 0002, etc), regardless of the disbursement method used. (When a project has more than one implementing agency, the project coordinator should assign a 3-character alpha identification for each agency e.g. 0001ABC to 9999ABC; 0001XYZ to 9999XYZ, etc.).
6. Date of signature of the financing agreement and Name of Borrower/Recipient as it appears in the loan/financing agreement
7. Currency and amount of disbursement request
Where justifications of prior advances are attached include currency and amount being justified
8. Beneficiary Details:
Full name and address of the payment beneficiary. Name and address of the beneficiaries bank, the account number of the beneficiary at the bank, the bank code and SWIFT code. For payments in Europe, give the International bank Account Number (IBAN) instead of the account number.
9. Correspondent Bank: For payments in a currency which is not the currency of the country in which the beneficiary bank is located, give the full name and address of the beneficiary's bank in the country which issues the currency, the account number (IBAN for payments in Europe) of the beneficiary's bank at the intermediary bank and the SWIFT code of the intermediary bank.
10. Borrower/Recipient Details: Provide contact information of the person/office to contact in case of questions.
11. Executing Agency Details: : Provide contact information of the person/office to contact in case of questions
12. Authorized Signatories: Provide both the name and title of the signatories and obtain the signature of the authorized signatories
13. Date: Indicate the date of establishment of the application for disbursement

[illegible]

Instructions for Completing the Summary Statement of Expenditure Form A2

Attach Form A2 - "Summary Statement of Expenditure" to Form A1 and use for the Reimbursement of Payments, Special Account, and Direct Payment Methods.

1. Application Type: Check the applicable type
2. Loan/Grant Number: Insert the 13 digit number as shown in the loan/protocol of agreement
3. Request Number: Applications should be numbered chronologically with a maximum of 4 digits (e.g. 0001, 0002, etc), regardless of the disbursement method used. (When a project has more than one implementing agency, the project coordinator should assign a 3-character alpha identification for each agency e.g. 0001ABC to 9999ABC; 0001XYZ to 9999XYZ, etc.).
4. Project Title: Insert the title of the project as shown in the loan/protocol of agreement.
5. Category or sub-project: Indicate the number and title of the expenditure category to which claim relates
6. Currency: Insert currency of the claim
7. Contractor/Supplier/Service Provider: Indicate the full name and address.
8. Description: Refer to description of goods/services/works mentioned on the invoice or breakdown.
9. Country of origin: Refer to the country of origin of goods/services on the invoice or detailed account. The country where the goods were produced and services rendered, whether foreign or on the local market
10. Contract Reference: Indicate the reference number of the contract or purchase order.
11. Contract Value: Indicate the total amount of the contract or purchase order.
12. Banks Share of Contract
13. Amount previously paid by the Bank.
14. Invoice reference number and date of the invoice
15. Amount requested: Indicate the amount to be paid by the Bank. The amount requested should be exclusive of taxes and, where applicable, of deductions.
16. Date of payment: This column should be filled under the Reimbursement Method or Special Account Method. Indicate the date payment was made by the Borrower.
17. Evidence of payment: If payment is in cash, attach the receipts. With respect to check or payment advice, indicate the check or advice number. Receipts from beneficiaries should bear their official stamps.
18. Payments on this page: Indicate the total amount of payments on this page.
19. Balance from previous page: Indicate the total balance on the previous page.
20. Running Total: Indicate the total balance of all the pages of the Statement of Expenditure for expenditure category. This amount should correspond with the total amount requested under the category indicated in Information 5 of the Statement of Expenditure.

Annex 8: Form A3: Estimated Budgeted Activities

Date				1. Application Type		<input type="checkbox"/> Initial Advance			
Page		of				<input type="checkbox"/> Replenishment			
2. Loan/Grant Number				3. Request Number				6. Currency	
4. Project Title									
5. Category/Sub-Project									
7. Period for Utilization of Advance		to							
Item N°	8. Detailed Description of Goods/Services	9. Quantity	10. Country of Origin of Goods/Services	11. Total Budgeted	12. Banks Share	13. Advance Requested	14. Date of approval by Bank		
				15. Total on this Page		-			
				16. Balance from Previous Page		-			
				17. Running Total		-			
Project Manager		Name		Signature					
Authorized Signatories		Name		Signature		Name		Signature	

Instructions for Completing the Estimated Budgeted Activities Form A3

Form A3 entitled "Estimated Budgeted Activities" should be attached to Form A1 and Form A2 (if applicable) under the Special Account Method.

1. Application Type: Check the applicable type
2. Loan/Grant Number: Insert the 13 digit number as shown in the loan/protocol of agreement
3. Request Number: Applications should be numbered chronologically with a maximum of 4 digits (e.g. 0001, 0002, etc), regardless of the disbursement method used. (When a project has more than one implementing agency, the project coordinator should assign a 3-character alpha identification for each agency e.g. 0001ABC to 9999ABC; 0001XYZ to 9999XYZ, etc.).
4. Project Title: Insert the title of the project as shown in the loan/protocol of agreement.
5. Category or sub-project: Indicate the number and title of the expenditure category to which claim relates
6. Currency: Insert currency of the claim
7. Period for utilization of advance: Advances to the special account should generally cover a period not exceeding 6 months.
8. Detailed Description of Goods and Services
9. Quantity: Indicate the estimated quantities.
10. Countries of origin of goods and services: Indicate the countries of origin of goods/services to be procured.
11. Total amount: Indicate the total amount of each activity.
12. Bank's share of Budgeted Amount: Indicate the amount to be financed by Bank
13. Amount requested: Indicate the amount to be paid by the Bank
14. Date of approval by the Bank: Indicate the date activity was approved by the Bank.
15. Total on this page: Indicate the total amount of payments on this page.
16. Balance from previous page: Indicate the total balance from the previous page.
17. Running Total: Indicate the cumulative amount from all the pages of the budgeted expenditures for the category indicated in information 5.

Annex 9: Form B1: Request for Reimbursement Guarantee

To: The Director	
Financial Control Department	
African Development Bank	
BP 323, Tunis	
1. Loan/Grant Number	
2. Project Title	
3. Other Sources	
4. Request Number	
5.	In accordance with the terms and conditions of the Agreement dated between ADB/ADF/NTF and we hereby apply for a Guarantee to be issued by yourselves to:
	to cover Letter of Credit which is attached hereto. Pertinent details of the Letter of Credit are as follows:
	Issuing Bank Name
	Issuing Bank Address
	Currency/Amount
	Expiry date
6	Beneficiary Details
	Name
	Address
	City/Country
	Description of Goods
	Letter of Credit has been issued under contract/purchase order N° approved by yourselves on
The undersigned hereby certify and agree as follows:	
a)	You will pay the issuing or confirming bank the amount paid or expected to be paid by them under the terms of the Letter of Credit.
b)	The advising or confirming bank shall request reimbursement of the said amounts in accordance with the provisions of the Guarantee.
c)	You will accept all amendments that the advising or confirming bank will submit on your behalf, in respect of: (i) the expiry date of your letter of credit, (ii) the last date for negotiating documents. We understand that these extensions will not exceed the validity date of the reimbursement guarantee.
d)	All other amendments will be requested by us, directly to yourselves, for approval. These will include: (i) changes in the amount of the letter of credit, (ii) changes of the beneficiary, (iii) changes in the description and quantity of the goods, and (iv) extension of the expiry date of the letter of credit beyond six months following the initial expiry date.
e)	Unless otherwise agreed, all bank charges, fees and commissions, and any other charges, including interest from the date of payment of the confirming bank to the date of reimbursement shall be at our charge and paid by us directly to the confirming bank.
f)	The undersigned has not previously withdrawn any amount from the Account to meet these expenditures. The undersigned has not and does not intend to obtain other funds for this purpose out of the proceeds of any other loan, credit or grant.
g)	The goods and services covered by this application shall be purchased in accordance with the terms of the Agreement.
h)	The expenditures and services covered by this application shall be purchased in accordance with the terms of the Agreement.

i) The expenditures shall be made only for goods and services from eligible sources.

Borrower Details

Name		
Contact Person		
Address		
City/Country		
Email		
Tel/Fax		

Executing Agency Details

Name		
Contact Person		
Address		
City/Country		
Email		
Tel/Fax		

Authorized Signatories

Name/Title	Signature
Name/Title	Signature
Name/Title	Signature

Date:

--

Annex 10: Form B2: Reimbursement Guarantee Text

Reference to the above-mentioned letter of credit which we understand you are prepared to advise or confirm for the account of:

in favor of:

in the amount of:

expiring on:

Following the request of:

In consideration of your acceptance hereof as provided below, we irrevocably agree to:

- a) Reimburse you for any payment made to the beneficiary or on the instruction of the beneficiary under and in accordance with the terms of the letter of credit, or
- b) Pay to you the amounts that have become due to the beneficiary in respect of documents negotiated by yourselves and in accordance with the terms of the letter of credit in which case you agree to make payment to or on the order of the beneficiary upon receipt of our remittance;
- c) Payment shall be made by us promptly, but not later than 30 days, after receipt by us of a request thereof as hereinafter provided;
- d) This guarantee is valid up to dd mm yyyy and is subject to the following terms and conditions:
 1. You will advise and/or confirm the letter of credit and promptly advise us of any change in the negotiating bank.
 2. You undertake to promptly furnish us with copies of all amendments to the letter of credit. Such amendments are subject to the following conditions:
 - a) Any amendment involving a change in the value of the guarantee, the description or quantity of goods, or the beneficiary will not be operative until you receive our written approval.
 - b) Any amendment extending the expiry date of the letter of credit beyond the validity date of this guarantee will not be operative until you receive our written approval.
 3. If the letter of credit is not denominated in the currency of your country, you will notify us of the name and address of your correspondent bank in the country of such currency who will receive funds for your account.
 4. We shall not be obligated to make payments to you unless a SWIFT (AFDBCIAB) or exceptionally a tested telex or written request have been received by us within 30 days of your negotiation of documents, we shall not be obligated under this special commitment to any person (including the beneficiary of the letter of credit) except to you.
 5. We shall not be obligated to you in respect of interest, commission and any other charges of expenses in connection with the letter of credit.
 6. You agree that upon cancellation, expiration or final payment of the letter of credit, you will advise us through the borrower promptly thereof, including the amount of any cancellation.

7. This special commitment is issued under an African Development Bank Group Agreement, since such financing is limited, we shall not be obligated to make payments to the extent that they would in the aggregate exceed the equivalent, as determined by us when payments are made of..... It is our policy to retain sufficient funds in the loan account to cover outstanding special commitments. Our borrower has agreed that if, because of this limitation clause we cannot disburse the full amount needed to pay you, any uncommitted portion of the account may be disbursed to cover the deficiency, and in the event the uncommitted portion of the account is not sufficient to cover the deficiency, our borrower will arrange to make such payment promptly to you after receipt of our notification.
8. You will accept this Guarantee by SWIFT (AFDBCIAB).
9. Your first request for payment under this guarantee will be taken as an acceptance of the terms of our Guarantee and we shall accordingly proceed to make payment.

Signed by:

Authorized signatories

REIMBURSEMENT GUARANTEE SWIFT MESSAGE

Following the terms and conditions of this reimbursement guarantee stated herein, which acts as a binding contract that will be transmitted by mail, we hereby irrevocably agree to reimburse all payments in accordance with the following terms:.

1. REIMBURSEMENT GUARANTEE NO:
2. LOAN NUMBER:
3. PROJECT TITLE:
4. LETTER OF CREDIT NO:
5. ISSUING BANK:
6. CONFIRMING BANK:
7. BENEFICIARY OF LETTER OF CREDIT:
8. AMOUNT OF GUARANTEE:
EQUIVALENT IN LOAN CURRENCY:
9. GUARANTEE EXPIRY DATE:

Kindly send your acceptance of this reimbursement guarantee by SWIFT (AFDBCIAB).

Your first request for payment under this guarantee will be taken as an acceptance of the terms of our Guarantee and we shall accordingly proceed to make payment.

Annex 11: Application for Approval of Amendment to a Letter of Credit

Date : _____
Loan No : _____
Letter of Credit : _____
RG Number : _____

To: Director
Financial Control Department
African Development Bank
B 323
Tunis 1002

ATTENTION: Disbursements Division, Financial Control Department (FFCO)

Dear Sir:

Application for Approval of Amendment of Letter of Credit

We request your written approval for a proposed amendment of:

Specify what is being amended in the LC

Under Letter of Credit (number) covered by ADB Reimbursement Guarantee number FXX20XXNNNN. A copy of the amended Letter of Credit 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.

(Name of Borrower)

(Name/Title/Signature of Authorized Representative)

(Name/Title/Signature of Authorized Representative)

Annex 12: Sample Special Account Reconciliation Statement

Special Account (SA) Statement		Country Name
as at 31 March 2007		Loan/Grant Number
US Dollars /i		
1	Opening balance as at 31 Dec 06 /ii	31,966.66
2	Add: Cumulative unexplained discrepancy /iii	13,767.87
3	Advance during the quarter 31 Dec 2006 - 31 Mar 2007	176,666.67
		222,401.20
4	Less: Refund from SA during the period 31 Dec 2006 - 31 Mar 2007	-
5	Present outstanding amount advanced to SA	222,401.20
6	SA closing balance as at 31 March 07 carried forward to next period /iv	700.00
7	Add: Amount of eligible expenditures paid during quarter /v	219,393.33
8	Service charges (if debited into SA)	-
		220,633.33
9	Less: Interest earned (if credited into SA)	-
10	Total advance accounted for	220,633.33
11	Discrepancy (5) - (10) to be explained /vi	1,767.87

NOTES

/i: Assuming SA currency is US dollars.

/ii: Enter the amount shown in line 6 of the previous report dated 31 Dec 06 and SA Bank Statement as at 31 Dec 06

/iii: Enter the amount shown in line 11 of the previous report (dated 31 Dec 06) --- any difference should be explained.

/iv: Enter the closing balance on the SA Bank Statement as at 31 Mar 07.

/v: Total ADB eligible expenditures paid during quarter.

/vi: The discrepancy, which should be explained in a separate note, may comprise eligible expenditures paid out of SA but not yet entered by the SA bank, amount advanced by the Bank but not yet credited by the SA bank, etc.



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