

ANALYZING LOAN DISBURSEMENT POLICIES

Scenario 1

The Executing Agency submitted a withdrawal application for payment by ADB of US\$250,000 to a contractor under a civil works contract. Payment was to be made in the beneficiary's local bank account in Manila. The payment instruction provided by the EA is as follows:

Payee's Name: Good Works Construction Company
Payee's Address: 16 Meralco Avenue, Mandaluyong, Metro Manila, Philippines
Bank Name: Metropolitan and Equitable Bank Corporation
Bank Address: No. 18 Pasay Road, Makati, Metro Manila, Philippines
Payees's Acct. No.: 1234-5678-910-001
SWIFT Code: PBCFGNNHKKS

Based on the above payment instruction, can ADB remit payment? If not, why?

Scenario 2

Under an Emergency Rehabilitation Project, ADB has approved advance procurement action (ADPA) for civil works and retroactive financing (RF) for eligible expenses incurred and paid for by the Borrower from 15 July 2003 until loan effectiveness, and subject to a maximum amount of \$500,000.

The loan became effective on 10 May 2004. On 25 August 2004, the EA submitted a withdrawal application to ADB for reimbursement of \$10,000 for payment made on 15 October 2003 to a contractor under a civil works contract. The contract was awarded on 3 July 2003.

Is the payment made by EA on 15 October 2003 eligible for retroactive financing? Why or why not?

Scenario 3

ADB organized a Trade and Customs Working Group Meeting in October 2004 in preparation for a Ministerial Conference on Transport and Trade in Central and South Asia. ADB engaged a Consultant for this activity to review relevant policies, as well as develop work plans and recommendations. The Working Group Meeting was funded under a Regional Technical Assistance Grant (RETA).

The work and recommendations of the Consultant was among the major topics of the Working Group Meeting and it was necessary for the Consultant to confer with the officials of the Economic Cooperation Organization at its headquarters in Tehran, Iran to carry out his assignment.

- a. Under these circumstances, should ADB finance the travel costs and other expenses incurred by the consultant to Iran?
- b. How should a similar problem be addressed in future?

cancellation were discussed on that date with the Bank Mission who agreed on the cancellation. Is the Borrower right?

- c. Does the date of effectivity of cancellation have any financial application on the Borrower? If so, in what case and how?

Scenario 6

An Imprest Account was approved under a loan. The Executing agency submitted a letter to ADB requesting that it be allowed to maintain the Imprest in a savings account in a commercial bank. Under such account, any idle balance above a certain ceiling amount is automatically transferred to a fixed deposit, which would earn higher interest than normal savings account. The EA justified that any interest earnings would be used to finance eligible expenditures under the project.

Should ADB agree to the request of the EA?

Scenario 7

The closing date for a loan is 31 October 31, 2004. The Borrower's request for extension of the loan closing date to 30 April 2005 was disapproved by ADB. Meanwhile, the services of a Consultant under a consultancy contract would be completed only by March 2005. Will the services of the Consultant until March 2005 be eligible for bank financing? Why or why not?