



**WELCOME  
TO ADB  
LOAN DISBURSEMENT  
SEMINAR**



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Loan Service Payments

# Module I - OVERVIEW

- 1. Seminar Objectives
  2. Objectives of ADB
  3. Functions of ADB
  4. Modes of ADB financing
  5. Sources of ADB Financing
  6. Types of Loans
  7. Project Cycle
  8. Loan Milestone Dates

# 1. SEMINAR OBJECTIVES



At the end of the seminar the participants should have an understanding of :

- ADB's loan disbursement policies, practices and procedures;
- The modes of withdrawal of loan proceeds;
- The requirements of loan disbursements;
- The common problems encountered in loan disbursements; and
- ADF loan accounting and loan service payments.

## 2. OBJECTIVES OF ADB

- - Promotion of Economic Growth
  - Reduction of Poverty
  - Improvement of the status of women
  - Development of human resources, including population planning
  - Sound management of natural resources and the environment

## 3. FUNCTIONS OF ADB



To carry out its mandate, ADB:

- makes loans and equity investments for the economic and social advancement of DMCs;
- provides technical assistance to help DMCs prepare and execute development projects; and
- catalyses investment of public and private capital for development purposes.

## 3. FUNCTIONS OF ADB



To carry out its mandate, ADB: [cont.]

- co-operates with other international organizations and institutions which also provide loans, give or invest funds in the region;
- supports other development activities; and
- responds to requests for assistance in co-ordinating development policies and plans of the DMCs.

# 4. MODES OF ADB FINANCING



## ASIA & SOUTH PACIFIC



# 4. MODES OF ADB FINANCING



## ASIA & SOUTH PACIFIC

A **loan** is a mode of ADB financing wherein the Borrower is required to repay the amount of the loan.

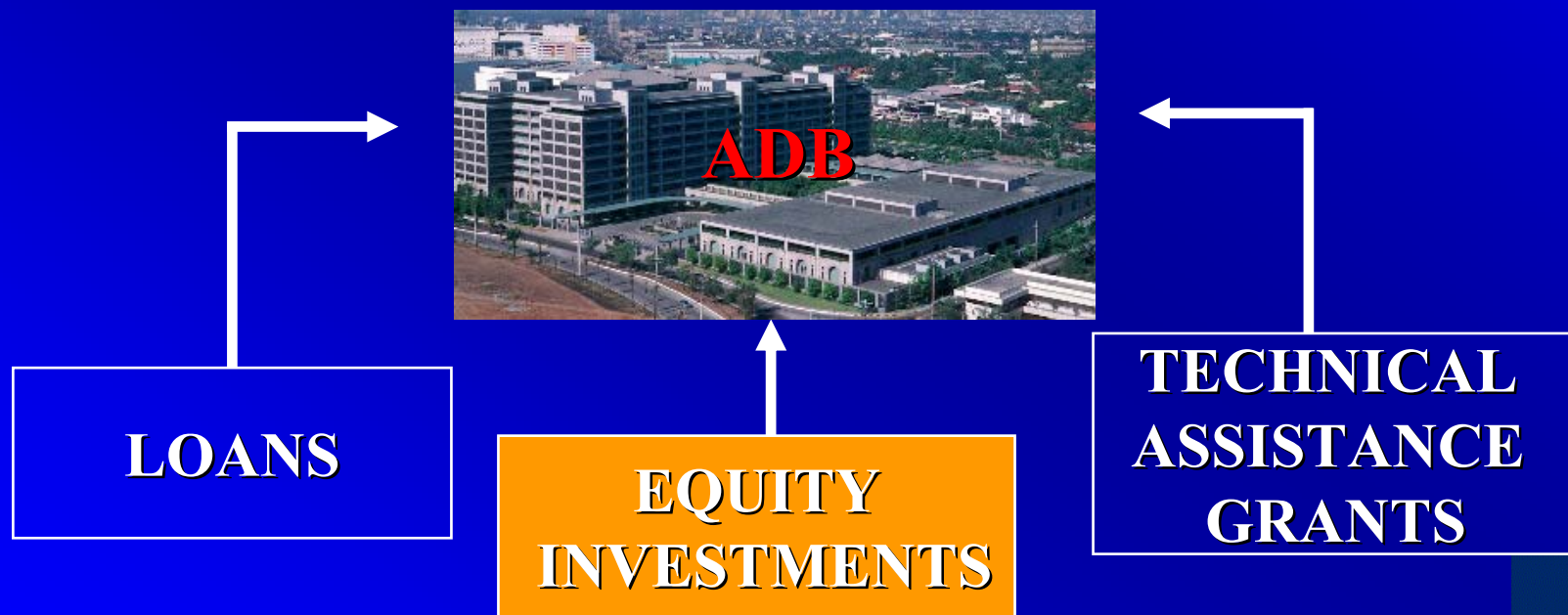


# 4. MODES OF ADB FINANCING



## ASIA & SOUTH PACIFIC

To facilitate the development of domestic capital markets in DMCs, the Bank makes **equity investments** from its ordinary capital resources (OCR).

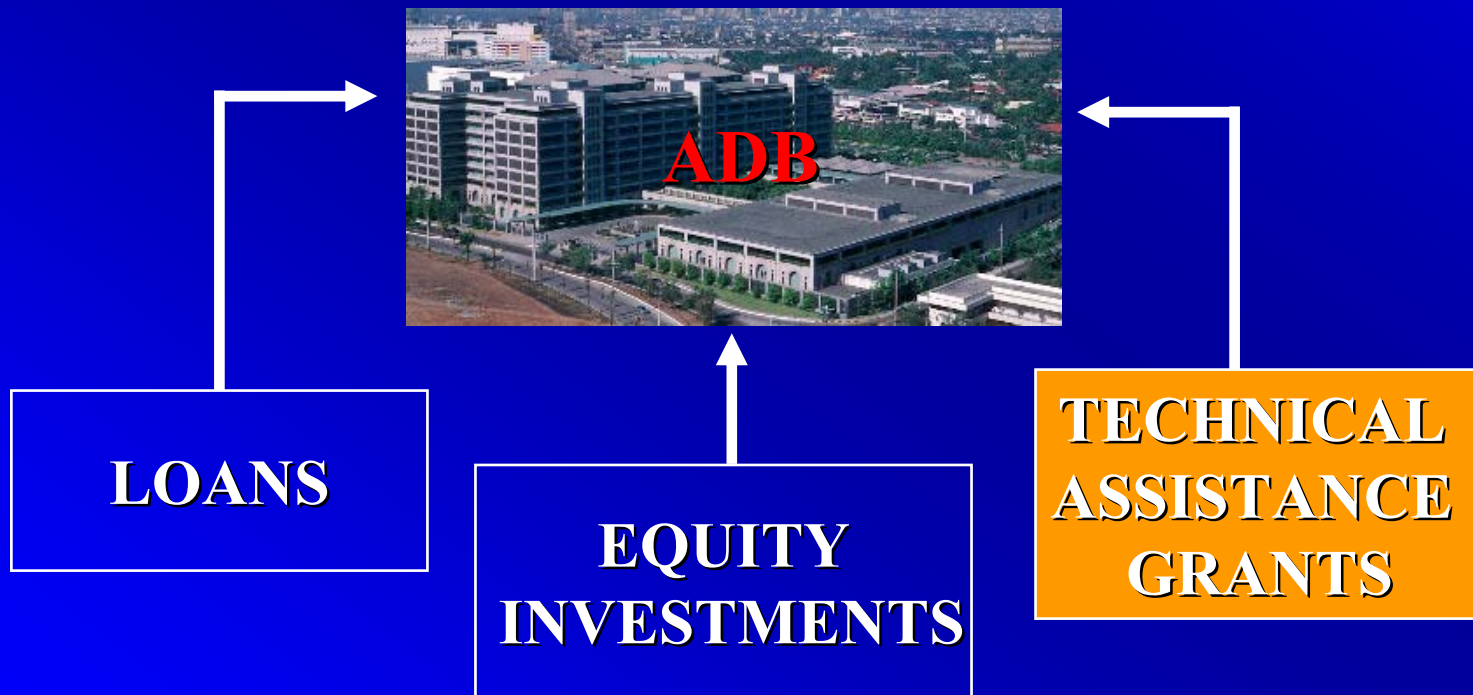


# 4. MODES OF ADB FINANCING



## ASIA & SOUTH PACIFIC

A **Technical Assistance (TA) Grant** is a mode of ADB financing wherein the recipients are not required to repay the amount of the assistance. It is often referred to as a grant.



## 5. SOURCES OF ADB FINANCING



To finance its operations, ADB uses:

- Ordinary Capital Resources (OCR)
- Asian Development Fund (ADF)
- ADB Technical Assistance (TA) Funding – TASF, JSF and Others

## 5. SOURCES OF ADB FINANCING

- 
- **Ordinary Capital Resources (OCR)**, which comprises paid-in capital from its members, accumulated reserves and borrowings from the open capital markets.
- **Asian Development Fund (ADF)**, which is used to lend to poorer DMC/s on concessional terms.

## 5. SOURCES OF ADB -FINANCING

- 
- **ADB Technical Assistance Funding Programs include:**
  - Technical Assistance Special Fund (TASF) finances technical assistance projects or TA's.
  - Japan Special Fund (JSF) finances technical assistance as well as equity investment in private enterprises.
  - Others such as JFPR, GEF, Swiss, Dutch, etc.

# 6. TYPES OF LOAN



## 6. TYPES OF LOAN



- **Project Loan**

A project loan is used to finance specific projects and is the most important vehicle for transferring the Bank's resources to its DMCs.

Example: construction of a road can be financed by a project loan because it is an identifiable project activity.

## 6. TYPES OF LOAN



- **Development Financing Institutions (DFI) Loan**

In a DFI loan, ADB lends directly or through the borrower to an autonomous financial intermediary who then onlends the loan proceeds to the financial beneficiaries as subloans.

## 6. TYPES OF LOAN



- **Program Loan**

A program loan is granted to support a sector development program. This may be linked to a set of policies required by the Bank.

*Example: funds may go directly to the government for use in its economic rehabilitation and export promotion programs. However, in exchange for the funds, the government may be required to adapt certain policy reforms.*

## 6. TYPES OF LOAN



- **Sector Loan**

A sector loan is concerned only with a certain time or geographical slice of a project. The feasibility for each part of the overall project is left with the government.

*Example : construction of a 20-km road may be considered for finance by a sector loan when the whole project is actually for the construction of a 100-km road.*

## 6. TYPES OF LOAN



- **Technical Assistance (TA) Loan**

- A TA is used to finance projects designed to facilitate the flow of development finance to developing member countries (DMCs).
- To improve efficient utilization of development finance.
- To enhance the development capacity of the DMCs.

## 6. TYPES OF LOAN

- - **Private Sector Loan**

ADB support for the private sector in DMCs is aimed at:

- Catalyzing external resources flow to the private sector through increase financial and technical assistance from ADB;
- Strengthening financial institutions and capital markets in DMCs;

## 6. TYPES OF LOAN



- **Private Sector Loan** [cont.]

- iii. Assisting DMCs in privatizing public sector enterprises and providing technical assistance and advisory function; and
- iv. Creating a favorable environment for the private sector in DMCs through policy dialogue with DMCs.

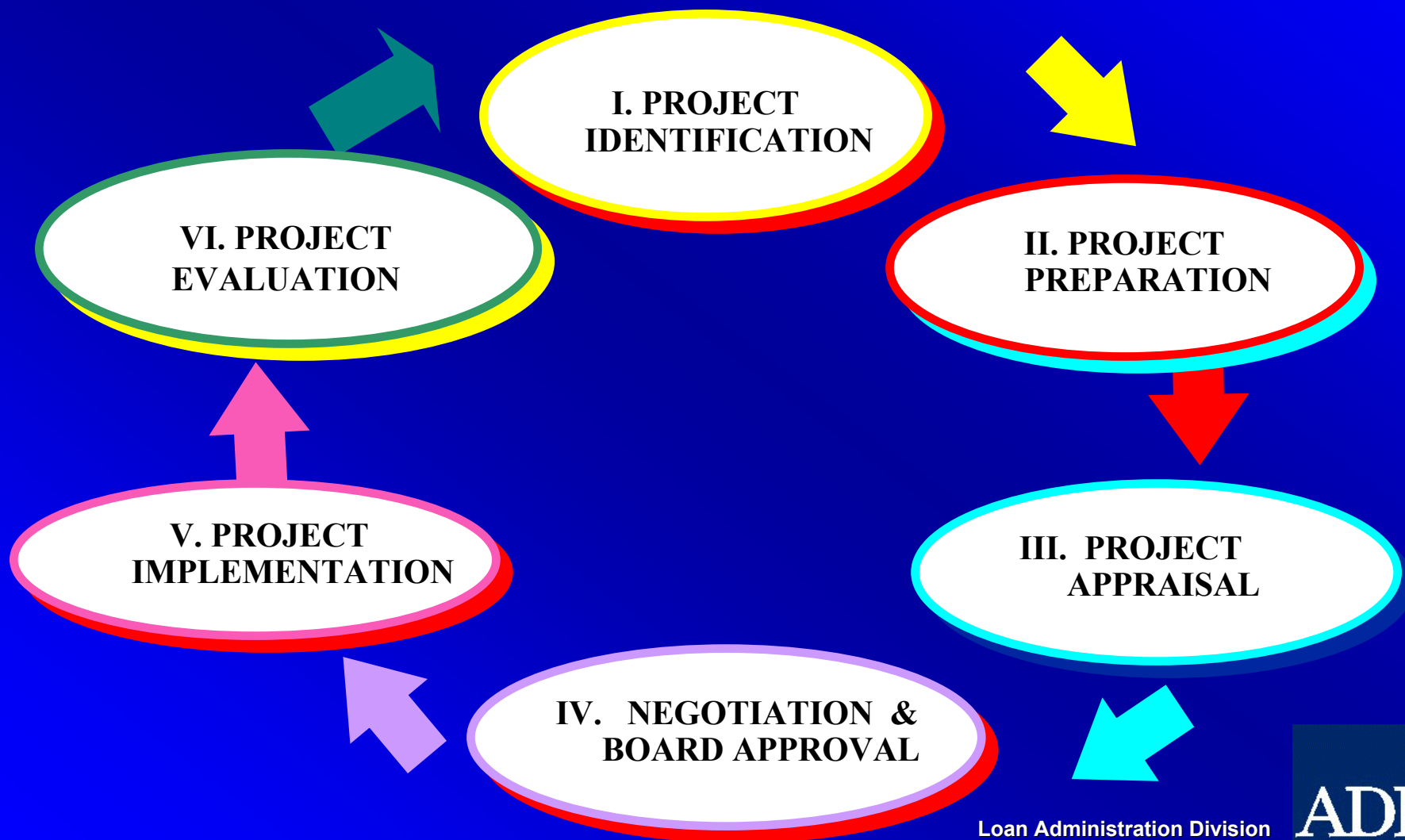
## 6. TYPES OF LOAN

- - **Private Sector Loan** [cont.]

ADB operations in the private sector maybe categorized as:

- i. Equity;
- ii. underwriting/guarantee;
- iii. loans;
- iv. combination equity and loan;
- v. line of equity; and
- vi. others.

# 7. ADB PROJECT CYCLE



# 7. ADB PROJECT CYCLE



## I. Project Identification

- Project identification identifies high priority projects that appear suitable for ADB financial support. The Operations Departments of ADB are usually responsible for this phase. Projects are identified by direct consultation with the government's finance ministry and planning agencies.

# 7. ADB PROJECT CYCLE



## I. Project Identification [cont.]

- ADB Loan and Technical Assistance (TA) programs are prepared yearly on a three-year rolling plan basis. This plan reviews each of the Borrowers' economic and social priorities and evaluates its national and sectoral policies and problems.

# 7. ADB PROJECT CYCLE



## I. Project Identification [cont.]

- Study of country's economy and development plans.
- Formulation of ADB's operational strategy.
- Government request for ADB assistance.
- Discussions with ADB's programming mission.
- Formulation of country operational program.
- Coordination with aid agencies.

# 7. ADB PROJECT CYCLE



## II. Project Preparation

The borrower is responsible for project preparation but often it receives external help for the preparation of the feasibility study. For this purpose ADB may finance technical assistance projects on a grant basis for the preparation of feasibility studies undertaken by consultants recruited by ADB.

# 7. ADB PROJECT CYCLE



## II. Project Preparation [cont.]

- Phase 1 :
  - Preparation by Government.
  - Feasibility study by consultants through ADB, i.e ADB funded TA's.
  - Technical Assistance (TA) projects funded by other agencies or other resources (e.g., UNDP).

# 7. ADB PROJECT CYCLE



## II. Project Preparation [cont.]

- Phase 2 :
  - Fact Finding Mission
    - Examination of Feasibility Study
    - Field visit by ADB staff
    - Bank internal review

# 7. ADB PROJECT CYCLE



## II. Project Preparation [cont.]

- Phase 2 : [cont.]
  - Pre-Appraisal
    - When the project enters ADB's lending program, ADB sends a fact-finding mission to the recipient country to gather data on the project and prepare a project brief.

# 7. ADB PROJECT CYCLE



## II. Project Preparation [cont.]

### ➤ Pre-Appraisal [cont.]

- The project objectives, principal issues and time-table for the processing of the project are contained in the project brief.

# 7. ADB PROJECT CYCLE



## II. Project Preparation [cont.]

### ➤ Pre-Appraisal [cont.]

- As the project is developed and feasibility studies, if any, are completed, it then moves into the third phase of the Project Cycle, known as Project Appraisal.

# 7. ADB PROJECT CYCLE



## II. Project Preparation [cont.]

- Pre-Appraisal [cont.]
  - Appraisal involves a detailed review of all aspects of the project, and lays the foundation for implementing the project and the process of evaluating it when completed.

# 7. ADB PROJECT CYCLE



## II. Project Preparation [cont.]

- Pre-Appraisal [cont.]
  - The Operations Departments of ADB are responsible for conducting project appraisal. A fact-finding or pre-appraisal mission and later an appraisal mission is sent to the project site to appraise the proposed project.

# 7. ADB PROJECT CYCLE



## II. Project Preparation [cont.]

- Pre-Appraisal [cont.]
  - In general, appraisal covers six major considerations of the proposed project: social, technical, institutional, economic, financial and environmental.

# 7. ADB PROJECT CYCLE



## III. Project Appraisal

- Appraisal Mission
  - Field visit by ADB staff
  - Discussions with Government & Executing Agency

# 7. ADB PROJECT CYCLE



## III. Project Appraisal [cont.]

- Appraisal Mission [cont.]
  - Examination of Project Aspects :
    - Technical
      - Economic
      - Financial

# 7. ADB PROJECT CYCLE



## III. Project Appraisal [cont.]

- Appraisal Mission [cont.]
  - Discussions on sector & policy issues
  - Determination of loan terms and conditions
  - Signing of the Memorandum of Understanding (MOU)

# 7. ADB PROJECT CYCLE



## III. Project Appraisal [cont.]

- On completion of the appraisal mission, ADB staff prepare a document for submission to the Bank's Board of Directors for project approval. This is called the Report and Recommendations to the President (**RRP**). Simultaneously, a Draft of the Loan Agreement is prepared by the staff of the Office of Legal Counsel (OGC).

# 7. ADB PROJECT CYCLE



## III. Project Appraisal [cont.]

- These documents then are reviewed and discussed by the Staff Review Committee or **SRC**.
- The SRC reviews and finalizes the RRP. The final documents are submitted to the President for clearance. Once cleared, the President authorizes loan negotiations to start.

# 7. ADB PROJECT CYCLE



## III. Project Appraisal [cont.]

On completion of the appraisal mission, ADB staff prepare a document :



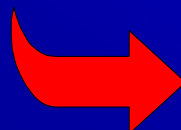
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# 7. ADB PROJECT CYCLE



## III. Project Appraisal [cont.]

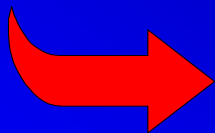
These documents then are



3. Reviewed and discussed

by the Staff Review Committee or SRC. The SRC reviews and finalizes the RRP.

The final documents are submitted to the President for clearance. Once cleared, the President authorizes



4. Loan Negotiations to start.

# 7. ADB PROJECT CYCLE



## III. Project Appraisal [cont.]

- Preparation of Board Documents
  - Drafting of Report & Recommendation of the President (RRP), Loan Agreement and Project Agreement
  - ADB internal review
  - Dispatch of Loan documents to Government

# 7. ADB PROJECT CYCLE



## IV. Negotiation and Approval

- In general, loan negotiations are held at ADB Headquarters. Apart from technical and financial considerations, ADB and the borrower discuss the draft loan documents to reach mutual agreement on the terms and conditions of the loan.

# 7. ADB PROJECT CYCLE



## IV. Negotiation and Approval [cont.]

- Following completion of the Loan negotiations, the amended RRP and the Loan Documents are submitted to the Board of Directors for approval.

# 7. ADB PROJECT CYCLE



## IV. Negotiation and Approval [cont.]

### A. Loan Negotiations

- Discussions of Draft Loan Agreement and Project Agreement
- Signing of minutes of Loan Negotiations

# 7. ADB PROJECT CYCLE



## IV. Negotiation and Approval [cont.]

### B. Board Circulation

- Finalization of RRP, Loan Agreement and Project Agreement
- Circulation of complete set of Loan documents to the Board

# 7. ADB PROJECT CYCLE



## IV. Negotiation and Approval [cont.]

### C. Loan Signing

- Signing by the President & Representatives of Government & Executing Agencies (EA)

### D. Loan Effectiveness

- Declaration by ADB that Loan is effective after Borrower has satisfied various Loan conditions

## 7. ADB PROJECT CYCLE



### V. Project Implementation

- Normally, it takes from 60 to 90 days for a loan to be declared “effective”. This means that the borrower has complied with the necessary legal requirements and conditions. Only then can loan disbursements begin.

# 7. ADB PROJECT CYCLE



## V. Project Implementation [cont.]

- Implementation is the responsibility of the borrower. ADB only monitors the different aspects of implementation such as engagement of consultants, procurement of goods, services and civil works, progress of the works in the field, training of staff, etc.

# 7. ADB PROJECT CYCLE



## V. Project Implementation [cont.]

### A. Implementation - Role of the Borrower (EA)

- Selection & recruitment of Consultants
- Detailed engineering design and preparation of Bidding Documents
- Procurement of civil works, machinery and equipment

# 7. ADB PROJECT CYCLE



## V. Project Implementation [cont.]

### A. Implementation - Role of the Borrower (EA) [cont.]

- Carrying out civil works and installation of equipment
- Report on implementation of Loan covenants

# 7. ADB PROJECT CYCLE



## V. Project Implementation [cont.]

### B. Implementation - Role of the Bank

- Review and approval of EA's actions
- Examination of quarterly progress reports submitted by EA
- Check that Loan covenants are met
- Carry out project review missions
- Disbursement of Loan funds

# 7. ADB PROJECT CYCLE



## V. Project Implementation [cont.]

- During project implementation, funds are disbursed to meet expenses actually incurred for the project. Loan disbursements are closely monitored to ensure that they are used according to the terms and conditions set out under the loan agreement.

# 7. ADB PROJECT CYCLE



## V. Project Implementation [cont.]

- ADB also requires that procurement of goods and services is strictly carried out according to guidelines and procedures contained in ADB documents called Guidelines For Procurement Under Asian Development Bank Loans and Guidelines on the Use of Consultants.

# 7. ADB PROJECT CYCLE



## V. Project Implementation [cont.]

### C. Project Completion

- Commissioning of project facilities
- Closing of Loan account for disbursements
- Preparation of project completion report

# 7. ADB PROJECT CYCLE



## V. Project Implementation [cont.]

- These guidelines ensure that project procurement is carried out efficiently and economically. ADB sends review missions to visit the project, and to provide the Borrower with assistance and advice as well as checking implementation.

# 7. ADB PROJECT CYCLE



## V. Project Implementation [cont.]

- After the loan is fully disbursed and the physical completion of the project, project completion review missions are sent for the preparation of ADB's Project Completion Report (PCR).
- Thereafter, the project goes through a process called "Post Evaluation".

# 7. ADB PROJECT CYCLE



## VI. Project Evaluation

- Using the PCR as a point of reference, the Operations Evaluation Department (OED) prepares a Project Performance Audit Report or PPAR.

# 7. ADB PROJECT CYCLE



## VI. Project Evaluation [cont.]

- The PPAR examines the reasons for any cost overruns or delays and assesses the economic and social impact of the project. The PPAR also identifies lessons learned or insights which can improve the Bank's operations in the future.

# 7. ADB PROJECT CYCLE



## VI. Project Evaluation [cont.]

### A. Project Benefits

- Detailed examination of socio-economic impact of the project

# 7. ADB PROJECT CYCLE



## VI. Project Evaluation [cont.]

### B. Preparation of Project Performance and Audit Report

- Evaluation of actual implementation against original schedule
- Assessment of economic, financial & social benefits
- Lessons learned for future projects

## 8. LOAN MILESTONE DATES



- **Approval Date** is the date the loan is approved by ADB's Board of Directors. This date is also used for determining the loan amortization schedule as shown in Schedule 2 of the model agreement.
- **Signing Date** is the date the loan agreement is signed by the borrower and ADB. For OCR loan, commitment charges will start to accrue on the 60<sup>th</sup> day after the loan signing date.

## 8. LOAN MILESTONE DATES



- **Effective Date** is the date, as determined by ADB, when all conditions of effectiveness of the loan agreement have been fulfilled by the borrower and disbursements may be made from the loan account.
- **Project Completion Date** is the date on which the project is considered physically completed. This date precedes the loan closing date.

## 8. LOAN MILESTONE DATES

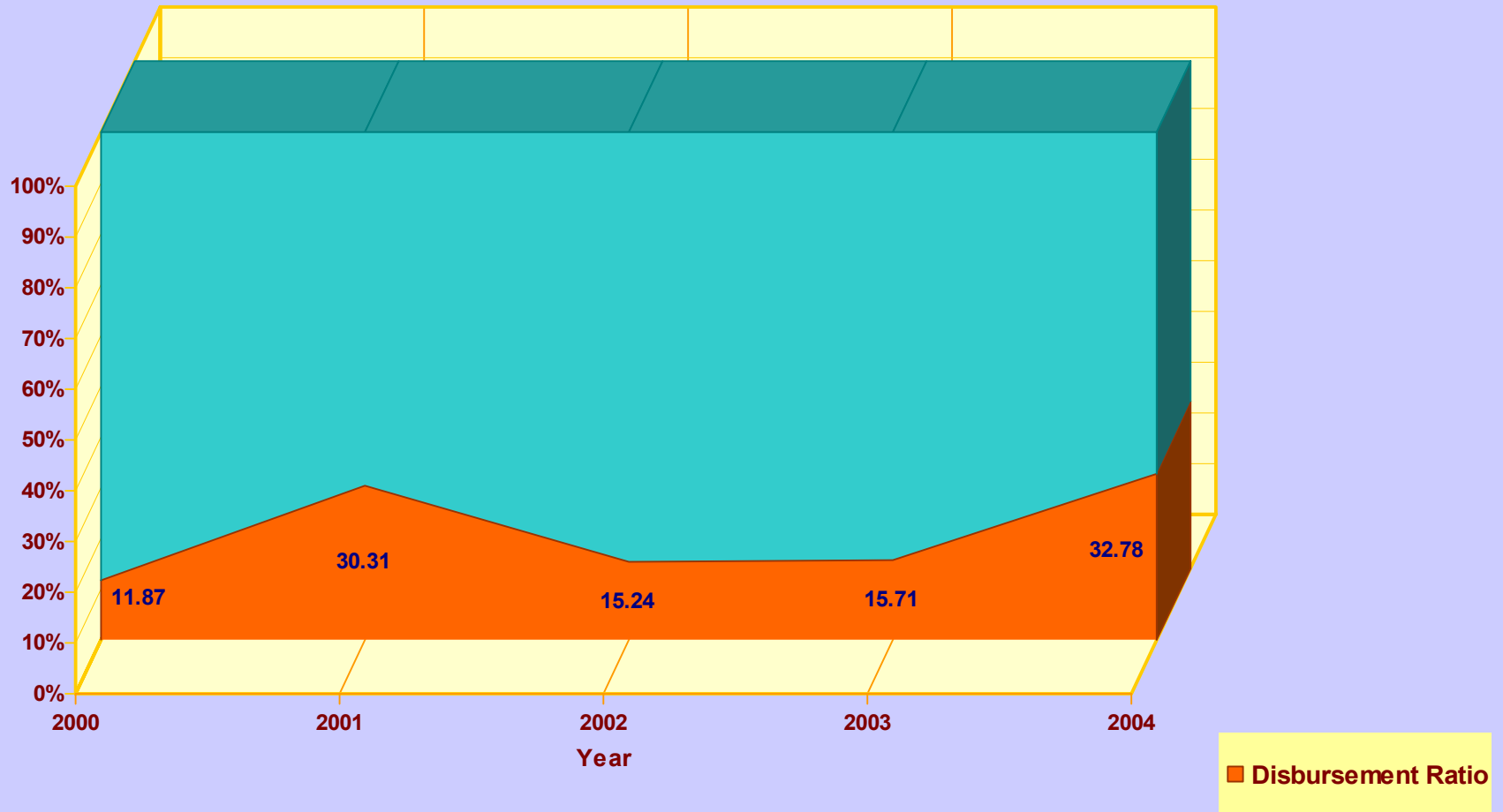


- **Loan Closing Date** is the date ADB may terminate the right of the borrower to make withdrawals from the loan account. Expenditures incurred after the loan closing date will not be financed under the loan. In special circumstances, ADB may allow up to three months after the loan closing date for the borrower's withdrawal applications to reach ADB or for the borrower to liquidate fully expenditures incurred before the loan closing date or refund any outstanding imprest account balances.

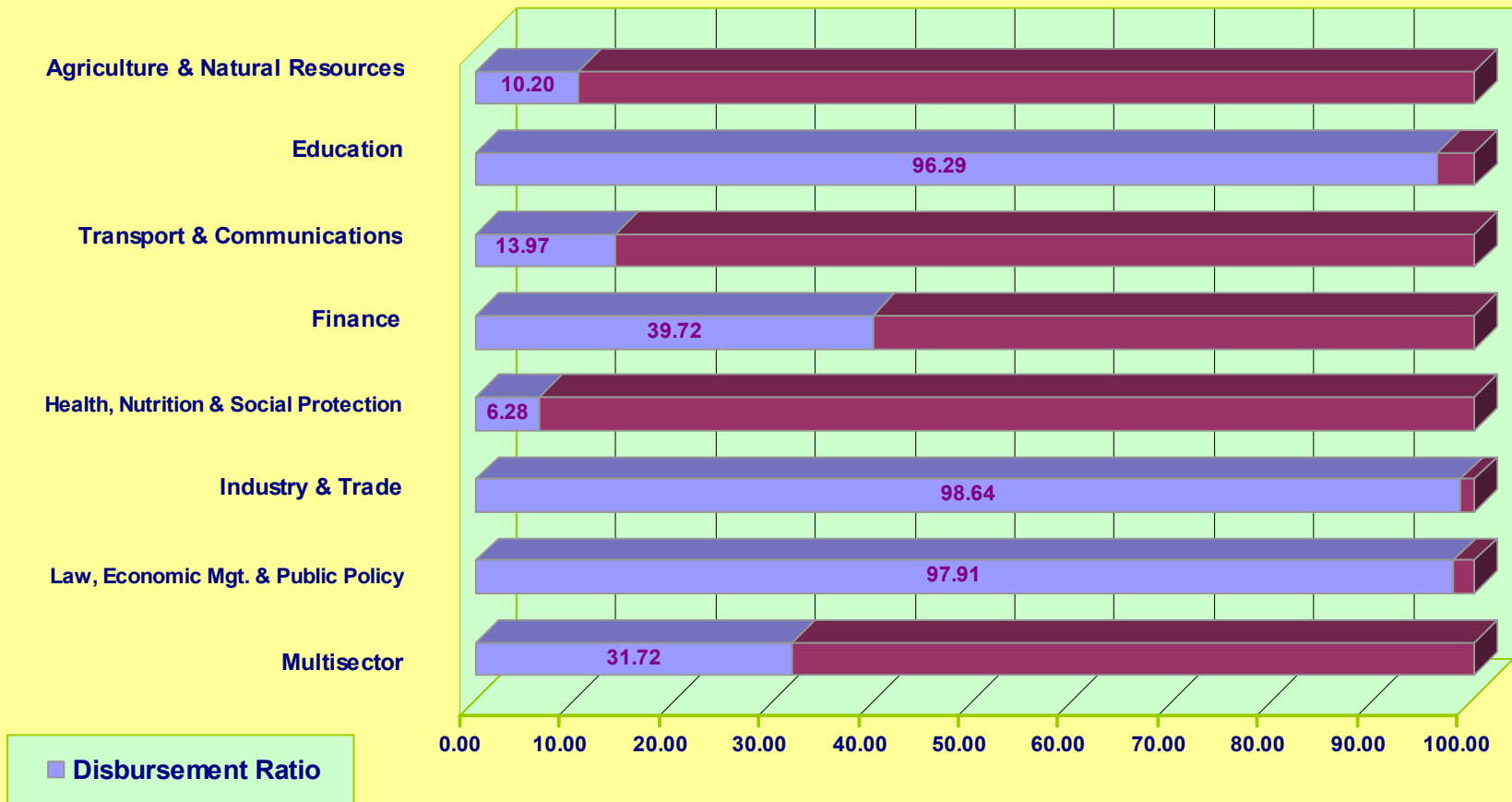
## 2000 - 2004 Kyrgyz Loans Disbursements



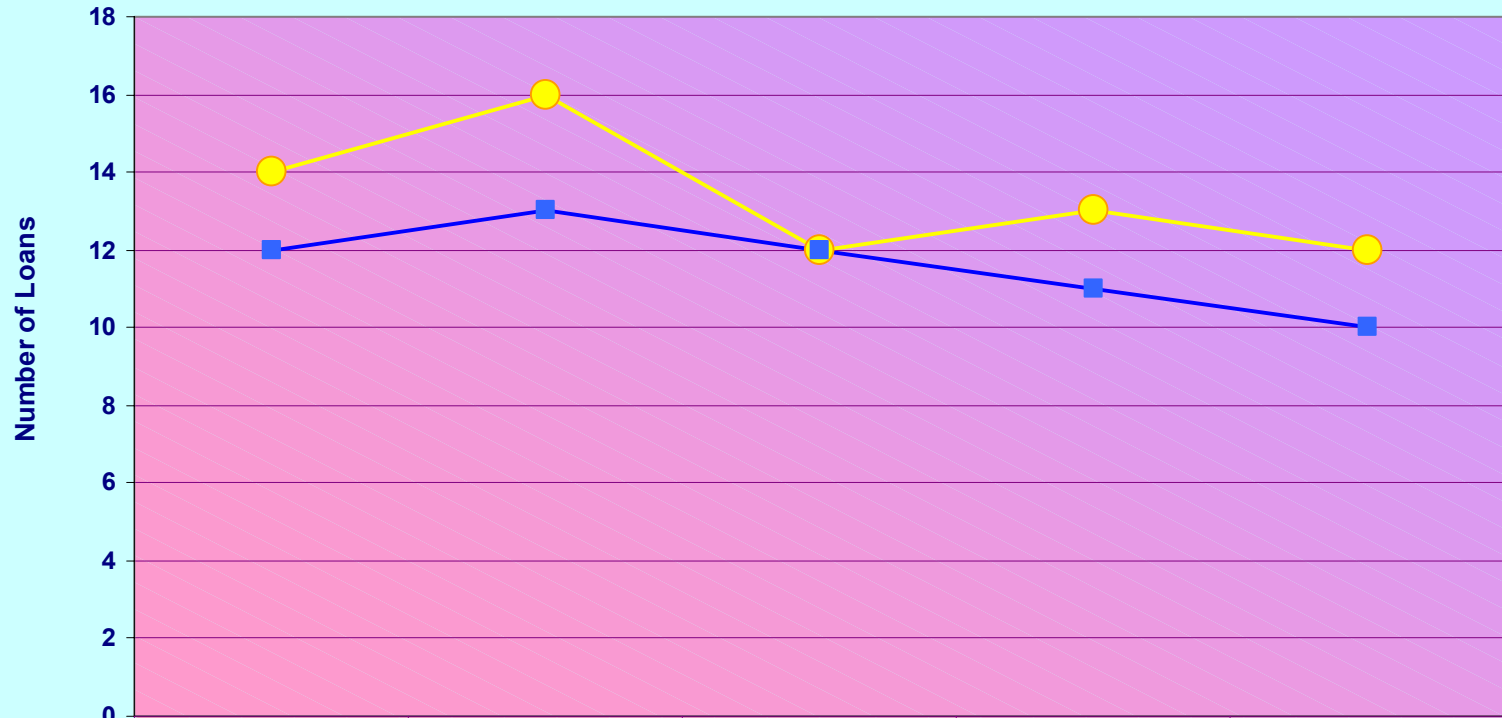
## 2000 - 2004 Kyrgyz Loan Disbursement Ratio



## 2004 Kyrgyz Loan Disbursement Ratio by Sector



## 2000 - 2004 Number of Active Kyrgyz Loans



Year	2000	2001	2002	2003	2004
All	14	16	12	13	12
Effective	12	13	12	11	10

### 2000 - 2004 Number of Active Kyrgyz TAs

