
6 DISBURSEMENT PROCEDURES

Four Major Types

6.1 Procedures for withdrawal of loan proceeds are standardized to facilitate disbursements under most loans. Disbursement procedures consist of four major types, described briefly as the

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

Simplified Documentation under the Reimbursement Procedure

6.2 While normally ADB requires submission of full supporting documentation, there are special cases where it accepts simplified documentation when

- the **statement of expenditures (SOE) procedure** involves the borrower submitting an SOE to support an application (*see paragraphs 9.8 to 9.22 for details*);
- the **force account works procedure** involves the borrower submitting periodic certification of the progress or completion of civil works in support of its application for reimbursement (*see paragraphs 9.23 to 9.26 for details*); and
- the **simultaneous application for subloan approval and withdrawal (SAW) procedure** involves qualified DFIs submitting simplified supporting documents when they request reimbursement of

expenditures and ADB's confirmation of subloans below the set "free limit" (see paragraphs 9.27 to 9.30 for details).

Suggested Disbursement Procedures

6.3 The four procedures are normally used for the following kinds of payment:

Nature of Payment/s	Precondition for Payment	Suggested Disbursement Procedure
Mainly large civil works, progress payments, consultants' fees, procurement of goods	Payments are due	Direct payment
Importation costs	The borrower has opened an LC with a provision that the negotiating bank will be reimbursed by ADB for payments made to the supplier	Commitment
Local currency costs, petty purchases, and small civil works	Expenditures have been incurred and paid for by the borrower from its own funds	Reimbursement
Contractors' bills and suppliers' invoices, numerous items of operating expenses, other eligible expenditures	The borrower experiences cash flow difficulty	Imprest fund

Modes of Loan Disbursement

6.4 The following chart presents graphically the interrelationship of the different types of loan disbursement procedures (note the connection between the imprest fund and SOE procedures).

