

# 9 REIMBURSEMENT PROCEDURES

## Description

- 9.1 The **reimbursement procedure** is one whereby 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 borrower or EA out of its budget allocation or its own resources.
- 9.2 Under this procedure, ADB's payments are made only to the borrower or EA and not to a third party (e.g., supplier, contractor, etc.)
- 9.3 This procedure normally requires submission of full supporting documentation.

## Basic Requirements

- 9.4 A signed withdrawal application (*see form ADB-DRP/RMP in Appendix 5*) must be submitted to ADB together with a summary sheet (*see form ADB-RMP-SS in Appendix 8*) and the required supporting documents.
- A separate withdrawal application must be submitted for each currency. A separate summary sheet must also be submitted for each loan category or subcategory grouping items claimed by contract number.
  - The expenditures should have been incurred and paid for by the borrower out of its own fund sources.

## Supporting Documents <sup>1</sup>

- 9.5 ADB is to receive the withdrawal application with
- the contract or confirmed PO, if not yet submitted to ADB;
  - a copy of the invoice/bill/claim and delivery receipt; and
  - the evidence or receipt of payment showing the amount paid, the date of receipt, and the payee.

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<sup>1</sup> If supporting documents are written in local language, there should be an English translation of important words/items in the documents (e.g., the title of the document, name of the supplier/contractor, description of goods and services, amounts and dates).

### Simplified Documentation

- 9.6 Where full documentation is impractical, burdensome, voluminous, or costly, ADB may accept simplified documentation under the following procedures:

Procedure	Simplified Documentation to Replace Full Documentation
SOE procedure	SOE
Force account works	Certificates on the percentage of completed work and amount that can be withdrawn
Simultaneous application for subloan approval and withdrawal (SAW) procedure	Summary sheet for SAW

### Narrative Procedures

- 9.7 The narrative procedures for reimbursement procedures are shown in *Appendix 21*.

#### STATEMENT OF EXPENDITURES (SOE) PROCEDURE

- 9.8 Statement of Expenditures procedure is a simplified procedure requiring no submission of supporting documentation.
- 9.9 The procedure derives its name from the SOE form which is submitted with the withdrawal application. The SOE replaces the usual supporting documents and the summary sheet.
- 9.10 The SOE form provides data on contracts and disbursements up to the authorized ceiling amount.
- 9.11 In the SOE, the borrower certifies that
- expenditures have been incurred and paid for under the terms and conditions of the loan agreement;
  - records are maintained and are available for examination by ADB disbursement/review missions and independent auditors; and
  - payments have not been split just to enable it to pass through the threshold prescribed under the SOE.

9.12 The SOE forms available are

- SOE form for contracts of US\$100,000 and below (*see Appendix 22*);
- SOE form for contracts over US\$100,000 (*see Appendix 23*);
- SOE form for noncontract items, mostly related to operating and overhead expenses (*see Appendix 24*); and
- SOE form (free format) for items not provided in the other SOE forms (*see Appendix 25*).

9.13 SOE procedure may also be used when liquidating or replenishing the imprest account, if allowed by ADB.

### Conditions for Using the Procedure

9.14 The following conditions must exist before the borrower may use the procedure:

- **Impracticability of Full Documentation** - The SOE procedure is used where it is impractical to require full documentation. This may apply to EA operating costs or expenditures related to contracts scattered over a wide area.
- **Borrower's Capability** - The borrower must have sufficient administrative and accounting capabilities to prepare and maintain proper SOE records and make them readily available for examination.
- **Audit Arrangements** - The borrower must be capable of arranging for periodic or annual audits of SOE transactions as part of the project's audit.

### Approval of the Procedure

9.15 During appraisal missions, ADB staff identify the need for the SOE procedure. If the procedure is approved, it is provided for in the RRP and loan agreement.

9.16 If during project implementation the borrower needs to use simplified documentation, it may request ADB's approval. Request to use SOE procedure is sent to the CTL for approval by the Controller following recommendations by Controller's and sector departments. (However, if the requesting EA has previously obtained ADB approval for using the procedure or if the request is for an increase in SOE ceiling or use of the procedure for additional loan categories, approval is requested from the Assistant Controller concerned.)

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### Limits in Using SOE

- 9.17 For project loans, the ceiling is US\$100,000 per contract. Any other ceiling may be approved by ADB on a loan-to-loan basis. This should be provided for in the loan agreement.
- 9.18 For non-project loans (e.g., loans to DFIs) the ceiling is usually related to the “free limit” of the subloan amount.

### Ineligible Payments

- 9.19 Where ADB subsequently finds any payment made under SOE procedure to be insufficiently supported or ineligible for ADB financing, ADB may offset the amount of the unjustified or ineligible payment against subsequent withdrawals for reimbursement or request the borrower or EA to refund the same amount to the loan account.

### Audit Arrangements

- 9.20 SOE records must be audited regularly by independent and qualified auditors acceptable to ADB. The audit is carried out as part of the regular annual audit of the EA’s accounts. A separate audit opinion is included in the annual audit report.

### Review by ADB Staff

- 9.21 ADB reserves the right to conduct spot or random checks of expenditures covered by SOE through disbursement missions or review missions. Documents are to be kept in the EA’s office and must be made readily available for checking by ADB’s disbursement and review missions or upon ADB’s request for submission of supporting documents on sampling basis.

### Suspending Use of the SOE

- 9.22 ADB may suspend using SOE procedure when
- the borrower continuously claims ineligible expenditures;
  - the EA fails to submit the audit report before the deadline;
  - the audit report indicates significant irregularities in the use of the ADB funds in project implementation; and
  - the disbursement/review mission finds significant irregularities in the use of ADB funds.

### FORCE ACCOUNT WORKS PROCEDURE

- 9.23 The force account works procedure is a procedure for reimbursing the borrower for expenditures in carrying out certain approved civil works required for the project. Two certificates are used instead of the usual supporting documents: the first on the project's physical progress (*Part 1*) and the second on its financial progress (*Part 2*) (see *Appendix 26*).

#### Conditions for Using the Procedure

- 9.24 This procedure is applicable to projects in which the borrower uses its own work force, equipment, and other resources.

It is also applicable when the size, nature, and location of the works make competitive bidding unsuitable. ADB must also be satisfied that the borrower's construction facilities are adequate and efficient and the borrower is capable of doing the work expeditiously at reasonable cost.

#### Details on the Certificates

- 9.25 Details on the Certificates

	First Certificate	Second Certificate
<i>Indicates</i>	Cumulative % of completion of physical progress of work	<ol style="list-style-type: none"> <li>1. Cumulative amount in US\$ which can be withdrawn</li> <li>2. Current amount of claim based on the % of work completed</li> </ol>
<i>Certified and signed by</i>	<ol style="list-style-type: none"> <li>1. Project Engineer or</li> <li>2. Authorized representative of EA or project consultant</li> </ol>	Borrower's authorized representative

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- 9.26 A report on the progress of civil works being undertaken is required using the form physical progress by project activities (*see Appendix 27*). The percentage of completion is to agree with the first certificate.

### SAW PROCEDURE

- 9.27 Loans to DFIs are on-lent to small and medium enterprises. DFIs are delegated the functions of selecting, appraising, negotiating for, and supervising small and medium projects. Normally, DFIs are allowed to approve subloans up to certain amounts or free limits, as agreed with ADB. Subloans exceeding the free limit require ADB's prior approval. Subloans below the free limit need only be confirmed by ADB before disbursements can be made.
- 9.28 The simultaneous application for SAW procedure is a procedure for reimbursing qualified DFIs having numerous and small amounts of subloans below the authorized free limit against a signed withdrawal application supported by a summary sheet (*see Appendix 28*) detailing individual subloans.

### Conditions for Using the Procedure

- 9.29 The SAW procedure is made available by ADB to spare the DFIs the trouble of attaching voluminous documentation to the withdrawal application.

### Contents of the Summary Sheet

- 9.30 Details in the summary sheet include
- sub-borrower;
  - industry sector;
  - nature of business;
  - subloan purpose and description;
  - amount of claim; and
  - country of origin

### CHECKLIST

#### For Reimbursement Procedures in General

1. Has the pertinent contract been sent to ADB?
2. Is the withdrawal application signed by an authorized signatory?
3. Has a separate application been accomplished for each currency?
4. Has a separate application been accomplished for each payee?
5. Has a separate summary sheet been prepared for each category or subcategory and are items grouped by contract number?
6. Has ADB's PCSS number been indicated in the summary sheet for each contract?
7. Are expenditures eligible for financing under ADB loans?
8. Is the borrower's bank account number, name of bank and correspondent bank (if applicable) shown on the payment instructions?
9. Are the invoice/bill and delivery receipt attached?
10. Is the receipt or evidence of payment attached?

#### For SOE Procedure

1. Is the SOE procedure provided for in the loan agreement, or is it approved by ADB?
2. Is the SOE signed by the authorized signatory?
3. Is the format of the SOE correct, with SOE certification included?
4. Are all expenditures listed in SOE within the SOE ceiling?