

# Project Administration Instructions

PAI 4.02  
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## DISBURSEMENTS UNDER FORCE ACCOUNT WORKS

### A. Introduction

1. Force account involves using the borrower's or executing agency's own workforce, equipment, and other resources for civil works (PAI 3.05). This happens when

- the size and location of the works make competitive bidding unsuitable;
- ADB is satisfied that the construction facilities are adequate; and
- the borrower or executing agency can undertake the works expeditiously and at reasonable cost.

When ADB agrees to the use of force account, it usually finances the indirect foreign exchange cost of labor, materials, and equipment expended on the works. If the loan involves local cost financing, ADB may also finance part of the local currency expenditures of the force account works.

### B. Procedure and Methodology

2. Financing of force account works requires ADB's prior approval either during project processing or project implementation. In the former case, approval is detailed in the report and recommendation of the President (RRP) and in schedule 4 (procurement) to the loan agreement. If force account is proposed during project implementation, the sector divisions or the regional or resident missions (RMs) where appropriate approves the change in mode of procurement in accordance with PAI 3.01, and advises the Loan Administration Division (CTLA) of the approval and the maximum amount allocated to force account.

3. ADB's loan disbursement procedure for expenditures under force account works requires the borrower to submit a withdrawal application accompanied by two certifications (*Loan Disbursement Handbook*, Appendix 16<sup>1</sup>). This allows the release of loan disbursements based on the rate of progress of the works as certified by the project consultant and executing agency. For example, if the progress of the works is certified to be 40 percent complete, then the borrower can withdraw up to 40 percent of the loan amount allocated for that purpose. The borrower submits a withdrawal application in local currency (equivalent to the corresponding US dollar amount due) or in US dollars. Imprest account funds are not used for force account works.

4. The total withdrawn at any time is checked against the percentage of physical completion (*Loan Disbursement Handbook*, Appendix 17) shown in periodic project progress reports submitted by the executing agency or included as attachments to back-to-office reports of review missions. A copy of these progress or back-to-office reports is given to CTLA.

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<sup>1</sup> ADB. 2001. *Loan Disbursement Handbook*. Manila.