DISBURSEMENT

A. Regulatory Frameworks

1. Articles 14(ix), (x), and (xi) of the Agreement Establishing the Asian Development Bank (the Charter) stipulate the conditions for the use of loan\textsuperscript{1} proceeds financed by ADB. The Charter sets out the following principles to be followed in disbursement (endnote i):

(i) The proceeds of any loan investment, or other financing provided by ADB shall be used only for procurement in member countries of goods and services produced in member countries unless the Board of Directors specifically permits otherwise (Article 14[ix]).\textsuperscript{2}

(ii) The borrower shall be permitted to draw its funds only to meet expenditures in connection with the project as they are actually incurred (Article 14[x]).\textsuperscript{3}

(iii) The proceeds of any ADB loan are to be used only for the purposes for which the loan was approved, with due attention to considerations of economy and efficiency (Article 14[xi]).\textsuperscript{4}

2. The respective loan regulations (endnotes ii, iii, iv, v) further set out the conditions for the use of loan proceeds financed by ADB, or proceeds administered by ADB.\textsuperscript{5} The loan agreements may include conditions for withdrawal from the loan account, which may require that certain events or actions shall have occurred or been completed before ADB disburses the loan proceeds.

B. Specific Arrangements

3. ADB allows borrowers to open advance accounts in the currency of developing member countries that have freely convertible currencies or in any freely convertible currency (endnote

\textsuperscript{1} The terms "lending" and "loan(s)" include ADF grants(s).
\textsuperscript{2} For example, ADB allows waivers of the member country procurement eligibility restrictions in some cases of financing partnership operations and policy-based lending. OM section J3 (Procurement), and OM section J2 (Consultants).
\textsuperscript{3} ADB may provide such financing on a retroactive basis. This paragraph should be read in conjunction with OM section H4 (Retroactive Financing).
\textsuperscript{4} This paragraph should be read in conjunction with OM section H3 (Cost Sharing and Eligibility of Expenditure for ADB Financing).
\textsuperscript{5} ADB applies similar principles to those set out in Articles 14 (ix), (x), and (xi) of the Charter to loans and grants from external funding sources that are administered by ADB, except when ADB and the relevant cofinancier agree otherwise.
Basis


v. ADB. 2009. *Adoption of Externally Financed Grant Regulations*. Manila (R46-09).


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6 An ‘advance account’ is a separate borrower’s bank account for depositing advances from the loan account and for the exclusive use of the project, formerly known as an ‘imprest account.’