

DISBURSEMENT HANDBOOK 2019



IsDB 
البنك الإسلامي للتنمية
Islamic Development Bank

DISBURSEMENT HANDBOOK 2019



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ABBREVIATIONS

BED	-	Board of Executive Directors
CTA	-	Common Terms Agreement
D&D	-	Dues and Disbursement
EA	-	Executing Agency
FCD	-	Financial Control Department
IA	-	Implementing Agency
ICD	-	Islamic Corporation for Development of the Private Sector
ICIEC	-	Islamic Corporation for Insurance of Investments and Export Credits
ICR	-	Irrevocable Commitment to Reimburse
INFOHUB	-	Project Information Hub
IsDB	-	Islamic Development Bank
ISFD	-	Islamic Solidarity Fund for Development
IRTI	-	Islamic Research and Training Institute
ITFC	-	International Islamic Trade Finance Corporation
LC	-	Letter of Credit
NDFI	-	National Development Financing Institution
OCR	-	Ordinary Capital Resources
PCG	-	Principles of Corporate Governance (IsDB Group)
PFM	-	Project Financial Management
PFMF	-	Project Financial Management Policy Framework
PIM	-	Project Implementation Manual
PIU	-	Project Implementation Unit
PMU	-	Project Management Unit
PPP	-	Public Private Partnership
P5P	-	President's Five -Year Program
RBA	-	Risk-based Approach
RG	-	Reimbursement Guarantee
RRP	-	Report and Recommendation of the President
SA	-	Special Assistance
SME	-	Small and medium-sized industry
SS	-	Summary Statement
SOE	-	Summary of Expenditure
TA	-	Technical Assistance



FOREWORD

This Disbursement Handbook reflects a summary of the disbursement policies, guidelines, and procedures of the Islamic Development Bank ('IsDB' or 'Bank'). It is intended to serve as a reference tool for beneficiaries, executing agencies, project implementation units, co-financiers, suppliers and other external contracting parties involved in the preparation and implementation of projects and programs financed by or through the Bank.

The policies and procedures outlined in this Handbook apply to sovereign and sovereign-guaranteed operations funded in whole or part, or through funds administered, by the Bank. These Bank operations cover projects and programs funded by the Bank from proceeds out of its Ordinary Capital Resources, Islamic Solidarity Fund for Development, Waqf Fund, as well as from Special and Trust Funds, and any other donor-originated funds administered by the Bank. This Handbook also covers co-financing from partners who have requested the Bank to assume responsibility for administration of project or program disbursements.

This Handbook is available electronically on the Bank's website at: www.isdb.org

It will be updated regularly to reflect feedback from users and changes in disbursement administration policies and procedures. The Disbursement and Dues Division (D&D Division) of the Financial Control Department (FCD) of the Bank, also represented in the Bank's regional hub offices, is responsible for disbursement administration and for updates to the Handbook.

CHAPTER

1

INTRODUCTION

1.1 Purpose

The objective of this Disbursement Handbook ('Handbook') is to provide clear and easy-to-use guidelines of required disbursement policies and procedures for beneficiaries¹ of the Islamic Development Bank ('IsDB' or the "Bank").

Apart from this general introduction, the Handbook has five chapters that follow:

◆ Chapter 2

provides a broad overview of the structure and organization of the IsDB Group, with particular focus on the Bank's operations to which the disbursement-related policies and procedures summarized herein apply;

◆ Chapter 3

highlights relevant aspects of the Bank's policies that relate to disbursement operations, including those covering critical financing-related project events such as suspension or cancellation;

◆ Chapters 4 and 5

provide the broad procedural contours of the four standard modes of disbursement described therein.

◆ The Handbook concludes with **Chapter 6** which covers key aspects of project financial management that are relevant to disbursement operations of the Bank.

1.2 Applicability

The policies and procedures, and their underlying policies, outlined herein, apply to any financing under all Islamic modes of financing extended by the Bank to beneficiaries, including grants financed or managed by the Bank.

The primary focus of this Handbook is on the critical steps that beneficiaries are required to follow in submitting withdrawal applications and in obtaining proceeds from financing or grant accounts for execution of projects and programs financed by or through the Bank. This Handbook also covers the processes required by the Bank for closing the relevant project or program disbursement accounts upon completion of project implementation.

The Handbook should be read in conjunction with the relevant financing or grant documentation and applicable Bank regulations and guidelines such as the Bank's General Conditions Applicable to Sovereign-backed Financing, Guidelines for Procurement of Goods, Works and Related Services, Guidelines for Procurement of Consultant Services under IDB Project Financing, Project Financial Management Policy, IDB Group Integrity Policy, IDB Group Integrity Principles and Guidelines, and IDB Group Anti-Corruption Guidelines, as amended from time to time.

This Handbook is a compilation of disbursement policies, procedures and guidelines and is not intended to replace existing policies and procedures issued by the Bank for disbursement through any modes of finance provided by, or through grant funds administered by, the Bank.

The Glossary at the end of this Handbook provides definitions of key terms and phrases used throughout the text and annexes.

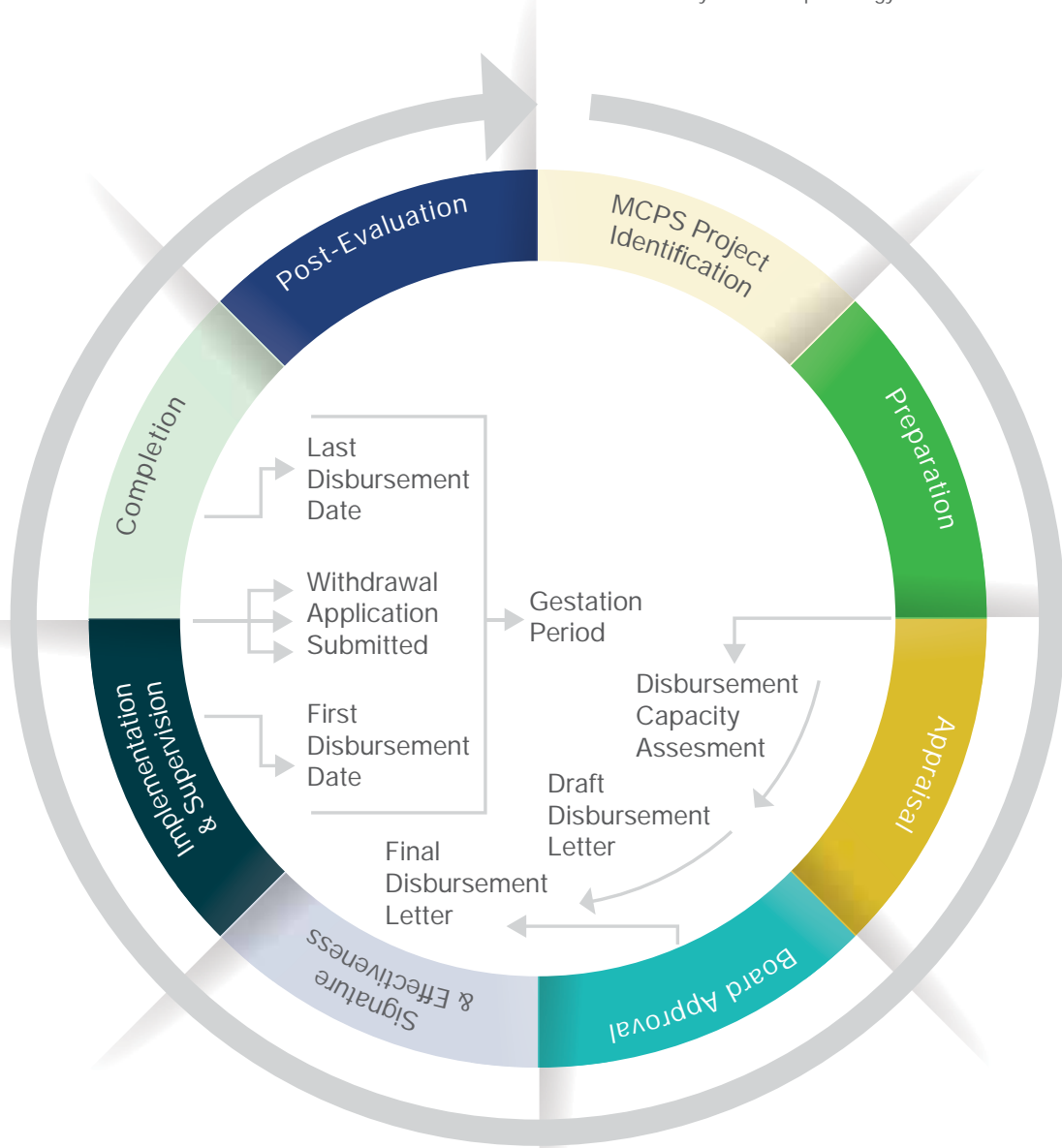
1.3 Key Project Dates

Projects and programs funded (through either financing or grant) by the Bank are managed through a standard project cycle comprised of eight stages as set out below:

1. A 'beneficiary' in the Handbook includes any borrower under Financing or recipient of Bank grants or other types of concessional finance (or from Bank-administered funds from other donors or co-financiers), unless specified otherwise.

Figure 1.1: Basic Project Cycle – Key Project Dates

MCPS = Member Country Partnership Strategy



This standard project cycle is punctuated by the following critical dates:

This standard project cycle is punctuated by the following critical dates:

Key Project Dates	Description of Event
Approval Date	The date on which the relevant authority of the Bank approves the relevant financing or grant.
Signature Date	The date on which the beneficiary and the Bank sign the financing agreement. Such date in the case of the financing agreement determines the commencement of service charges and the repayment schedule for the financing.
Effective Date	The date on which the Bank determines that the beneficiary has satisfied all conditions for effectiveness of the financing or grant agreement, as applicable, and issues a declaration of effectiveness to such effect to the beneficiary, where applicable.
First Disbursement Date	This is the date of the first payment by the Bank under an approved project and signed financing agreement. This date is planned to be generally within 180 days from date of effectiveness of the financing agreement or any later date, in case such period is extended by the Bank. ²
Last Disbursement Date	This is the date specified in the Financing Agreement (as may be amended from time to time by the Bank) on which the Beneficiary's right to submit a disbursement request shall terminate. This date typically coincides with the closing date or end of the Gestation Period for ordinary financing.
Close Out Period	This is a period of 180 days before the Last Disbursement Date during which the bank will work with the beneficiary to ensure submission of disbursement requests covering all eligible expenditures as well as the closing of the special account (if any) and return of unutilized advance under the Financing Agreement.
Gestation Period	The Gestation Period (applicable to ordinary financing modes) covers the period needed or elapsed for the completion of the asset financed by the Bank and transfer of the same to the beneficiary (i.e. the date of the first disbursement to the date of the last disbursement). Such period may be extended at the request of the beneficiary, upon approval by the Bank.

² The first disbursement must take place within six months of the Effective Date of the financing agreement to avoid automatic cancellation of such Financing, unless otherwise approved by the Bank.

1.4 Project Information Hub

The Project Information Hub (PROJECT INFOHUB) is an online resource under which users can access a secure electronic platform for project-related transactions with the Bank. INFOHUB gives users direct access to reports on their project approvals, disbursements and repayments. Reports available through PROJECT INFOHUB include a summary of all Bank projects by country, with details of such projects including updated project statements.

In order to access PROJECT INFOHUB, users are required to submit an application and provide all requested information in order to be considered for registration under the system by the Bank. The INFOHUB registration form can be obtained from the relevant IsDB project team members.

1.5 Outreach

External training is normally undertaken by the Financial Control Department (FCD) at the project level through instructional sessions for executing and implementing agencies held during start-up workshops subsequent to project approval by the Bank for the Financing for the relevant project.

1.6 Inquiries

FCD is responsible for assisting project staff in finalizing disbursement arrangements and for approving disbursement requests for financing by way of any of the Bank's modes of financing or grant provided or administered by the Bank.

For further information, please visit our website at www.isdb.org or contact:

Dues & Disbursement Division

Financial Control Department

Islamic Development Bank

8111 King Khalid St.

Jeddah, Saudi Arabia

EMAIL : fcd_disbursements@isdb.org



CHAPTER

2

THE ISDB GROUP

2.1 Overview

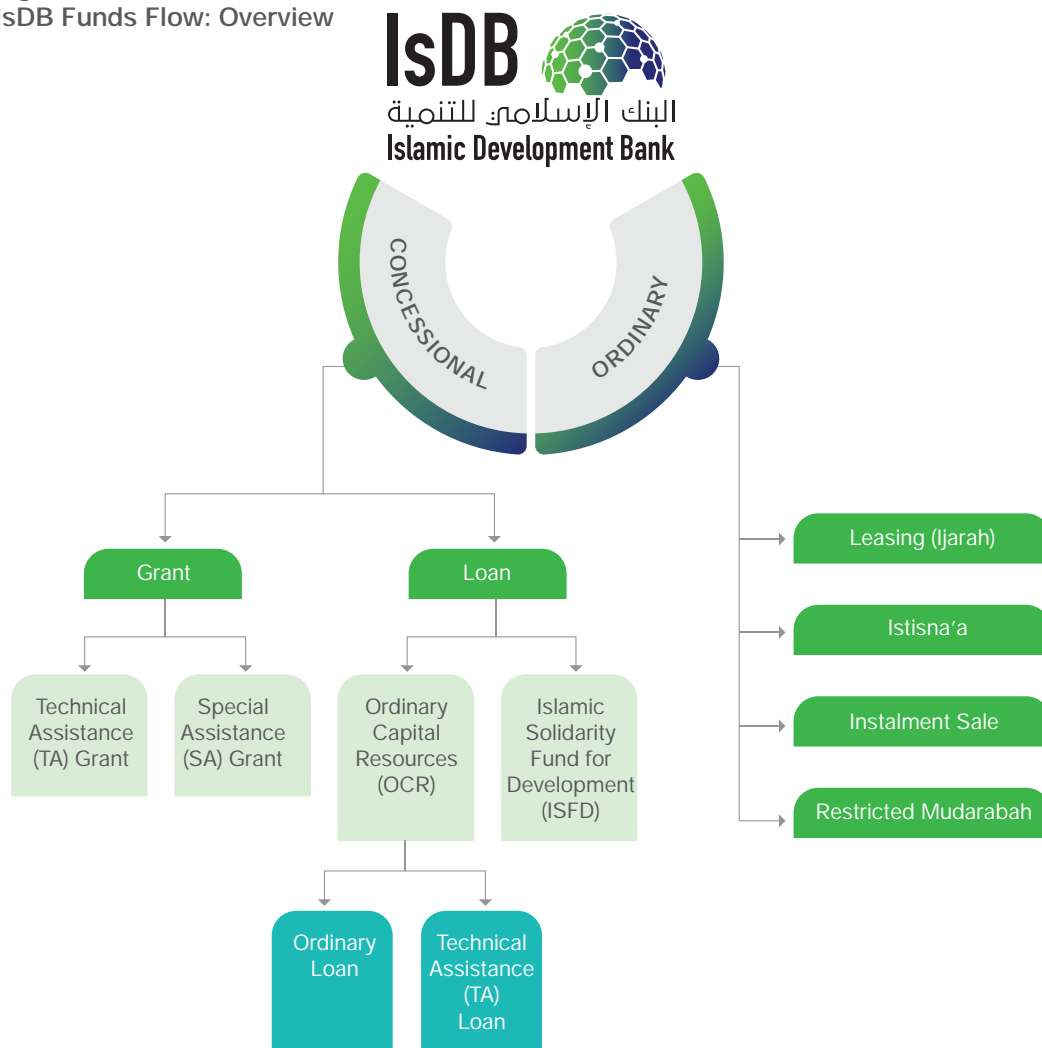
The IsDB Group is comprised of five main entities: the Islamic Development Bank (Bank), the Islamic Corporation for Development of the Private Sector (ICD), the Islamic Corporation for Insurance of Investments and Export Credits (ICIEC), the International Islamic Trade Finance Corporation (ITFC) and the Islamic Research and Training Institute (IRTI).

This Handbook covers the disbursement process for financing of projects and programs originated or administered only by the Bank. It does not apply to other Bank Group entities. The Bank has three main sources of its own funding: Ordinary Capital Resources (OCR), the Waqf Fund and the Islamic Solidary Fund for Development (ISFD). OCR is currently provided under four main Islamic modes of financing (Ordinary Financing), as well as by way of concessional loans.

The Waqf Fund and ISFD provide resources for concessional financing and for grant allocations by the Bank. IsDB grants may take the form of technical assistance (TA), technical cooperation activities, or Special Assistance (SA). TA grants may be used for undertaking preliminary or detailed feasibility study and design, supporting project implementation (i.e. capacity building) and for advisory studies such as policy reviews, development of sectoral plans, institution-building research, etc. SA grants may be used for training and research and natural disaster emergency and relief operations for the Bank's member countries as well as for assistance to Muslim communities in non-member countries.

The Bank also manages individual or aggregated funds from external donors/partners to finance its projects and programs.

Figure 2.1:
IsDB Funds Flow: Overview



2.2 Vision and 10 Year Strategic Framework

Under IsDB's Vision, the overarching imperative for the Bank is to become a world-class development institution, inspired by Islamic principles, to improve human development.³ The Bank's 10 Year Strategic Framework, resulting from its 40th Anniversary assessment, sets out three strategic objectives: inclusiveness, connectivity and growth

of Islamic finance.⁴ These objectives, and corresponding strategic pillars detailed in the Framework, are grounded in seven guiding principles by which the corporate performance of the Bank is measured, monitored and managed. Managing for Results, one of those guiding principles, promotes more improved and responsive operations internally within the Bank and externally with member countries and development partners.

2.3 Transformational Initiatives under P5P

As part of the strategic commitment to 'manage for results', and to track progress in achieving objectives under the 10 Year Strategic Framework, the President of the Bank launched a new Five-Year Program (P5P) at the end of 2017. The P5P aims to measure performance of the Bank in a more granular manner and provide an important shift towards evidence-driven operations. It sets out six priority areas⁵ through which the Bank will focus to support Member Country efforts to tackle development challenges.

These priority areas are measured by reference to six tracks or "strategic shifts" that are intended to improve and deepen the organizational commitment of the Bank to: awareness, linkages, competence, funding, delivery and reinforcement.⁶

2.4 Decentralization

For purposes of the Bank's disbursement function, the strategic shift under P5P to improved operational 'delivery' through business process improvements and enhancements requires significant decentralization. Such decentralization contemplates project operational activities, including disbursements, handled through designated regional hubs of the Bank. Bank staff at such regional hubs will include field disbursement officers who will coordinate operational disbursements from commencement to completion of project implementation.

2.5 Islamic Modes of Financing

Apart from concessional loans, project-related disbursements from OCR financing currently arise out of application of the following forms of Islamic finance provided to beneficiaries:

Ijarah (lease financing): This mode provides medium-term financing for the purpose of rental of capital equipment or fixed assets (e.g., machinery, vehicles, oil tankers). At the expiry of the lease period, the Bank transfers the ownership of the leased asset to the beneficiary as a gift;

Service ijarah (services financing): This recently introduced mode covers the provision of technical assistance services to a beneficiary for project preparation and related activities that can be paid for separately by the beneficiary, or the costs of which can be incorporated into the financing for any ensuring project resulting from design and preparation (through such service ijarah financing);

Istisna'a (working capital financing): This mode provides financing for the manufacture of goods or other assets that are required by the beneficiary under the project in accordance with agreed specifications, within a specified time and for an agreed price.

Instalment sales financing: Under this mode, the Bank purchases a good or asset and subsequently sells such good or asset to the beneficiary at a marked-up price for which payment is made by the beneficiary in agreed instalments. In these cases, unlike under ijarah financing, the ownership of the good or asset is transferred to the beneficiary (i.e. buyer) at delivery.

Mudaraba (restricted): Under this mode, the Bank acts as an agent of the beneficiary and invests in pre-defined sectors or projects and is paid an agreed agency fee or charge for making such investments.

Murabaha (mark-up): Under this mode, the Bank acts as a purchaser of goods needed by a beneficiary which are sold by the Bank to the beneficiary on a contractual cost-plus basis or at a profit (or mark-up). Both the profit (mark-up) and the time of repayment (usually in installments) are specified in an initial contract.

While different members of the IsDB Group engage in other forms of Islamic financing, the majority of transactions fall within the ambit of the above modes of Islamic finance.

3. IsDB, A Vision for Human Dignity (2006)

4. IsDB, 10 Year Strategic Framework

5. These are: Working with Member Countries, Enhancing Development Impact, Expanding Partnerships, Pursuing Innovative Financing, Strengthening Capacity Building in Member Countries, and Improving the Bank's Image.

6. IsDB, Realizing Sustainable Development: Development Effectiveness Report 2017 (August 2018), pp. 12-13.

CHAPTER

3

DISBURSEMENT POLICIES

3.1 Basic Principles

The five paramount principles embodied in the Articles of Agreement of the Bank that apply to disbursement of proceeds for projects and programs financed or administered by the Bank are:

◆ **Article 1:**

any Bank disbursement policies and procedures must conform to the Shari'ah;

◆ **Article 12:**

the resources and facilities of the Bank must be used exclusively to implement its purposes and functions on the basis of sound economic principles.

◆ **Article 16 (1)(i):**

the Bank shall pay due regard to safeguarding its interest in respect of its financing.

◆ **Article 16(vi)(2):**

the Bank must take necessary measures to ensure that financing made available by it will be used strictly for those purposes for which such funds have been provided.

◆ **Article 16(vi)(6):**

every Bank financing contract shall provide for effective inspection and follow-up by the Bank.

Other Articles also provide guidance that specifically relate to Loan (as distinct from other modes of) financing (see, for example, Articles 20(3) and 26.

3.2 General Conditions⁷

3.2.1 General

The Bank recently completed a comprehensive updating and realignment of certain critical legal conditionalities that apply to each of the Bank's modes of financing. These new provisions are as embodied primarily in the following (collectively 'Updated Conditions'):

- ◆ General Conditions Applicable to Loan and Technical Financing;
- ◆ General Conditions Applicable to Istisna'a Financing;
- ◆ General Conditions Applicable to Installment Sale Financing;
- ◆ General Conditions Applicable to Services Ijarah Financing.

3.2.2 Critical Events Affecting Disbursement

These financing-specific Updated Conditions are cross-referenced in agreement-specific general conditions that are embodied in the prescribed agreement templates for different modes of Bank financing, namely, for Istisna'a, Installment Sale Financing, and Service Ijarah, and supplemented in the respective agency agreement templates for each of these modes of financing.⁸

In addition to providing detailed clarification on events of default under each modes of financing, these five sets of Updated Conditions also broadly deal with situations that may require acceleration, suspension, cancellation and termination of the underlying agreement between the Bank and the beneficiary. These situations are summarized below:

- ◆ **Acceleration:** permits the Bank to declare as due and payable immediately all amounts disbursed to the beneficiary and outstanding, together with any applicable charges, if particular events arise that constitute default under the terms of the financing agreement and continue without correction. No disbursements are permitted if the Bank has taken steps to accelerate payments under a financing agreement.

⁷ The updated General Conditions Applicable to Financing and Guarantee Agreements (General Conditions) apply to any modes of Financing provided by the Bank. Until such General Conditions (as discussed below under sub-sections 3.2.1-3.2.3 and referred to as 'Updated Conditions') have been approved by IsDB's Board of Executive Directors, the provisions of the current General Conditions will continue to apply to any and all disbursements by the Bank and any references herein to General Conditions should be read accordingly.

⁸ See: Istisna'a Agreement (and related Istisna'a Agency Agreement), Installment Sale Financing Agreement (and related Installment Sale Financing Agency Agreement) and Service Ijarah Agreement (and related Service Ijarah Agency Agreement).

- **Suspension:** If the Bank concludes that there is or may be an event of default, or any reasonable possibility of the happening of a material adverse effect on the project, the Bank may suspend, i.e. stop, further disbursements. Suspension may apply to one or more financing agreements or to a specific project component under a single financing agreement. Such suspension of disbursements takes effect from the date of the decision to suspend and remains in effect until (i) the date of cessation of the event(s) that led to the suspension, and (ii) notification by the Bank to the beneficiary of the total or partial lifting of the suspension. In the case of repayment related defaults (i.e. overdues), the Bank will suspend disbursements on all projects guaranteed by the IsDB member country.⁹
- **Cancellation:** Under the Updated Conditions, the beneficiary can typically cancel the whole or part of any unutilized available approved amount at its discretion, other than any amounts that are subject to the Bank's undertaking of a reimbursable guarantee commitment under a Letter of Credit. Cancellation events include situations when the relevant agreement has not become effective, or a first disbursement request has not been submitted, within the prescribed period. Automatic project cancellation broadly occurs upon the expiry of the period within which the related financing agreement should be signed, if there is no signing event. If the financing agreement has been signed, then automatic cancellation occurs if the signed agreement is not declared effective with the prescribed period.¹⁰ If the financing agreement has been signed and declared effective within the prescribed period, automatic cancellation may still occur if the beneficiary fails to submit the first disbursement request within the period specified in the financing agreement, or any extended period for such purpose approved by the Bank.¹¹
- **Termination:** Under the Updated Conditions, the Bank may terminate financing or related agreements typically upon the occurrence of what is termed as 'termination event'. Such events include situations when the relevant agreement has not become effective, or a first disbursement request has not been submitted, within the prescribed period (unless extended by the Bank). Also included are events of default under the relevant agreement. Termination may also occur if all obligations under the relevant agreement have been fully discharged and completed.

Apart from the General Conditions, the IsDB Group Principles of Corporate Governance (2009) (PCG) sets out basic Bank-wide governance principles.¹² Among others, under the PCG, the Bank has committed to the principle of accountability under the terms of which the Bank ensures the preservation of financial resources through implementation of best practices and appropriate systems of operational and financial control, internal and external audit and risk management.¹³

3.2.3 Disbursement-related Provisions

Disbursement-related provisions in each of these sets of General Conditions (and the related agreement-specific general conditions) are substantially similar. These covenants relate to the requirements for completion of disbursement requests by beneficiaries and set out the conditions that must be satisfied before the Bank can accept, and execute, any specific disbursement request submitted by a beneficiary.

Broadly, a disbursement request is considered duly completed provided that:

- (i) the relevant disbursement date is a business day that falls before the applicable closing date (also referred to as Last Disbursement Date), except if otherwise extended by the Bank;
- (ii) the currency and amount of such request comply with the applicable currency required;
- (iii) the amount of such request does not exceed the available approved amount for the project;
- (iv) each such request only relates to one specific contemplated disbursement;
- (v) the specific withdrawal application to which the disbursement request relates has been signed by the authorized signatory (ies);¹⁴ and
- (vi) the disbursement request complies with the Bank's disbursement policies and guidelines.¹⁵

9. The Bank's Overdues Policy specifies the different types of, and exemptions from, sanctions that the Bank can apply in the event of borrower overdues.

10. This is normally 180 days, unless extended by the Bank.

11. See ISDB, Administrative Instruction No: 77 (2017) (AI-77 Guidelines), paragraphs 4.2-4.5.

12. The PCG were approved by the respective Boards of Directors of IsDB Group members, including the Bank.

13. See Section V, Principle 5.1 (d), p. 8.

14. See Chapter 5.2.1 for more detail.

15. See, for example, General Conditions for Agency Agreements (part of the Updated Conditions). Each of the following terms, among others, are defined in the relevant General Conditions: 'Disbursement', 'Disbursement Date', 'Disbursement Request', 'Business Day', 'Closing Date', and 'Available Approved Amount.'

Once a disbursement request is duly completed, the Bank may accept such request and approve a specific disbursement to the beneficiary provided that six main conditionalities have been satisfied, namely:

- (i) The first disbursement request is submitted to the Bank not later than six (6) months after the relevant 'effective date', unless the Bank approves otherwise;
- (ii) Such request is accompanied by a copy of the relevant contract, and supporting documentation, to which the disbursement request relates;
- (iii) The request is accompanied by written verification of the requested disbursement amount, duly signed by the supervising consultant (in cases in which such supervising consultant is required);
- (iv) If the Bank so requests, a copy of the relevant insurance policy is provided;
- (v) The requirements of the Bank's disbursement policies and guidelines have been satisfied in relation to the requested disbursement;
- (vi) On the date of such request and on the date of the actual disbursement:
 - a. No event of default is continuing or would result from the disbursement;
 - b. All relevant undertakings of required parties (e.g. agent) have been provided;
 - c. No event has occurred which, in the Bank's opinion, might have a material adverse effect on the project.

3.3 Financing Agreement

A financing agreement sets out the critical elements of the relevant approved project document (i.e. Report and Recommendation of the President (RRP) submitted to the Board for a given project). It is entered into between the Bank and a beneficiary and details project-specific terms and conditions including, among other provisions, the following:

- currency and amount to be financed
- specific activities for which expenditure can be incurred
- financial and repayment terms, if applicable
- financial reporting and audit requirements
- procurement provisions
- applicable disbursement conditions
- key dates in the project cycle ¹⁶

The Financing Agreement is normally signed by the Bank and the beneficiary soon after ISDB Board approval of the project and such date becomes the Signature Date of the Financing Agreement. In the event of any inconsistency between the terms and conditions of the Financing Agreement and any applicable General Conditions, the terms and conditions set out in the former prevails.

3.4 Effectiveness

Any financing agreement between the Bank and a beneficiary only comes into legal force and effect upon its respective 'effective date'.¹⁷ Such effective date is the date upon which the Bank dispatches to the beneficiary notice of its acceptance of the evidence to be submitted by the beneficiary that is required to establish such effectiveness under the relevant agreement. After such clearance, the relevant disbursement process may commence with filing by the beneficiary of the withdrawal application signed by its authorized signatories.¹⁸

¹⁶. See a list of key project dates defined in the Table at Section 1.3 **17**. If such effectiveness does not occur within the prescribed period set out in the financing agreement (unless extended by the Bank), the financing agreement will be automatically terminated. See Chapter 3.2 and AI-77 Guidelines cited in related footnotes to that Section. 'Financing' agreement includes, where the context requires, all companion legal agreements necessary for purposes of project operations and disbursement (e.g. Istisna'a Agreement, Services Ijarah Agreement, related Agency Agreements, etc.). Such companion legal agreements also may have their own respective 'effective dates', in addition to those specified in the main Financing Agreement. **18**. See Chapter 5.2 **19**. See Chapter 5.2.2 **20**. This can happen, for example, in the case of mis-procurement, if rebidding is not possible, or in other serious situations as determined by the Bank that justify such offset or, possibly, full or partial cancellation of the financing to the extent of the value of the mis-procurement.

3.5 Cost Eligibility

A financing agreement will specify the expenditures that are eligible and ineligible for financing. The Bank will only finance eligible expenses.¹⁹ If funds withdrawn by the beneficiary are subsequently determined by the Bank to be ineligible for financing, the Bank may offset such amount against subsequent withdrawals by the beneficiary or may request the beneficiary to refund such amount.²⁰

3.6 Retroactive Financing

Disbursement may occur only after the financing agreement between the Bank and the beneficiary has been signed and come into effect, unless otherwise permitted by the Bank.

In exceptional situations with adequate justification, the Bank may approve retroactive financing provided this is specifically approved by the Bank and expressly provided for in the financing agreement. This permits the Bank to finance project expenditures incurred by the beneficiary prior to the effective (and signature) date of the relevant financing agreement.

Retroactive financing is typically approved for expenditures incurred and paid for by the beneficiary between the date of appraisal (or such other date as the Bank may approve)²¹ and date of effectiveness of the project financed by the Bank. In situations where project design and implementation arrangements have been finalized at a pre-appraisal stage, retroactive financing may be permitted from the date of pre-appraisal to the date of effectiveness. In emergency or disaster response situations, to ensure quick and effective response, the Bank may also approve retroactive financing commencing from the date at which such emergency or disaster requiring Bank financing is concluded to have commenced.

3.7 Procurement of Goods, Works and Services

The procurement of goods and services financed by the Bank is governed by particular policies and procedures as set out in Guidelines for Procurement of Goods, Works and Related Services under IDB Project Financing ('Procurement Guidelines') as amended from time to time and Guidelines for Procurement of Consulting Services under IDB Project Financing.

Project specific provisions for procurement are set out in the financing agreement and complement these rules and procedures. Compliance with these rules and procedures, a contractual obligation for the beneficiary, contributes to proper project implementation and is necessary for, and facilitates, disbursements.

The responsibility for project implementation, as well as the award and administration of contracts rests with the beneficiary. The Bank through the Project Procurement Division within the Country Programs Complex supervises contract award activities carried out by the beneficiary in accordance with the provisions of the financing agreement and as detailed in the project procurement plan.

21. Normally this would be restricted to expenditures incurred, and paid for, by the beneficiary 6 months before the expected date of signing of the financing agreement. In some instances, this may be extended up to 12 months before the expected date of such signing.

CHAPTER

4

DISBURSEMENT MODALITIES

4.1 Modes of Disbursement

There are four modes of disbursement that are permitted by the Bank. These modalities are summarized below.²²

Table 4.1: Indicative Disbursement Modality

Indicative Disbursement Modality	Nature of Expenditure	Description
Reimbursement	Local currency cost; beneficiary pre-financed expenditures	For eligible expenditures that can be pre-financed and paid for by the beneficiary for the project out of its own resources
Direct Payment	Larger value expenditures such as progress payments under works or consulting contracts, purchases of equipment	The Bank, at the request of the beneficiary, makes a designated payment to the supplier, contractor, consultant or service provider
Reimbursement Guarantee Commitment	Financing imports of goods, equipment, plant	The Bank provides an irrevocable undertaking to reimburse a commercial bank (i.e. advising/negotiating bank) for payments made or to be made to a designated beneficiary supplier under a letter of credit
Special Account	Small and numerous expenditures; recurrent operating costs;	For small and typically recurrent eligible expenditures, advances are made by the Bank into a special account up to a prescribed ceiling in accordance with the terms of the project disbursement letter. The special account may be replenished upon liquidation of advances by the beneficiary to the satisfaction of the Bank. It is in the nature of a revolving account.

4.2 Reimbursement

a. General

Reimbursement is typically used when the beneficiary has sufficient resources of its own to make payment for the project expenditures for which reimbursement is requested.

Under this disbursement modality, the Bank reimburses or refunds the beneficiary for eligible expenditures that have been incurred (or pre-financed) by the beneficiary from its own resources (or counterpart funding) subsequent to effectiveness of the financing or grant agreement (or earlier if retroactive financing has been approved).

Notably, under reimbursement, the Bank pays only the beneficiary and, unlike in the case of direct payment²³ does not directly pay any third party such as a supplier or a contractor. The reimbursement procedure requires submission of full supporting documentation by the beneficiary, particularly proof of payments.²⁴

²². The related disbursement procedures required under each of these four modes are discussed in further detail in Chapter 5.

²³. See Chapter 4.4 below.

²⁴. The required documentation to support each reimbursement withdrawal application is inventoried in a cover list or table of contents or statement statement for which reimbursement is requested.

b. Submissions

The procedure followed by the beneficiary when requesting reimbursement from the Bank for eligible expenditures pre-financed or paid for by the beneficiary involves three basic steps.

- First, the beneficiary completes and signs a withdrawal application form.
- Second, the beneficiary completes and signs the Summary Statement (SS) form.
- Third, the beneficiary submits original or certified true copies of supporting documentation as agreed to with the Bank.

A separate withdrawal application is required for each currency of requested disbursement.

Supporting documentation must show, to the satisfaction of the Bank, evidence of payment of the eligible expenditure, the date of such payment and the identity of the payee. If the currency of payment is different from the currency requested in the withdrawal application, the beneficiary must provide an attestation from its bank confirming the exchange rate applied for the relevant transaction when the beneficiary made the original payment.

Examples of typical supporting documentation include but are not limited to:

- Confirmed purchase order (goods) or notice to proceed (works, services);
- Copy of performance bond (goods, works) with first payment request which must be valid until the end of the works (and/or provisional acceptance) and activities program;
- Copy of advance payment guarantee (for mobilization advances) with first payment request;
- Copy of retention money (bank) guarantee (for pre-final or final payment request) if partial release of retention money conditioned on issuance of such retention money guarantee;
- Copy of Invoice/Bill/Claim from supplier, contractor and/or consultant;
- Copy of Interim Payment Certification (for interim payment requests);
- Copy of Bill of Lading and/or Delivery Receipt;
- Copy of Acceptance Certificate (goods);
- Copy of Substantial, Full or Other Completion Certification (works) as applicable;
- Copy of fulfilment of Defects Liability Period (for release of retention payment amounts);
- Copy of Certification of Acceptance of Deliverable (for consultants or service providers).

The Bank reserves the right to require any additional supporting documents at any time to ensure the correctness of any withdrawal application submitted by a beneficiary. A copy of the procurement contract may be requested if one has not been previously provided by the beneficiary.

SEE ANNEX 1 FOR A REIMBURSEMENT CHECKLIST.

4.3 Direct Payment

a. General

Under this disbursement modality, the Bank makes a direct payment to the designated supplier or contractor or service provider, at the beneficiary's request. Such direct payment is made pursuant to the relevant terms and conditions of the underlying contract or agreement between the beneficiary and such third party that has been approved by the Bank.

The direct payment procedure requires the beneficiary to submit full supporting documentation to substantiate the correctness of such claim for payment under the underlying contract or agreement between the beneficiary and the supplier, contractor or service provider, unless otherwise agreed by the Bank.

b. Submissions

The procedure for making a direct payment to a supplier or contractor or consultant by the Bank, at the request of the beneficiary, is substantially similar to that followed when the beneficiary submits a withdrawal application for reimbursement.

The critical difference is that, with direct payment, the beneficiary requests the Bank to effect payment to the supplier, contractor, consultant or service provider for goods or services that are either in process of delivery or have been delivered or provided to the beneficiary. Any direct payments are thus subject to specific delivery-related provision of the underlying contract, in addition to all other terms and conditions.

As in the case of reimbursement, the beneficiary is required to undertake three steps.

- First, the beneficiary completes and signs a withdrawal application form.
- Second, the beneficiary completes and signs the SS form.
- Third, the beneficiary submits original or certified true copies of supporting documentation as agreed to with the Bank.

In doing so, the beneficiary must highlight those specific provisions of the underlying contract that confirm that the requested direct payment is contractually justified and appropriate. A separate withdrawal application is required for each currency of requested disbursement.

SEE ANNEX 2 FOR THE DIRECT PAYMENT CHECKLIST.

4.4 Reimbursement Guarantee ²⁵

a. General

Reimbursement guarantees are normally used to permit the beneficiary to pay for large value importation costs in foreign currency when the relevant supplier or service provider requires payment through an irrevocable letter of credit (LC).

Under this disbursement modality, at the beneficiary's request, the Bank will issue an ICR (Irrevocable Commitment to Reimburse) letter by SWIFT to reimburse a nominated commercial confirming bank (usually in the supplier's country) for payments to be made to the designated supplier pursuant to the terms and conditions of the underlying irrevocable LC of the issuing bank in the beneficiary's country. Under the terms of the reimbursement guarantee, the Bank commits itself to reimburse all claims of the beneficiary bank received on or before its expiry date.

The Bank will not issue a reimbursement guarantee if the underlying contractual shipment date occurs after the relevant closing date. Unless otherwise approved by the Bank, the issuing bank LC expiry date must also fall by the closing date (Last Disbursement Date). This is because the Bank must retain sufficient available funds in the relevant account of the beneficiary that can be withdrawn to cover full payments to the confirming bank pursuant to the terms of the reimbursement guarantee commitment.

The Bank's standard reimbursement guarantee does not cover payments to be made pursuant to, or under, a transferable LC or if negotiation of documents required under the LC is not undertaken by the nominated confirming bank, but by another bank, unless the Bank expressly approves such payments. This is to ensure that the liability of the Bank is only limited to the designated bank or payee to whom the reimbursement guarantee commitment is issued.

The Bank's prior agreement is required if the beneficiary and the LC issuing (or confirming) commercial bank decide to amend the terms and conditions of the relevant LC if such amendments relate to: (i) LC value or currency; (ii) description and quantity of goods to be supplied; (iii) supplier or beneficiary; (iv) country of origin; (v) insurance details; (vi) extension of expiry date; and (vii) extension of shipment date.

b. Submissions

There are three stages in issuance of a reimbursement guarantee (RG) by the Bank on behalf of the beneficiary:

- First, the beneficiary submits an application to the Bank for RG issuance, attaching all required supporting documentation. Such documentation typically includes a copy of the underlying LC issued by the beneficiary's bank (i.e. opening bank) in favor of the designated supplier and a copy of the supply contract.

25. A 'reimbursement guarantee' is an irrevocable commitment to reimburse agreement between the Bank and a requesting borrower under the terms of which the Bank irrevocably commits to reimburse a designated beneficiary of an associated letter of credit opened by the borrower in favor of a supplier whose contract is financed by the Bank. It is also referred to as an 'irrevocable commitment to reimburse' (or ICR)

- Second, if the beneficiary's RG request application, including supporting documentation, is in order, the Bank will issue an RG in favor of the LC negotiating bank, as the case may be. The Bank issues the RG in the currency of the underlying LC.
- Third, the negotiating bank will accept the RG issued by the Bank in its favor. For every request for RG issuance, if accepted, the Bank sends the original of the RG to the confirming bank through authenticated SWIFT. A copy of the RG is sent to the beneficiary for information.

Once the relevant goods have been shipped by the supplier, and the required LC documentation has been submitted by the supplier to the negotiating bank, the negotiating bank will submit a claim for payment to the designated paying bank under the RG. If such claim from the negotiating bank confirms to the terms and conditions of the RG, the paying bank will honor such payments to the negotiating bank through authenticated SWIFT. The Bank will, at that time, make a corresponding debit to the project account.

The Bank will only issue an RG if there are sufficient funds in the project account of the beneficiary. A beneficiary who requests issuance of an RG by the Bank authorizes the Bank to use any uncommitted funds available under the relevant Bank financing to retire any RG obligations of the Bank if the funds from the financing earmarked for such RG are inadequate. If there is insufficient financing available from the Bank under the project account for payment of any RG obligation, the beneficiary must arrange to make payment to the negotiating bank in whose favor the RG commitment has been issued from its own funds.

In some situations, it may be necessary to amend the LC terms and conditions covered by the Bank's RG commitment. The beneficiary must give notice to the Bank of all proposed or actual LC amendments for any LC secured by the Bank's RG commitment. The Bank's prior agreement is required for any material LC amendments such as changes to LC value, description and quantity of goods supplied or changes in the identity of the underlying LC beneficiary.

SEE ANNEX 3 FOR THE REIMBURSEMENT GUARANTEE CHECKLIST AND FORMS.

4.5 Special Account

a. General

A special account is an account that provides for advance payments on a revolving basis from the relevant financing or grant provided by the Bank for use by the beneficiary to meet eligible foreign or local currency expenses.²⁶

The objective of using a special account is to provide increased flexibility in facilitating timely payments by the beneficiary during project implementation, typically to smaller contractors and suppliers and for other smaller types of eligible expenses. The Special Account makes funds readily available and reduces disbursement processing time by reducing the number of needed withdrawal applications.

Special accounts are normally held in reputable commercial banks acceptable to the Bank that have the range of services necessary for servicing such accounts in the currency appropriate for the anticipated expenditures that the beneficiary expects to incur from such account. The special account must be used exclusively for the Bank's share of financing project expenditures, typically for recurrent project expenses.

In order to use a Special Account facility, the beneficiary should have (i) effective administrative, financial and accounting systems and procedures in place; (ii) adequate internal control systems; and (ii) the ability and commitment to undertake regular and timely independent audits of such account.

The financial management and disbursement capacity assessment of the beneficiary is undertaken to determine if, and the extent to which, a special account can be used in accordance with applicable policy and procedure of the Bank. This is undertaken during project preparation and finalized by the end of project appraisal.²⁷

Special accounts are normally held in reputable commercial banks acceptable to the Bank that have the range of services necessary for servicing such accounts in the currency appropriate for the anticipated expenditures that the beneficiary expects to incur from such account. The special account must be used exclusively for the Bank's share of financing project expenditures, typically for recurrent project expenses.

26. In the past, these types of accounts were referred to as 'imprest' accounts.

27. Project financial management (and related disbursement) capacity assessments will follow the Bank's recently approved Project Financial Management Policy (March 2019). See Chapter 6.1-6.2 et seq for more details.

b. Account Use

- The operation and management of a special account is subject to the following:
- The account shall be used only for the financing provided by the Bank, and shall not receive any counterpart funds or other resources;²⁸
- The special account may neither be used as collateral nor be subject to overdrafts;
- Any interest earned need not be reported to the Bank but should be used in accordance with the beneficiary's internal regulations;²⁹
- Funds must not be transferred by the beneficiary from the special account for investment purposes.
- The beneficiary is accountable for all funds advanced to the special account including amounts that may have been transferred to sub-accounts.

c. Access and Control

The beneficiary must make appropriate arrangements for the Project Management Unit (PMU) (or Project Implementation Unit (PIU)), or the executing or implementing agency, as circumstances require, to have control and efficient access to the account to finance eligible expenditures. The beneficiary shall make appropriate arrangements for the proper operations of the account in accordance with applicable Bank procedures. The beneficiary will ensure that the Bank has the ability to access all special account documentation for purposes of audit or reconciliation of such accounts.

Normally the beneficiary requires at least two officials to authorize each payment from the special account. Withdrawals from a special account are typically made either by: (i) the same person(s) authorized to withdraw funds from the project account; or (ii) two designated project (i.e. PMU or PIU) officials or a combination of one project official and one official from the executing agency.

d. Initial Advance and Ceiling

A request should be made for the initial advance by the beneficiary through a withdrawal application not exceeding the ceiling or limit set down for special accounts. Such special account ceiling or limits, and their rationale and application, are described in detail in the policy documents approved by the Bank's Board of Executive Directors, as updated from time to time.

The beneficiary must obtain prior Bank approval for any upward changes in the approved ceiling for the special account as set down and agreed in the financing agreement and project disbursement letter. Advances from the special account into any other account(s) without prior authorization by the Bank are not permitted and constitute grounds for the Bank's refusal to replenish the special account. All approved advances are deposited by the Bank into the special account.

e. Replenishments

The funds of the special account may be maintained on a replenishable basis over the disbursement life of a Bank-financed project. Liquidation of expenditure under the special account occurs through submission of required documentation that evidences that the relevant eligible expenses have been duly incurred and paid for by the beneficiary.

Supporting documents (e.g. bank reconciliation statements, etc.) can be provided as often as possible but must be submitted to the Bank within the time period specified for such submissions in the financing agreement, unless otherwise agreed between the beneficiary and the Bank. The requirements for supporting documentation shall be specified and agreed upon during negotiations and detailed in the disbursement letter.

If any ineligible expenditures are made through use of the special account, the Bank may not make further

²⁸. Any waiver or modification of this approach should be decided during the negotiations and included in the financing agreement.

²⁹. Any interest payments should be credited into a separate account of the borrower. If interest earnings are paid into the Special Account, the reconciliation statement must provide appropriate details.

replenishment into such account until (i) the corresponding amount is refunded by the beneficiary to the Bank; or (ii) if the Bank agrees, the beneficiary submits satisfactory evidence of other eligible expenditures paid from its own resources that are sufficient in value to offset the value any ineligible expenditures. Any liquidation need not be accompanied with a request for replenishment.

The Bank may suspend replenishment of the special account if:

- The Bank suspends the financing to which such special account relates;
- Audited financial statements are not received within six months of the financial year end;
- Audit reports or Bank missions indicate significant irregularities in the operation of the special account or significant internal control weaknesses of the beneficiary.

During suspension, no additional funds will be advanced to the special account. However, available funds in the special account may continue to be used to meet eligible expenditures.

f. Final Liquidation

The beneficiary must refund to the Bank, in the currency of the special account, any unused/unliquidated balance in any special account prior to the Close -Out Period.³⁰ Non-compliance with this request may lead to the suspension of the use of the special account method on any new projects granted in the country.

g. Supporting Documentation

Documentation submitted with withdrawal applications requesting replenishment must include bank statements from the bank holding the special account. Bank statements must give details of all transactions and must be provided monthly irrespective of any movements in the account. In addition, such supporting documentation must include a summary of expenditure (SOE), auditor verification(s), estimated expenditures (for the next 3-month period) and a Special Account reconciliation statement.

h. Account Closure

The special account should be finally closed after the Bank receives satisfactory documentation showing how the amounts advanced have been used by the beneficiary and after full liquidation of any outstanding advances, including payment of refunds if required, by the beneficiary to the Bank.

i. Audit Requirements

Special accounts are required to be audited by independent and qualified auditors acceptable to the Bank in accordance with the provisions of the financing agreement. However, if agreed between the beneficiary and the Bank, interim audit certifications in relation to second or subsequent replenishments, if annual audit reports are not available, may be permitted.

SEE ANNEX 4 FOR THE SPECIAL ACCOUNT CHECKLIST AND FORMS APPLICABLE FOR USE OF SPECIAL ACCOUNTS.

³⁰. See Section 1.3 above.

CHAPTER

5

DISBURSEMENT PROCEDURES

5.1 Disbursement Letter

In order to facilitate more efficient and effective operational project implementation, a draft disbursement letter is prepared by the Bank during project preparation, usually prior to the completion of appraisal, based on an assessment of disbursement capacity.³¹

The draft disbursement letter is prepared by the project team (i.e. primarily by the representative from the D&D Division, typically the assigned field disbursement officer for the project concerned), and in collaboration with project team members.

The disbursement letter is addressed to the beneficiary and sets out the specific disbursement procedures and processes to be followed during project implementation, including minimum disbursement amount, special account thresholds, among other operational provisions. The terms of such draft disbursement letter are agreed between the beneficiary and the Bank at negotiations.

A SAMPLE DISBURSEMENT LETTER IS PROVIDED AT ANNEX 5.

After signing of the financing agreement, the Bank sends the signed finalized disbursement letter to the beneficiary. In some projects, several agencies as well as the beneficiary may be involved in project implementation and therefore may be entitled to send disbursement request to the Bank. The beneficiary is responsible for ensuring that all project entities receive a copy of the signed disbursement letter.

The Bank, following consultations with the beneficiary, may issue a revised disbursement letter to modify disbursement arrangements as may be required during project implementation.

5.2 Withdrawal of Funds

As outlined in the relevant financing agreement, there are pre-conditions that must be satisfied before any disbursement process can commence, namely: effectiveness of the financing agreement,³² and satisfaction of any express conditions of disbursement set out in therein, designation by the beneficiary of the authorized signatories, and approval of the relevant procurement contract (as required) to which the disbursement request relates. It is critical for the beneficiary to ensure that such pre-conditions are satisfied in order to expedite withdrawal application processing and ensuring speedy disbursements.

For all disbursement withdrawals, the Bank must receive a withdrawal application confirming compliance with procurement procedures and accompanied by acceptable supporting documents showing the eligibility of the particular goods, works, services or other types of expenditure to which such withdrawal application relates.

The Bank must receive a signed original withdrawal application in the prescribed form completed and signed by the authorized representative(s) of the Borrower. The Bank will undertake best efforts to verify and validate the information provided in the withdrawal application. If the Bank is unable to resolve any issues relating to information provided by the beneficiary in a withdrawal application, the Bank may return such application unpaid to the beneficiary or approval payment of a lesser sum than that requested by the beneficiary.

For disbursements, each withdrawal application is assigned (i) a project number and operational identification (i.e. Operation ID for the mode of finance); and (ii) a disbursement identification number. Withdrawal applications related to a particular agreement should be numbered sequentially beginning with the number one for the first application of a specific executing or implementing agency. If there is more than one executing or implementing agency (EA or IA), for example, authorized to submit a withdrawal application, an alpha-locator should be assigned for each entity (e.g. Application 1A for the EA, Application 1B for the first IA, etc.).

Withdrawal applications sent to the Bank are processed as follows:

All withdrawal applications should be sent to the address indicated in the disbursement letter. When applications are received by the D&D Division, they are marked with date and time of receipt and entered into the FCD system for proper tracking.

The concerned staff must check each application to ensure:

- the application has been signed by authorized signatory
- the expenditures are eligible and properly documented
- there are sufficient funds within the cost category level
- the requested disbursement dates are operative in terms of the provisions of the financing agreement.

³¹. See Chapter 6.2 below.

³². Financing agreement includes, where the context requires, all companion legal agreements necessary for purposes of project operations and disbursement. See Footnote 23.

If the withdrawal application is in order, the corresponding disbursement will be processed.

SEE ANNEX 6: WITHDRAWAL APPLICATION.

5.2.1 Authorized Signatories

Before a withdrawal application can be considered, the beneficiary through its authorized representative must designate official(s) authorized to sign withdrawal applications in a prescribed form, including submitting originals of the specimen signatures of such authorized signatories, delivered to the Bank.

The authorization request from the beneficiary must clearly state the number and/or combination of signatories required for making withdrawals. If authorized signatories change during project implementation, the beneficiary must promptly notify the Bank of such changes and provide the names and original specimen signatures of the new signatories.

SEE ANNEX 7: AUTHORIZATION REQUEST

5.2.2 Eligible and Ineligible Expenses

The Bank will only finance the costs of eligible expenditures.³³ Expenditures eligible for disbursement are generally detailed in the financing agreement.

The following costs items or expenses are ineligible for Bank financing, except as otherwise approved by the Board or the Management (as applicable):

- Expenditures incurred after the Last Disbursement Date (as extended).
- Expenditures incurred before the effectiveness date of the Financing Agreement (except in the case of approved retroactive financing) not within the project and category description defined in the financing agreement.
- Items and services not procured in accordance with the Bank's policies and procedures and procurement of goods, works and consulting services.
- Land acquisitions (although, in very rare cases, an exception may be approved by Bank's management).
- Late payment penalties imposed by suppliers.
- Excessive advance payments (typically in excess of 20% of the relevant contract value).
- Self -insurance.
- Local freight charges for imported goods (unless permitted by the terms of the financing agreement)
- Financing by the Bank does not cover the payment of taxes, duties, fees and any other similar impositions as may be levied under the applicable law. This policy is applied by selecting items to be financed and setting eligible disbursement percentages so that the overall level of Bank financing excludes taxes.³⁴
- The beneficiary, not the Bank, is typically the beneficiary of insurance policies. Premiums paid by the beneficiary in foreign exchange are eligible for Bank financing. Self -insurance and premiums in local currency are not eligible unless provided for in the financing agreement.

5.2.3 Minimum Disbursement Amount

For each project disbursement letter, the Bank stipulates a minimum withdrawal application value for operational guidance. This value varies depending on the size and the mode of financing (or nature of the grant) under the project.

For operational efficiency, beneficiaries should accordingly aggregate eligible expenditures until they reach the minimum value for a withdrawal application. The minimum disbursement amount is determined during project appraisal and is specified in the project disbursement letter.

For payment of smaller amounts, the Bank may authorize the beneficiary to open a special account in accordance with the required procedures for opening of such accounts.³⁵ Alternatively, the beneficiary can pay such amount less than the minimum disbursement threshold and subsequently claim reimbursement from the Bank.

³³. See Chapter 3.5. ³⁴. In the case of imported goods bought locally, the Bank usually disburses a percentage of the purchase price in order to avoid disbursing against duties or taxes. Similarly, the local cost component of contracts for works is usually financed at less than 100 percent to exclude taxes. For locally manufactured goods purchased directly from the factory, no adjustment to the disbursement percentage is made in order to exclude financing of customs duties. ³⁵. See Chapter 4.5.

5.2.4 Expenditure Categories

The financing agreement, and related disbursement letter, sets out the permissible expenditure categories for the project. Such categories are based on the anticipated nature of expenditures that are expected to occur under the project are formulated during project appraisal. Any disbursement must be made within the limits or ceilings set out for each such expenditure category. Any changes in such expenditure categories, or their respective limits, must be prior approved by the Bank. A withdrawal application may only be submitted for expenditures within an approved expenditure category and limit.

5.2.5. Summary Statement

A Summary Statement (SS) is a cover document that summarizes the items of contractual related expenditure that the beneficiary provides to substantiate any withdrawal application request for reimbursement or direct payment. For special accounts, a Statement of Expenditure (SOE) is used to identify the items of expenditure covered for replenishment of advances under such special account for which support documentation is provided under the special account withdrawal application. The beneficiary certifies that the identified expenditures have been incurred and paid for in accordance with the terms and conditions of the financing agreement and that original or certified true copies are attached of the documentation identified in such statement required by the Bank in connection with submission of the withdrawal application.

5.2.6 Reallocation of Proceeds

The proceeds of Bank financing may be used only for the purposes for which such financing has been granted. It is not possible to make any disbursement of financing proceeds from an "unallocated" expenditure category. However, the Bank, upon the request of the beneficiary, may agree to reallocation of unallocated funds or uncommitted funds from other expenditure categories to another allowable expenditure category for the project, in accordance with the bank's applicable policies and procedures. Reallocation of proceeds may be necessary to permit approved adjustments or changes in project implementation.

5.2.7 Disbursement Currency & Exchange Rate

Disbursement is made in the currency in which the cost of the goods and services has been paid or is payable (or in the currency of the Special Account as agreed by the beneficiary and the Bank during negotiations and reflected in the disbursement letter).³⁶

For expenditures incurred by the beneficiary in local currency, the amount requested in the relevant withdrawal application must be in local currency. A separate withdrawal application is required for each currency of disbursement.

In making payments, the Bank may purchase the requested currency using another currency. In such cases, the Bank purchases the payment currency using the exchange rate quoted by the selling bank.

5.2.8 Refunds

If any withdrawals are made by the beneficiary in excess of the amount of eligible expenditures permitted under the provisions of the financing agreement, the beneficiary must refund such amounts to the Bank.

The Bank may require the beneficiary to refund disbursed amounts for any of the following reasons:

- advances to the Special Account that have not been justified within a reasonable time;
- unutilized funds in the Special Account that are no longer needed for project implementation;
- amounts that have been disbursed due to beneficiary error that should not have been disbursed;
- amounts that have been disbursed due to Bank error that should not have been disbursed;
- expenses deemed non-eligible for financing under the loan or grant; and
- declaration of mis-procurement when payments have already been made against the mis-procured contract

³⁶. For Special Accounts, the currency for disbursement should be denominated in a fully convertible and stable currency widely used in international trade.

All refunds must be paid to the account specified by the Bank including the appropriate reference, i.e. project number, description or nature of the refund, currency and amount of refund, etc. Such amounts are normally credited by the Bank on the date of receipt, subject to the applicable Bank policy on value date for receipt. Any difference, i.e. surplus/shortfall, will be notified by the Bank to the beneficiary for necessary action.

5.2.9 Cancellation of Undisbursed Balances

The beneficiary may request cancellation of any undisbursed proceeds of financing provided by the Bank unless such amounts have been reserved for any reimbursement guarantee or similar commitment issued by the Bank during project implementation. The Bank also reserves the right to cancel such undisbursed balances in full or part. In either case, notice for cancellation must be issued, in accordance with the terms of the financing agreement, that specify the effective date of such cancellation.

5.2.10 Contract Management

a. Prior or Post Review Approvals

In most instances, disbursements are made against contracts for goods, works and/or services concluded between the beneficiary and the supplier, contractor or consultant or other service provider. Such contracts are subject to prior or post approval by the Bank as set out in the project procurement plan, following the Bank's rules on project procurement and engagement of consultants / contractors.³⁷ FCD will only make payment subject to obtaining the required approvals as set out in the project procurement plan.

b. Currency of Payment

A separate withdrawal application is required for each currency of payment and the relevant exchange rate for such payment should be indicated. Withdrawals pursuant to a contract using a specific disbursement modality must continue to use the same approach for all subsequent payments under that contract unless the Bank agrees otherwise.

c. Guarantees & Performance Bonds

Any advance payment and retention money guarantees, and performance bonds, must be issued in accordance with the terms and conditions (and formats) provided for in the underlying contract. The beneficiary must monitor the validity of such guarantees and bonds and ensure that any amendments or extensions are made as necessary under project conditions.

Advance payment guarantees are issued to cover mobilization advances provided to the service provider by the beneficiary and must be denominated in the currency of the advance payment made under the contract. Performance bonds are issued to cover any possible defaults in completion of the contract by the supplier or contractor and must also be in the currency stipulated in the contract.

Retention money guarantees are typically issued in favor of the beneficiary to cover partial disbursement of funds retained by the beneficiary to the service provider, after completion of the contract but before expiry of the applicable warranty/defects liability period or commissioning of works. Full payments of retention monies are intended to be made at the end of the warranty/defects liability period. The requirements for payments of retention monies, and for acceptance of related guarantees, are detailed in the contract and must be followed.

All guarantees and bonds must be issued by an appropriately licensed bank or financial institution in the country of the issuer of such instrument. If such instrument is issued by a non-bank financial institution, it must be supported by documentation confirming that such non-bank financial institution is licensed to issue such instruments.

d. Cost overruns

During contract implementation, costs overruns may occur due to price escalation or physical contingencies resulting from adjustments or variations made during implementation. Such changes in cost require a contract amendment or addendum approved by the parties. The approval process for contractual amendment or addendum is set out in the underlying contract.

³⁷. See Procurement Guidelines, Section 1.42 and Annex A.

5.2.11 Bank References

For any disbursement modality requiring inter-bank correspondence, all references to the Bank must be accurate and complete. In the case of the beneficiary's bank, the information must include the following: (i) account holder name; (ii) name and full address of the beneficiary bank; (iii) the beneficiary account number; and (iv) the applicable SWIFT and (if applicable) IBAN code of the beneficiary bank.

If the settlement currency for the contractual payment is not the currency of the disbursement of the beneficiary bank, the payment will be made through a correspondent bank that can make payment in such currency. In such cases, the disbursement request must include: (i) name of the correspondent bank of the beneficiary bank; (ii) the address of the correspondent bank; (iii) the SWIFT code and account number of such correspondent bank.

5.3 Project Closing

The financing agreement stipulates the Last Disbursement Date for project implementation which, in the case of ordinary financing modes of the Bank, coincides with the expiry of the Gestation Period.³⁸ The Close Out Period covers 180 -days prior to the Last Disbursement Date during which the beneficiary should ideally ensure that all withdrawal applications, and related disbursements for eligible expenses, have been completed. These terms are defined earlier but are repeated here for convenience:³⁹

Last Disbursement Date	This is the date specified in the Financing Agreement (as may be amended from time to time by the Bank) on which the Beneficiary's right to submit a disbursement request shall terminate. This date typically coincides with the closing date or end of the Gestation Period for ordinary financing.
Close Out Period	This is a period of 180 days before the Last Disbursement Date during which the bank will work with the beneficiary to ensure submission of disbursement request covering all eligible expenditures, as well as the closing of the special account (if any) and return of unutilized advance under the Financing Agreement.
Gestation Period	The Gestation Period (applicable to ordinary financing modes) covers the period needed or elapsed for the completion of the asset financed by the Bank and transfer of the same to the beneficiary (i.e. the date of the first disbursement to the date of the last disbursement). Such period may be extended at the request of the beneficiary, upon approval by the Bank.

For purposes of project implementation, there are two other critical dates in connection with closure of a project, namely: the project completion date and the operational completion date.

- project completion date: this occurs when a project is declared physically complete, i.e. when all goods, works and/or services as part of the project scope have been delivered and project implementation is physically completed.
- operational completion date: this occurs when, for a project, no further disbursements are to be made, the project final repayment schedule is issued and accepted by the beneficiary, and the project is declared closed in the Bank's Operations System.⁴⁰

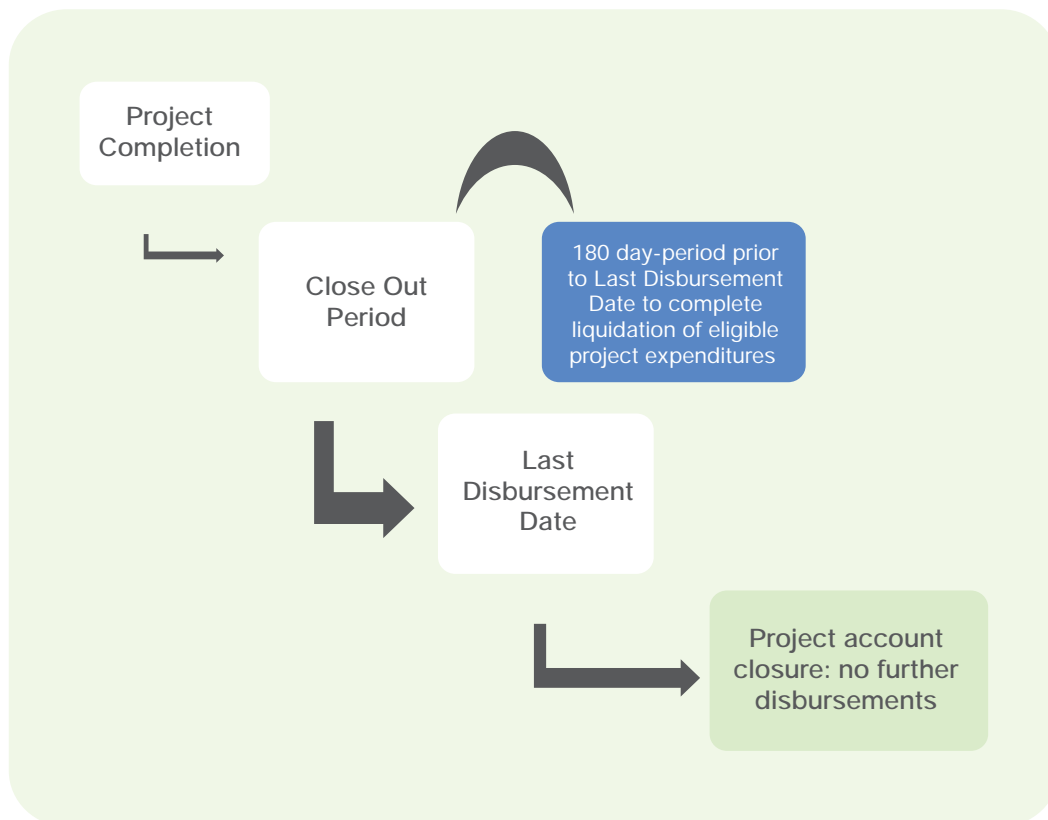
Projects are expected to be physically completed by the project completion date.

³⁸. The General Conditions also define the corresponding 'Closing Date'. See Footnote 19.

³⁹. See Chapter 1.3, Key Project Events.

⁴⁰. See Operational Glossary, Items 45.1 and 45.2.

Figure 5.1: Project Closure



After expiry of the Last Disbursement Date, any withdrawal application submitted by the beneficiary for liquidation of expenses will not be accepted. However, on an exceptional basis⁴¹, the Last Disbursement Date, may be extended if the Bank so approves at the request of the beneficiary.

At expiry of the Gestation Period (for ordinary modes of financing), and corresponding to Last Disbursement Date (for all financing), the project will be subject to operational completion. Upon expiry of such period, no further disbursements from the project account are permitted and the Bank will apply any amounts refunded after such period by the beneficiary to debt service, unless the Bank and the beneficiary otherwise agree.

5.3.1 Special Account Liquidation

Within the Close Out Period, the beneficiary should fully refund the Bank for any outstanding advance balances that have not been liquidated in any Special Account of the beneficiary. If the beneficiary fails to fully refund such Special Account advance balances, the Bank may, among other remedial actions, decline to permit use of Special Accounts by the beneficiary for any new projects of the beneficiary financed by the Bank until such time the beneficiary makes the outstanding refund to the Bank.

5.3.2 Payment of Final Audit Fees

If any external auditor fees are financed by the Bank, if practical, the audit fee should be paid before the expiry of the Close Out Period, after completing the final audit. When the final audit is not completed by the Last Disbursement Date, special arrangements will be required for payment of the final audit fee from the project account.

5.3.3 Payment of Retention Monies

Payments of retention monies under civil works and supply procurement contracts are usually made at the end of warranty or operational acceptance (i.e. the defects liability period) or after the issuance of a performance certificate.

The Bank may disburse the retention money to the contractor or supplier, as expenditures incurred, against an unconditional bank guarantee of equivalent amount provided by the contractor or supplier to the beneficiary and acceptable to the Bank.

41. For example, if there are major changes in project implementation at or near the project completion date or subsequently.

The Bank and beneficiary may also agree on other financial arrangements if acceptable to the Bank. The unconditional bank guarantee is issued in compliance with the borrowing government's financial rules and regulations by a reputable bank in a manner acceptable to the Bank.

5.4 Steps to Avoid Disbursement Delays

To expedite the processing of disbursement requests, beneficiaries should undertake the following practical steps:

- Ensure that effectiveness and first disbursement conditions have been fulfilled;
- Complete forms as per the instructions provided for form completion;
- Ensure that the disbursement requests are signed by the authorized signatories;
- Ensure that the names and designations of the signatories is legible on the request;
- Indicate the appropriate project and financing agreement number that is being used to finance the amounts being requested;
- Indicate the chargeable cost categories;
- Send original requests to the FCD or D&D Division or other Bank representative identified in the Disbursement Letter;
- Send a copy of the relevant contract and any amendments;
- Ensure that the wording, currency, amount and validity period of any advance payment guarantee and performance bond are as stated in the related contract;
- Submit applications denominated in a single currency;
- Attach applicable supporting documents in any official languages of the Bank, i.e. English, Arabic or French or the local language. If these are in local language, translations must be submitted in any official language of the Bank;
- Ensure that the invoice or billing statement contains complete payment instruction (i.e. bank name, branch, bank address, account number (IBAN for payments in the Euro zone) and payee's bank SWIFT/BIC code);
- Ensure that the correspondent bank is indicated if the payee's bank is not located in the country of currency for payment;
- Ensure that the information contained in the request is consistent with the supporting documents;
- Ensure availability of resources under the relevant cost expenditure category;
- Ensure that any changes to expenditure categories and list of goods and services have been approved by the Bank;
- Ensure that required audit reports have been sent to and approved by the Bank.
- Ensure that advance or performance guarantee remain valid.
- Indicate contact details of the person handling the project at the relevant agency of the beneficiary or, If applicable, at the PMU or PIU (i.e. telephone and fax number and email address).
- Ensure that the beneficiary has commenced the auditor engagement process (e.g. commenced the relevant shortlisting process, issued the request for proposal or other relevant documents for engagement of the auditor, etc.)

5.5 Special Disbursement Situations

There are certain circumstances in which may require special attention in the context of disbursement processing and implementation. These situations are briefly summarized below.

a. Co-financing

Co-financing refers to a financing arrangement in which more than one financier contributes to funding a project under the same or different terms and conditions. Under co-financing arrangements, the Bank and external financing sources other than from the beneficiary provide funds for a particular project or operation.⁴²

Co-financing arrangements may be structured in two main ways, namely:

- Joint co-financing: an arrangement under which the Bank and external donors agree to finance a common list of goods, works and services for a project or operation in agreed proportions under commonly applicable terms, conditions and procedures;⁴³
- Parallel co-financing: an arrangement under which the Bank and external donors agree to finance separate lists of goods, works and services for a project or operation in accordance with their own respective procurement procedures and/or other donor-specific or special requirements.⁴⁴

When the Bank administers co-financed funds, eligible expenditures are typically financed in one of three ways: (i) pro rata, (ii) front-loading of co-financed funds (i.e., co-financed funds are disbursed sequentially before the funds of the Bank), or (iii) different ratios of disbursement are specified for each expenditure category and/or subcategory of the co-financed project.

The detailed disbursement arrangements for co-financed funds should be set out in the project-specific disbursement letter,⁴⁵ along with any special requirements applicable to such funds (e.g., alternate last disbursement date of a specific co-financier's fund).

b. Bank-administered Funds

In addition to handling funds of external donors in the context of project-specific co-financing partnerships, the Bank also may be entrusted with administration of specific funds provided by external donors for designated purposes that cover any eligible project or operation approved during the term of such external donor-originated specific fund entrusted to the Bank for administration.

Such funds provided by external donors are distinct from internal Trust Funds or Special Funds set up within the Bank in terms of the Bank's Articles of Agreement. The terms and conditions of establishment, operation (including applicable disbursement procedures) and closure of such external donor funds administered by the Bank are detailed in the specific partnership and/or other agreements entered into between the Bank and such external donors. The terms and conditions of such agreements are donor-specific as negotiated and agreed between the relevant external donor (s) and the Bank.

Such external donor Bank-administered agreements can be project-specific or cover a portfolio of projects approved by the Bank and the particular donor for a specific sector or multi-sectoral over a designated time period. Under such agreements, procurement of goods, works and services is normally undertaken in accordance with the Bank's procurement and consulting services policies and procedures, unless otherwise approved by the BED of the Bank.

c. Public Private Partnerships (PPPs)

PPP is a modality of financing which includes mobilizing private sector resources – technical, managerial and financial – to deliver essential public services.

Under Bank-financed PPP projects, most commonly, withdrawals by the beneficiary of the proceeds of financing are conditioned on specific initial and subsequent conditions of disbursement that must be satisfied before the proceeds of such financing can be released. Such conditions of disbursement are specified in what is typically called a "Common Terms Agreement" (or CTA). CTAs specify the initial and subsequent conditions of disbursement, usually in considerable detail in a separate schedule(s) or annex(s) for such purpose.

Typical CTA initial conditions of disbursement cover the satisfactory execution of threshold documentary requirements and needed governmental and other consents for commencement of the PPP project. Examples of documentary requirements include provision of legally valid and operative foundation documents such as corporate charter, articles and by-laws, Board resolutions, certificates of incumbency of authorized signatories, etc.

⁴². Operational Glossary, Item 98. ⁴³. In such cases, normally the lead co-financier's procurement policies will apply. If the Bank is not the lead co-financier, waiver by the BED of the Bank from application of the Bank's procurement policies, particularly regarding eligibility, must be obtained. See Procurement Guidelines, Section 1.46 (Footnote 7). Joint co-financing can be the subject of financing syndications in private-sector contexts when commercial banks are involved. A syndication refers to a highly structured group of financial institutions that provide financing to a borrower under common terms and conditions. See Operational Glossary, Item 98.3. ⁴⁴. Operational Glossary, see Items 98.1-98.2. See, also, ISDB, Policies and Procedures for Financing Operations, Part III, Section 3.05. ⁴⁵. See Chapter 5.1.

CHAPTER

6

FINANCIAL MANAGEMENT

6.1. Financial Management Capacity

a. Project Financial Management Division

The Bank recently completed developing a Project Financial Management Policy Framework (PFMF) that is subject to subsequent Board approval.⁴⁶ The PFMF requires, inter alia, that the Bank shall follow a Risk-based Approach (RBA) by identifying and assessing key project financial management risks by categorizing them into inherent, control and residual risks. These three types of risks must be adequately monitored during project implementation. The PFMF is underpinned by six guiding principles that, in short, require that PFM staff shall be involved throughout the entire project cycle as members of the project task team. At an operational level, the PFMF underscores the need to enhance quality-at-entry in all Bank-financed projects.

Project Financial Management (PFM) Division, within the Country Programs Complex, is tasked, among others, with the fiduciary responsibility to assist the beneficiary with development of sound project financial management systems and to familiarize project stakeholders with the Bank's financial management policies and procedures through liaison with the responsible field staff.

At the project level, PFM Division undertakes project-level financial management due diligence during project preparation to ensure that project implementation arrangements properly reflect the capacity and capabilities of the beneficiary. PFM Division responsibilities broadly relate to the quality and capacity of a beneficiary's financial management systems. To the extent such systems involve the quality and capacity of a beneficiary to request and implement project-level disbursement arrangements, however, the PFM Division works closely with both the project team and the D&D Division in assisting and coordinating undertaking and completion of any project-level disbursement assessment and framing of the terms and conditions of the related draft disbursement letter.⁴⁷

b. Dues and Disbursements Division

The principal functions of the Dues and Disbursements Division (D&D Division) include serving as the focal point and resource center for activities and issues related to project disbursements, and related fiduciary responsibilities. Specifically, the D&D Division is responsible to assist the CPC's operational project team during the project preparation phase, negotiation of the financing agreement, and subsequent project implementation, in developing and applying the Bank's disbursement modalities and procedures, in order to promote optimal efficiency and effectiveness in project funds-flow management. The D&D Division is responsible to process all disbursement requests submitted by the beneficiary in conformity with the Bank's applicable disbursement modalities and procedures.

6.2. Disbursement Capacity

The Bank's new transformational imperatives for more responsive and effective project delivery require a decentralized end-to-end disbursement function, in accordance with re-aligned roles and responsibilities of project operations and the financial control and disbursement function.⁴⁸

This expanded role of the disbursement function requires the D&D Division to participate with project operational and financial management staff at project design and preparation in assessing the capacity of the beneficiary to implement particular disbursement modalities and procedures during project implementation. The result of such disbursement-related capacity assessment is reflected in the terms and conditions of the project disbursement letter required to be finalized during negotiations and signed by the beneficiary prior to project approval by the Bank.⁴⁹

6.3 Project Preparation

During project preparation, from fact-finding up to appraisal, the Bank's different disbursement modalities and procedures are discussed in detail with the beneficiary by FCD, in coordination with the project-level activities of the PFM Division.

Such disbursement modalities and procedures are amplified in the draft disbursement letter, prepared by FCD, in consultation with the relevant operational project team. Such draft disbursement letter is submitted to the beneficiary by the Bank during project preparation and, in all events, before the end of appraisal of the project.

⁴⁶ Until the PFMF (and the new PFM Policy) is approved by the Bank's Board of Executive Directors, the roles and responsibilities of the Project Financial Management (PFM) Division that apply in relation to project processing and implementation are set out in the Bank's Organization Manual (2018), particularly Section 3.4. ⁴⁷ To this end, the PFMF requires both bottom-up and top-down approaches by extensively involving the implementing agencies, Operations Task Leaders, project team members, Country Managers, Hub Managers, and staff in assessing financial management capacity and fiduciary risks, so that the proposed financial management arrangements and their implementation are based on the reality on the ground and are simple and implementable. PFM Policy, paragraph 34, and Annex 1, paragraph 10. See Chapter 6.3-6.4 below. ⁴⁸ See Chapter 2.3 – 2.4. ⁴⁹ See Chapter 5.1.

At project negotiations, along with finalization of the terms and conditions of the financing agreement between the beneficiary and the Bank, the substance of the draft disbursement letter is also agreed between the beneficiary and the Bank. After project approval and signing of the financing agreement, and by notice of effectiveness, the finalized disbursement letter is agreed by the beneficiary and the Bank.

6.4 Project Implementation

After project approval, the Bank and the beneficiary sign the financing (and any other) agreements. The financing agreement only becomes legally binding and enforceable between the Bank and the beneficiary on its 'effective date'.⁵⁰ Project implementation commences subsequent to such effective date.

The disbursement letter between the beneficiary and the Bank must be finalized and agreed on or before the effective date. The substantive terms and conditions of the Disbursement Letter are incorporated into the Project Implementation Manual (PIM), if a PIM is prepared for the relevant project to facilitate implementation activities by the PMU.

A PMU is normally established after the signing of the financing agreement and prior to effectiveness or sometimes as a condition of effectiveness.⁵¹

6.5 Accounting Standards

The financing agreement requires the beneficiary to maintain accounts and records, including financial statements, for the project funded by the Bank, in accordance with applicable accounting standards. Financial accounts and records for the project must be compatible with transparent financial and operational management and provide full information on use of the proceeds of Bank financing on the project (covering all components funded by the Bank, including funds administered by the Bank).

6.6 Project Financial Statements

The beneficiary is required to regularly communicate complete accounting and financial information on the project. The information should detail the uses of the Bank's financing.

Financial systems and financial communication reports may vary according to the nature of the project, the modes of financing used and the country. The Bank may not require a standard format but will ensure that the reports submitted for verification and consideration are adequately informed.

The project financial statements shall include:

- Statement of Receipts (funds received from the Bank, counterpart funding and where applicable, co-financiers' funding) and Expenditures (expenditures incurred for both the current year and accumulated to-date) showing separately Bank's funding, those of counterparty and co-financiers if applicable and cash balances;
- Statement of special account/s;
- Notes to the Financial Statements describing the applicable accounting principles used and a detailed analysis of the main accounts.

Annex to the financial statements

- A reconciliation between the amount shown as "received from the Bank" and that shown as having been disbursed by the Bank. The reconciliation should indicate the methods used for disbursement, i.e. special account, direct payment or reimbursement guarantee, reimbursement methods with those recommended in the appraisal report and the disbursement letter; and
- A comprehensive list of all fixed assets purchased with given dates, value and condition of the assets.

50. See Chapter 3.4.

51. See ISDB. Glossary of Operational Terms, Item 29.5-29.6. A PMU is defined as follows: "...A dedicated unit setup within an EA or IA to support the implementation and administration of the project, including managing its day to day activities under a project and to interact with the Bank..." A Project Implementation Unit or PIU is defined as: "...A unit set up for monitoring project implementation activities. It is a setup within the overall project implementation arrangements and generally reports to the PMU. PIU is generally instituted in a project when it covers large number of project locations or project area at multiple places, which makes one PMU difficult to support project monitoring..."

6.7 Financial Reports

The beneficiary is required under the financing agreement to regularly communicate to the Bank financial and accounting information on the project. Such reports may vary according to the nature of the project, the modes of financing used and local requirements. However, such reports must ensure that the Bank is adequately and accurately informed of all financial and accounting activities under the project.

6.8 Audit Reports

a. Timing and Scope

The financing agreement requires that project accounts are audited each year in accordance with the relevant generally accepted standards. The auditors are required, among other things, to examine pertinent documents, review project financial control mechanisms to identify deficiencies and weaknesses that could affect the efficiency of the project, form an opinion on the quality of the financial statements and confirm that the funds granted to the project have been used for their intended purpose. Any audit report should be submitted to the Bank no later than six (6) months after close of the financial year for the project to which the audit report relates.

b. Qualifications of Auditors

The beneficiary must have the accounts of the project audited by qualified and independent accountants that meet the Bank's requirements. In some countries, where auditing is entrusted to an Auditor General's Office or equivalent entity under the supervisory authority of the Member Country concerned, the Bank may approve the designation of this office provided that the matter is discussed during project preparation and at the negotiations.

Any such audits must be conducted in accordance with the Bank's standard terms of reference for the audit for Bank financed projects. The audited financial statements and the auditor's report must be received by the Bank no later than six months after the end of the financial year to which they relate. Non-compliance with this requirement will result in the immediate suspension of further replenishments to any special account.

c. Special Account Audits & Certifications

In addition to the annual audit of all project accounts, the special account must be audited at the end of each financial year. As noted earlier, special accounts that require interim replenishments before the annual audit is completed may, if the Bank so approves, be subject to interim audit certifications issued by auditors acceptable to the Bank. Such audit certifications are, essentially, interim findings on the part of the auditors that focus on the accounting of items covered by the initial or subsequent replenishment into the special account.

d. Additional Audits

The Bank may, in certain cases, and depending on the nature of the beneficiary and the project, arrange to undertake, at its discretion, a separate audit to provide a more comprehensive view of project execution using its own staff or independent experts selected by the Bank.

f. Failure to Audit or Identified Deficiencies

If the beneficiary fails to provide acceptable audited financial statements, or if the audited financial statements reveal deficiencies in agency controls, or that Bank funds have been used for ineligible expenditures, the Bank may suspend further disbursement until the beneficiary takes adequate remedial action. For special accounts, the Bank may withhold additional advances or reimbursement to the special account until the beneficiary provides acceptable audited financial statements. In the case of identified control deficiencies, the Bank may require the beneficiary to take other satisfactory remedial action.

6.9. Project Documents

The beneficiary is required to keep up-to-date and preserve all project documentation, including primary documents and supporting documents relating to disbursements, and to make them available to the Bank's representatives as needed.

The beneficiary must retain all records (e.g. contracts, purchase orders, invoices, bills, receipts, etc.) evidencing eligible expenditures in order to enable the Bank's representative to examine and verify such records. Such original records should be retained for a period of at least two (2) years from the closing date. Borrowers are responsible for ensuring that documentation retention also complies with their local laws and regulations.

In particular, the beneficiary must maintain the following types of records for each project:

● **General file:**

The signed financing agreement, the appraisal report, the list of authorized signatories, the categories of expenditures, and correspondence relating to the project should be kept in this file.

● **Method file:**

copies of disbursement requests submitted to the Bank should be kept in this file together with supporting documents.

● **Box files:**

These should be used for keeping contracts or other documents

Examples of original records to be maintained include:



6.10 Disbursement Reports

The Bank shall make disbursement reports and any other information available to Borrowers to help keep them informed of the status of loans. The reports and information will enable them to reconcile the project accounts and make any required corrections. The reports available from the Bank include:

Report Name	Description
Statement of Confirmed Disbursement	Details of disbursement requests paid between two specified dates
List of Contracts/Sub Projects	Lists contracts approved by the Bank for financing
Contract ledger	Disbursements/commitments against a contract and residual balances
Category Ledger	Shows disbursements against each expenditure category and remaining balance
Summary Ledger	Shows details of disbursements against the financing and remaining balance
Special Account Report	Shows advances made to the special account and liquidation approved by the Bank



GLOSSARY⁵²

“Acceleration”

refers to the Bank’s right to demand immediate payment of any and all amounts disbursed to the beneficiary for the project under the financing agreement, including any additional amounts payable in relation to such disbursements, in the event of occurrence of certain events as detailed in the financing agreement.

“Approval Date”

means the date on which a Project is approved by the Bank or, in the case of funds administered by the Bank, the later of the date of approval for the Project by the funder and/or the Bank;

“Authorization Request”

refers to the beneficiary’s application to the Bank that designates one or more authorized signatories required for making any withdrawals and for signing any withdrawal application, and summary statement and/or (for special accounts) statement of expenditure sheets, and any supporting documentation. Such request includes submission of originals of the specimen signatures of any authorized signatories.

“Authorized Signatory”

is the person or persons designated by the Borrower to sign the original Withdrawal Application for disbursement of Financing and any other documents required by the Bank to complete a disbursement request.

“Bank”

means the Islamic Development Bank;

“Borrower”

means a recipient of one or more Modes of Financing and/ or grant funding from the Bank and/or through funds administered by the Bank.

“Cancellation”

refers to the premature termination of disbursement, or the ability to make any disbursement, under a financing agreement for reasons specified in such agreement prior to expiry of the gestation period, except for disbursement that has been specifically approved for any commitment incurred prior to such cancellation.

“Close Out Period”

is a period of three (3) calendar months immediately following the expiry of the Closing Date (as may be extended from time to time if the Bank approves such extension) during which the beneficiary may submit an application for disbursement under the Financing Agreement for payment of eligible expenditures incurred by the beneficiary on or before the Closing Date.

“Closing Date”

is a date designated as such in the financing agreement and typically coincides with the Last Disbursement Date. Any expenditures (even if otherwise eligible) incurred by the beneficiary subsequent to such date (as may be extended from time to time if the Bank approves such extension) are not eligible for payment through disbursement of proceeds of Financing for the Project.

“Co-financing”

means a financing arrangement in which more than one financier contributes to funding a project under the same or different terms and conditions.

“Common Terms Agreement”

or CTA refers to the agreement in a PPP project which sets out the financial and operational contractual provisions agreed to among the co-financiers and the Borrower for such PPP project, including all terms and conditions relating to disbursement of funds for the PPP project.

52. The definitions set out here are broadly taken from The Glossary of Terms and Concepts Related to Operational Policies (Operations Glossary) and FCD Disbursement Manual (April 2004).

“Completion Date”

refers to the date on which the project funded by the Bank is considered physically and financially completed and which should normally precede the Closing Date.

“Direct Payment”

refers to a mode of disbursement under which the beneficiary requests the Bank to make a direct payment to a supplier, contractor or service provider for goods, works or services that are in the process of delivery or have been delivered or completed and for which payment remains due under the relevant contract.

“Disbursement”

refers to a payment made by the Bank at the request of a Borrower in accordance with the terms and conditions for making such payment set out in the Financing Agreement.

“Disbursement Capacity Assessment”

refers to the process of review by the Bank's Dues and Disbursement Unit of the capacity of a Borrower's assigned Executing and/or Implementing Agency to use specific modes of disbursement, and related procedures, permitted by the Bank for contemplated Financing to be provided to the Borrower for a specific Project.

“Disbursement Currency”

refers to the currency in which a particular disbursement may be made from the proceeds of the Financing provided by the Bank under the terms and conditions of the Financing Agreement for the Project.⁵³

“Disbursement Letter”

refers to a letter sent by the Bank, and agreed by the Borrower, under the terms of which the Bank provides Executing (and, as applicable, Implementing) Agencies with specific instructions for application of the Bank's modes of disbursement under the Project for which the Financing has been approved;

“Effective Date”

means the date on which the Bank declares the signed Financing Agreement effective after every condition precedent to effectiveness (as set out in the Financing Agreement) has been satisfied.

“Eligible expenses”

(or expenditures) refer to those specific cost items under the Project for which disbursements may be made from the proceeds of the Bank's Financing in accordance with the terms and conditions of the Financing Agreement for such Project.

“Executing Agency”

or EA means an agency, organization or authority in the project country that is responsible for administration and/or implementation of a Project.

“Expenditure Category”

refers to a cost item grouping based on the nature of eligible expenditure that is expected to be incurred for activities financed under a Project. Each expenditure category is set out in the Financing Agreement for the Project and the related Disbursement Letter and disbursements are made within the limits of the amounts allocated for each such expenditure category.

“Financial Intermediation”

refers to the provision of financing by the Bank to eligible national developing financing institutions (NDFIs) located in the territory of a Member directly or indirectly (through a beneficiary that relends to such entities) that, in turn, relend or on-lend the proceeds of such financing to sub-beneficiaries.

“Financing”

includes provision of Modes of Financing and any other modalities by which the Bank provides funds to a Borrower, including by way of grant or through resources mobilized by way of Sukuk, from any of the Financing Resources of the Bank.

⁵³. The disbursement currency may be different from the payment currency. See definition of “payment currency” below.

“Financing Agreement”

refers to an agreement signed between the Borrower and the Bank that details the terms and conditions of the Financing provided by the Bank to such Borrower and includes a Guarantee Agreement as the context permits.

“Financing Resources”

refers to funds used to finance the Bank's development projects, operations and activities in its member countries and for Muslim communities in its non-member countries, originating from Ordinary Capital Resources (OCR), Waqf Resources, the Islamic Fund for Development (ISFD), Trust Funds and Sukuk Resources.⁵⁴

“First Disbursement Date”

means the date, subsequent to the effective date, on which the Bank makes the first disbursement payment from the proceeds of the financing after determining that the beneficiary has fulfilled all conditions precedent to such disbursement.

“Gestation Period”

refers to the period needed for the implementation of the project financed by the Bank. Such period may be extended at the request of the beneficiary, if approved by the Bank.

“Guarantee Agreement”

means an agreement between a Member Country of the Bank or private organization and the Bank providing for the guarantee of Financing provided by the Bank.

“Ijara”

refers to a medium-term Mode of Financing, which involves constructing or procuring an asset and subsequently transferring of the right of use (or leasing) of the asset to the Borrower for a specific period of time, during which the Bank retains the ownership or useful right of the asset and receives rental from the Borrower.

“Implementing Agency”

or IA means an entity responsible for implementing the project. It may be either an Executing Agency (EA) or another entity designated by the EA to implement a Project.

“Ineligible expenses”

refer to those specific cost items under the Project which are not eligible expenses for purposes of disbursement of proceeds from the Bank's Financing.

“Installment Sale”

refers to a medium-term Mode of Financing, whereby the Bank purchases machinery and equipment, then sells them to the Borrower at a higher price (on the agreed mark- up). The ownership of the asset is transferred to the purchasing Borrower on delivery.

“Istisna”

refers to a medium-term Mode of Financing which is based on a contract for manufacturing (or construction) whereby the manufacturer (seller) agrees to provide the buyer with goods identified by description/specifications after they have been manufactured/ constructed in conformity with the description/specifications within a predetermined time-frame and price. The asset belongs to the seller (which is the Bank) during the construction period which is transferred to the buyer upon its delivery.

“Joint co-financing”

refers to a co-financing arrangement in which the Bank with a co-financier finances the procurement of a common list of goods, works and/or services in agreed proportions and in accordance with agreed upon procedures.

“Last Disbursement Date”

is the last or terminal date evidencing the expiry of the Close Out Period. This date typically coincides with the expiry of the Closing Date or Gestation Period set out in the Financing Agreement for the Project. After the expiry of such date, the Bank will not entertain any application by the beneficiary for payment of eligible expenditures incurred before the Closing Date.

54. For detailed definitions of each of these sources of funding for the Bank, see Operations Glossary, Items 17 and 18.

“Member”

refers to a country that has subscribed to the capital of the Bank, accepted the terms and conditions setup by the Board of Governors, and is a member of the Organization of Islamic Conference or OIC.

“Minimum Disbursement Amount”

refers to that minimum monetary amount that must be requested for disbursement by a beneficiary in any withdrawal application.

“Modes of Disbursement”

refer to one or more modalities of disbursement approved by the Bank under a project and typically refer to reimbursement, reimbursement guarantee commitment, direct payment or special account, or any combination of such modalities.⁵⁵

“Modes of Financing”

refers to a Shari'ah-compatible instrument which is used by the Bank to extend financing depending on the nature of the underlying project or operation and the party to which the financing is extended.

“Mudaraba”

refers to a Mode of Financing based on partnership where one party provides the funds ('fund provider') and the other provides the expertise and management ('fund manager'). Any profits accruing under the Mudaraba are shared between the fund provider and the fund manager under a pre-agreed ratio, while the capital loss is borne by the fund provider.⁵⁶

“Murabaha”

refers to a contract of sale between a buyer and a seller in which a seller purchases the goods needed by a buyer and sells the goods to the buyer on a cost-plus basis. Both the profit (mark-up) and the time of repayment (usually in installments) are specified in an initial contract.

“Musharaka”

refers to an equity sharing financing technique using different types of profit and loss sharing partnerships. The Musharaka partners share both the capital and the management of a project while the profits are distributed between them according to pre-determined ratios based on their equity participation.

“Operational Completion”

means when a Project is declared to be operationally completed (i) with no more disbursements to be made; (ii) after issuance of the final repayment schedule for the Financing by the Bank and acceptance thereof by the Borrower; and (iii) after Project closure in the Bank's Operations System.

“Parallel co-financing”

means a co-financing arrangement in which the Bank and each co-financier finances the procurement of separate goods, works and/or services or separate part(s) of a Project or operation and each financier's follows its own procedures and processes for those components for which it has provided financing. In such cases, the Bank ensures that parallel-financed items are procured economically, in a timely fashion, and are compatible with the objectives of the project.

“Payment Currency”

refers to the currency in which the eligible expenses under the financing agreement for cost of goods, works or services has been paid or is payable under the relevant procurement or consulting contract.

“Project”

means a tangible or intangible development activity with a defined scope, specific results (or deliverables) and assigned resources approved by a competent authority in IDB for a given country or region.

“Project Completion”

refers to the terminal stage in a Project when all implementation activities contemplated under the relevant Financing Agreement have been fully accomplished.

55. Each mode of disbursement is described in more detail in the relevant chapters of this Disbursement Handbook.

56. The fund provider may restrict the activities to be financed under this Mode of Financing and this modality is termed a 'Restricted Mudaraba.

“Project Cycle”

refers to the critical stages in preparation and implementation of a Project and are broadly divided into the following phases: identification, preparation, appraisal, approval, implementation, completion and evaluation.

“Project Implementation”

means the period from the Effective Date of the Project until Project Completion.

“Project Implementation Unit”

or PIU means a unit set up for monitoring project implementation activities generally set up when a Project covers large number of implementing locations or area at multiple places which cannot be reasonably monitored by a single PMU.

“Project Management Unit”

or PMU means a dedicated unit setup within an Executing Agency or Implementing Agency to support the implementation and administration of a Project, including managing its day to day activities under a project and intermediation with the Bank.

“Project Start-up Workshop”

refers to a workshop organized by the Bank after project approval to familiarize the functionaries who are involved with the project implementation about the Bank's project implementation policies and procedures, including in relation to disbursement.

“Public-Private-Partnership”

or PPP refers to a modality of financing which includes mobilizing private sector resources – technical, managerial and financial – to deliver essential public services.

“Reimbursement”

refers to a mode of disbursement under which the beneficiary pre-finances and pays for eligible expenses under the project and then requests reimbursement for such payments upon submission of required supporting documentation.

“Reimbursement Guarantee Commitment”

refers to a mode of disbursement under which the beneficiary requests the Bank to issue an irrevocable commitment letter in favor of a negotiating bank that has been designated to pay a supplier under a letter of credit opened by the beneficiary in favor of such supplier for eligible goods or services under the financing agreement for the project.

“Repayment Period”

refers to the period within which the Borrower is required to pay installments or any other dues or payables to the Bank arising out of, or in connection with, any disbursements made by the Bank to such Borrower under Financing for a Project.

“Retroactive Financing”

means the financing of eligible expenditures incurred by the Borrower prior to the Effective Date of the Financing Agreement.

“Retroactive Financing Date”

refers to the date earlier than the date of the relevant Financing Agreement, as specified in such Agreement, for determining payments eligible for reimbursement under those Projects for which retroactive financing is permitted.

“Shari’ah”

means Islamic law, governing the life of Muslims, which is derived from the Holy Qur’an and the Sunnah.⁵⁷

“Signing Date”

means the date of signature of the Financing Agreement by all parties thereto. Such date in the case of the financing agreement determines the commencement of [service charges/commitment fees], and the repayment schedule for the financing.

⁵⁷. The Bank maintains a Shari’ah Committee. This is an independent body comprising specialized jurists in fiqh almuamalat (Islamic commercial jurisprudence) responsible for directing, reviewing and supervising the financing activities of the Bank to ensure compliance with Islamic banking principles.

“Special Account”

means a designated revolving account into which an initial advance disbursement is deposited and subsequently replenished from time to time in accordance with the terms and conditions regulating such account that are set out in the financing agreement for the project, and related disbursement letter. Such account is used to make payments to contractors, suppliers, and/or service providers, and for payment of other eligible expenditures under the project.

“Summary of Expenditure”

or SOE means a summary sheet list or contents table used in relation to special accounts, in a format acceptable to the Bank, sent by the beneficiary to the Bank that identifies eligible expenses under special accounts that are evidenced by supporting documentation as agreed between the beneficiary and the Bank.

“Supporting Documentation”

refers to documentation required by the Bank evidencing eligible expenses incurred or to be incurred under a project required for which the beneficiary has submitted an application for withdrawal to the Bank.

“Suspension”

refers to the Bank's right to temporarily terminate the right of the beneficiary to obtain disbursement of the proceeds of financing by the Bank for a project in specific situations as set out in the relevant Financing Agreement.

“Withdrawal Application”

means a request for disbursement of proceeds of financing from the Bank under any approved mode of disbursement for payment of eligible expenses in the format as required by the Bank, signed by one or more authorized signatories, including such information and documentation as the Bank may require.

DISBURSEMENT HANDBOOK:

ANNEXES

Table of Annexes:

Annex No.	Description	Chapter No.
Annex 1	Reimbursement Checklist	Chapter 4
Annex 2	Direct Payment Checklist	
Annex 3	Reimbursement Guarantee (ICR) Checklist & Forms (3A, 3B, 3C)	
Annex 4	Special Account Checklist & Forms (4A, 4B)	
Annex 5	Disbursement Letter	Chapter 5
Annex 6	Withdrawal Application	
Annex 7	Authorization Request	

CHAPTER 4: DISBURSEMENT MODALITIES

ANNEX 1: REIMBURSEMENT CHECKLIST

1. Has the pertinent contract been sent to the Bank?
2. If the contract is subject to prior review, has the Project Procurement Unit (PPU) approved the contract for payment?
3. If the contract is subject to post-review, has the responsible Project operations officer confirmed that the requested payment is due and payable?
4. Is the withdrawal application signed by an authorized signatory?
5. Has a separate application been completed for each currency?
6. Has a separate application been completed for each payee, as appropriate?
7. Has a separate Summary of Expenditure (SOE) sheet been prepared for each category or subcategory and are items grouped by contract number?
8. Are expenditures eligible for financing in accordance with the terms and conditions of the Financing Agreement?
9. Are the borrower's bank account number, name of bank, and correspondent bank (if applicable) shown on the payment instructions?
10. Are the supporting documents attached, as appropriate?

Item	Procedure for Borrower	Documentation Required
1	Submission of completed and signed Withdrawal Application on the IsDB's format (one application for each currency)	<p>Satisfactory to the Bank:</p> <ul style="list-style-type: none"> -Evidence of payment showing amount and date of payment, and identity of payee -Reference document for the applicable exchange rate applied, if the payment currency is different from the currency of the Withdrawal Application - Submission of completed and signed summary SOE on IsDB format as required
2	Provides Supporting Documentation, as agreed with IsDB	<p>Examples:</p> <ul style="list-style-type: none"> • Underlying Contract copy; • Confirmed Purchase Order; • Copy of Advance Payment Bank Guarantee; • Copy of Invoice/Claim; • Copy of Interim Payment Certification; • Copy of Bill of Lading; • Copy of Delivery Receipt; • Copy of Acceptance Certificate; • Copy of Completion Certificate; • Copy of Satisfaction of Defects Liability Period; • Acceptance of Project Report/Study/ Deliverable

ANNEX 2: DIRECT PAYMENT CHECKLIST

1. Has the pertinent contract been sent to the Bank?
2. If the contract is subject to prior review, has the Project Procurement Unit (PPU) approved the contract for payment?
3. If the contract is subject to post-review, has the responsible Project operations officer confirmed that the requested payment is due and payable?
4. Is the withdrawal application signed by an authorized signatory?
5. Has a separate application been completed for each currency?
6. Has a separate application been completed for each payee, as appropriate?
7. Has a separate SOE sheet been prepared for each category or subcategory and are items grouped by contract number?
8. Are expenditures eligible for financing in accordance with the terms and conditions of the Financing Agreement?
9. Are the identified payee's bank account number, name of bank, and correspondent bank (if applicable) shown on the payment instructions?
10. Are supporting documents attached, as appropriate?

Item	Procedure for Borrower	Documentation Required
1	Submission of completed and signed Withdrawal Application on the IsDB's format (one application for each currency)	<p>Satisfactory to the Bank:</p> <ul style="list-style-type: none"> - Evidence showing amount of requested direct payment, identity of specific payee and specific contractual basis for why such payment is due for direct payment as requested - Reference document for the applicable exchange rate to be applied, if the payment currency is different from the currency of the Withdrawal Application
2	Provides Supporting Documentation, as agreed with IsDB	<p>Examples:</p> <ul style="list-style-type: none"> • See Reimbursement Checklist Table; • For any supporting documentation provided under direct payment, need to identify, to IsDB's satisfaction, contractual basis to confirm that requested direct payment (whether supported by an interim payment certification or otherwise) is justified in favor of the identified payee supplier or service provider

ANNEX 3: REIMBURSEMENT GUARANTEE COMMITMENT (ICR): CHECKLIST AND FORMS

Item	Applicable Procedure	Documentation Required
1	The Borrower completes and signs Request for a Reimbursement Guarantee (RG) in the format provided in Annex 3A (Reimbursement Guarantee Commitment Application).	The Borrower must attach all supporting documentation for each RG request. Such supporting documents must include: Copy of the LC to which the RG Request relates with a valid expiry date (i.e. before closing date of the applicable Financing Agreement, unless extended); Copy of the underlying contract for supply of goods/services to which the LC relates and any required approval for such contract.
2	IsDB will issue a RG commitment to the identified negotiating bank as provided in Annex 3B (Reimbursement Guarantee Commitment) through an authenticated SWIFT message.	RG Commitment standard format used by the Bank provided in Annex 3B.
3	If the Borrower wishes to amend the underlying LC, then the Borrower will notify IsDB as set out in Annex 3C (Amendment to Reimbursement Guarantee Commitment). IsDB must approve such amendment.	The Borrower must provide the text of the proposed LC amendment.

Annex 3A: REIMBURSEMENT GUARANTEE COMMITMENT APPLICATION

<p>To: Islamic Development Bank (IsDB) Jeddah, KSA</p> <p style="text-align: right;">Attn: Dues & Disbursement Division, Financial Control Department Application for Reimbursement Guarantee Commitment</p>	
Project No (OMS):	[-----]
Project Name:	[-----]
Operation ID:	[-----]
Mode of Finance:	[-----]
Contract No:	[-----]
Executing Agency Details:	<p>Name: Contact Person: Address: Email: Tel/Fax:</p>
Application No:	[-----]
Application Date:	[.....]
Letter of Credit Details:	<p>LC Issuing Bank Name: Address: Bank Code:</p> <p>LC Negotiating Bank Name: Address: Bank Code:</p> <p>LC No.: Commitment Amount and Currency: LC Amount and Currency: LC Expiry Date: Last Shipment Date:</p>

Agreement & Certification

The undersigned hereby agrees and certifies as follows:

- (a) You will pay the negotiating bank the amount paid or expected to be paid by them under the terms of the Letter of Credit (LC).
- (b) The negotiating bank shall request reimbursement of the amounts paid by them pursuant to the LC in accordance with the terms and conditions of the Guarantee that you issue.
- (c) You will accept all amendments that the issuing bank submits in respect of: (i) the expiry date of the LC; (ii) the last date for negotiating documents. We understand that these extensions will not exceed the validity date of this Guarantee that you issue.
- (d) All amendments will be requested by us, directly to yourselves, for your approval. Such amendments include: (i) the country of origin; (ii) the goods description; (iii) the quantity of goods; (iv) insurance details; (v) the value or currency; (vi) the beneficiary; (vii) expiry date of the letter of credit ; and (viii) the extension of the shipment date.
- (e) Your obligation under the Guarantee shall terminate:
 - i. You will not issue a reimbursement guarantee if the underlying contractual shipment date occurs after the relevant closing date. Unless otherwise approved by you.
 - ii. The issuing bank LC expiry date must also fall by the closing date (Last Date) of the Financing Agreement.
 - iii. Upon the earlier of the closing date of the Financing Agreement and 30 days after the expiration of the LC, unless the IsDB shall agree otherwise;
 - iv. Upon payment of the full value of the LC in accordance with the terms and conditions of the Guarantee.
- (f) Unless otherwise agreed, all bank charges, fees, commissions, and any other charges from the date of payment of the negotiating bank to the date of reimbursement shall be at our charge and paid by us directly to the negotiating bank.
- (g) The undersigned has not previously withdrawn any amount from the Project Account to meet these expenditures. The undersigned has not, and does not, intend to obtain other funds for this purpose out of the proceeds of any other financing, credit or grant of any type whatsoever.
- (h) The goods/services covered by this Application shall be purchased in accordance with the terms and conditions of this Agreement and the Financing Agreement.
- (i) The expenditures under the LC and this Agreement shall be made only for goods and services from eligible sources and for eligible items under the applicable contract.
- (j) At the date of this application, the Borrower or Recipient is not in default of any obligations under any financing agreement with the IsDB.

AUTHORIZED SIGNATORIES

1. Name and Title of Borrower or Recipient:

2. Signature of Authorized Representative:

3. Date Signed:

NOTE: Please ensure your application and annexes are complete and correct to avoid any delays.

Annex 3B: Reimbursement Guarantee: SWIFT MESSAGE (MT799)

From: ISDB

Attn: DOCUMENTARY CREDITS DEPT

Transaction Reference Number (F20): ____

Related Reference (if applicable [F21]): ____

OUR REF: _____[Reference] (QUOTE IN ALL OUR CORRESPONDENCE)

WE HEREBY ISSUE OUR IRREVOCABLE COMMITMENT FOR REIMBURSEMENT OF CLAIMS UNDER FOLLOWING L/C NO _____ ISSUED ON _____ BY _____ SWIFT: _____, FOR THE AMOUNT OF _____ [amount in figures and currency code] _____ [amount and currency in words].

L/C DETAILS:

1. L/C NUMBER : _____
2. ISSUED BY : [Bank name and branch] (SWIFT: _____)
3. BY ORDER OF : _____
4. FAVOURING : _____
5. AMOUNT : [currency]_____
6. DATE OF EXPIRY : _____
7. SHIPMENT DATE : _____
8. PAYMENT TERMS : _____
9. BANKING CHARGES : ALL BANKING CHARGES AND COMMISSIONS INSIDE AND OUTSIDE OF [country] ARE FOR BENEFICIARY'S ACCOUNT.

WE IRREVOCABLY UNDERTAKE TO HONOUR YOUR CLAIMS THROUGH OUR NOMINATED REIMBURSING BANK, [Name of bank, branch] (SWIFT Code: _____) WITHIN 5 BANKING DAY(S) FROM THE DATE OF RECEIPT OF YOUR REIMBURSEMENT CLAIM UP TO A MAXIMUM AMOUNT OF [amount in figures and currency code]. (THIS AMOUNT IS NOT TO INCLUDE ANY COMMISSIONS AND EXPENSES INCURRED IN CONNECTION WITH THE LETTER OF CREDIT), PROVIDED THAT THE NEGOTIATING BANK CERTIFIES TO OUR NOMINATED REIMBURSING BANK, [Name of bank, branch] (SWIFT Code: _____) BY AUTHENTICATED SWIFT MESSAGE THAT (1) THE TERMS AND CONDITIONS OF ABOVE MENTIONED L/C HAVE BEEN COMPLIED WITH (2) AND ORIGINAL DOCUMENTS HAVE BEEN SENT TO THE L/C OPENING BANK THROUGH COURIER SERVICE.

WE HAVE SENT OUR STANDING INSTRUCTIONS TO [Name of bank, branch] (SWIFT Code: _____) AUTHORIZING THEM TO HONOUR YOUR CLAIMS ACCORDINGLY.

IN CASE OF ANY DISCREPANCY IN THE DOCUMENTS PRESENTED OR AMENDMENTS TO THE ABOVE MENTIONED L/C DETAILS INCLUDING (I) THE COUNTRY OF ORIGIN (II) THE GOODS DESCRIPTION (III) THE QUANTITY OF GOODS AND (IV) THE INSURANCE DETAILS, THE PRIOR APPROVAL OF THE ISLAMIC DEVELOPMENT BANK MUST BE OBTAINED TO WAIVE THE DISCREPANCY OR ACCEPT THE AMENDMENT(S) IN ORDER THAT THIS COMMITMENT REMAINS OPERATIVE.

THIS MESSAGE IS DEEMED TO BE THE OPERATIVE INSTRUMENT AND NO MAIL CONFIRMATION WILL FOLLOW.

KIND REGARDS

DUES & DISBURSEMENT DIVISION

FINANCIAL CONTROL DEPT

Annex 3C: Amendment to Reimbursement Guarantee Commitment: Underlying Letter of Credit

[Borrower Letterhead]

Date: [----]

Ref: [----]

Islamic Development Bank

Attn: Dues and Disbursement Unit
Financial Control Department

Dear _____:

RE: PROJECT NO: -----: PROPOSED AMENDMENT OF LETTER OF CREDIT (LC) NO: _____:
APPLICATION FOR APPROVAL

We request your written approval for a proposed amendment of the captioned LC as follows:

[Specify what is being amended in the LC]

This LC is covered by Reimbursement Guarantee Commitment No: [_____] A SWIFT copy of the amended Letter of Credit is attached for your review.

We consider the proposed amendment necessary and reasonable and therefore request that you advise the opening bank of your approval of the amendment.

(Name of Borrower)

_____ (Name/Title/Signature of Authorized Representative)

_____ (Name/Title/Signature of Authorized Representative)

ANNEX 4: SPECIAL ACCOUNT: CHECKLIST AND FORMS

CHECKLIST:

Is the advance fund procedure authorized by IsDB for this Financing?

Is the withdrawal application signed by an authorized signatory?

Are both the advance account reconciliation statement and the ending balance per corresponding bank statement included to support the request for liquidation or replenishment?

Are expenditures eligible for financing in accordance with the terms and conditions of the Financing Agreement?

Has the relevant contract reference number been linked to the Special Account?

Are the necessary supporting documents attached, such as the audit report of expenses against each component and the certification letter from the auditor confirming that the previous funds have been used for the purpose intended?

If the closing date/Last Disbursement Date is within the next 6 months, has consideration been given to whether the account should be replenished or treated for liquidation only?

Is the projection for the next 3 months for initial or additional advance attached to the withdrawal application?

Is the currency of withdrawal application the same as the currency of the advance account?

Are the payment instructions complete?

Instructions for Initial Advance and Replenishments to a Special Account

- Complete and sign a Withdrawal Application (see Annex 6).
- For an initial advance to the Special Account: complete a Summary of Expenditure (SOE) Forecast form (Annex 4A(ii))
- For a replenishment to the Special Account: complete a Reconciliation Statement (Annex 4B), a Statement of Expenditure (SOE) form (Annex 4A[i]) for expenses paid from the SA and a Summary of Expenditure (SOE) Forecast form (Annex 4A[ii]) for upcoming payments from the SA)
- Attach all required supporting documentation

Project No (OMS) & Name	Insert the Project Code and Name of Project
Operation ID (CML) & Mode of Fin.	Insert the Operation ID and Mode of Finance
Currency	Insert the Currency of the Special Account
Statement Period incurred	Insert relevant period the expenses on the statement were
Forecast Period	Advances to SA generally cover up to 3 months of forecast expenses
Application Number	Insert application number
Ref	Insert Sequential Item Reference Number
Component / Category	For non-contractual expenses, specify the approved project component as per financing agreement
Description of Goods & Services	Provide details of the goods and/or services for payment
Name & address of Contractor/Supplier	Insert the name and address of the contractor/supplier providing the goods and/or services
Contract/Invoice Date and Reference is	For payment is for a contract, insert signing date; For payment for a tax invoice, insert the invoice date
Cum. Previous Payments	For contract or invoice with previous payment(s), insert amount of cumulative payments already made
IsDB %	Indicate the percentage of the total cost to be financed by IsDB
IDB Amount Payable	Amount to be disbursed by IsDB
Total	Insert total amount to be disbursed by IsDB
Evidence of payment	State the evidence of payment provided to the auditor
Date of non-objection	For prior-approval procurement expense(s), insert the date of the IsDB non-objection (NOC)
Due Date	For tax invoice payment, insert the due date as per terms of payment on the invoice; For salary(/ies) to be paid, insert the last period end date of the salary
Date Paid	For expenses already paid, insert the date the expenses were actually paid from the SA
Remarks	Any further clarifications
Prepared By	To be signed by the PMU Head
Approved By	To be signed by the authorized signatory(/ies)
Page No.	Page number in statement
Total No. of pages	Total number of pages in statement

Annex 4A(i): Statement of Expenditure (SOE) Form

- 1. Project No (OMS) & Name:
- 2. Operation ID (CML) & Mode of Fin.:
- 3. Currency
- 4. Statement Period
- 5. Application Number

0	7	8	9	10	11	
Ref	Component / Category	Description of Goods & Services	Name & address of Contractor / Supplier	Contract / Invoice Date and Reference	Cum. Previous Payments	

Prepared By

.....
Name and Position

.....
Signature

Annex 4A(ii): Summary of Expenditure Forecast (SOE) Form

- 1. Project No (OMS) & Name:
- Operation ID (CML) & Mode of Fin.:
- 2. Currency
- 3. Statement Period
- Application Number

0	7	8	9	10	11	
Ref	Component / Category	Discription of Goods & Services	Name & address of Contractor / Supplier	Contract / Invoice Date and Reference	Cum. Previ-ous Payments	

Prepared By

.....
Name and Position

.....
Signature

Annex 4C: Special Account: Reconciliation Statement Sample

SPECIAL ACCOUNT RECONCILIATION		
Code	Description	Currency
A	Opening Balance as at .../.../.....	
B	Payment Received from IsDB (Project and Application N°..... Date:...../20.....)	
C	Reimbursement of ineligible expenditure	
Total Resources (1)		
D	Component 1: (Please specify here the component)	
	Component 2: (Please specify here the component)	
	Component 3: (Please specify here the component)	
	Component 4: (Please specify here the component)	
	Component 5: (Please specify here the component)	
	Component 6: (Please specify here the component)	
Total Expenditures (2)		
Balance of the Special Account (3) = (1) - (2)		
E	Closing balance of the Special account as at .../.../..... and according to the bank statement (4)	
Difference (5) = (3) - (4)		
F	Justified difference (6)	
Difference to be justified (7) = (5) - (6)		

Instructions:

- Enter the amount shown in the closing balance of Special account of the latest special account reconciliation.
- Enter the total replenishments received from IsDB during the period.
- Enter the total refund of ineligible expenditures made by the Executing Agency during the period.
- Enter the total eligible expenditures paid from the SA during the period for each component.
- Enter the closing balance of special account according to the bank statement.
- Enter the total justified difference.

NB: Please provide a separate note for the explanation of the differences.

CHAPTER 5: DISBURSEMENT PROCEDURES

ANNEX 5: SAMPLE DISBURSEMENT LETTER

[ISDB LETTERHEAD]

Ref:___

Date:_____

[beneficiary]

SUB: _____ [name of project] ('Project') --

Disbursement Arrangements under Financing Agreement/Agency Agreement dated ____ between the Islamic Development Bank and _____ (beneficiary) ('Financing Agreement')

Dear _____:

1. Signing

We refer to the captioned Financing Agreement/Agency Agreement signed by you and IsDB on _____ [date of signing].

This letter sets out the procedures and processes to be followed by you in making withdrawals from your Financing Agreement¹/Agency Agreement once the Agreement becomes effective. Unless the context otherwise requires, the terms defined in the Financing Agreement/Agency Agreement apply equally to this letter of disbursement.

2. Effectiveness

The first disbursement will not be made until all the conditions precedent to the effectiveness of the Financing Agreement / Agency Agreement as detailed in Sections ___ and ___ of the Financing Agreement/ Agency Agreement as detailed in Sections ___ and ___ of the Financing Agreement and Sections of the Agency Agreement have been satisfied.

3. Authorized Signatories

An official letter from your Representative designated under Article.... of the Financing/ Agency Agreement mentioning the names and respective specimen signature(s) of the person(s) authorized to sign withdrawal applications must be received and accepted by the Bank before any disbursements for the Project can commence. A sample format letter for designating such authorized signatories is provided in the Attachment to this letter. If any changes are to be made to the identities of such authorized signatories, you must send the Bank a new authorization letter, along with new specimen signatures, which must be accepted by us before any disbursements under the authority of such new authorized signatories can commence.

4. Closing Date

Closing Date: This is a date designated as such in the Financing Agreement. Any expenditures (even if otherwise eligible) incurred by the beneficiary after such date (as may be extended from time to time if the Bank approves such extension) are not eligible for payment through disbursement of proceeds of Financing for the Project.

5. Eligible Expenditures

Version 1 Loan:

Expenditures for which payment is requested under any withdrawal application must fall within one of the following cost categories:

Category of Expenditure	Foreign Currency Cost	Local Currency Cost	Total Cost
[e.g. Equipment, works, etc]			

Any change to the above cost categories for eligible expenditures must receive the prior written approval of the Bank.

Version 2: other modes:

Expenditures required for the construction/ Delivery of the Asset as described under annex of the Agreement are the only eligible expenditures. The cost categories are given in the following table

Any change to the above cost categories for eligible expenditures must receive the prior written approval of the Bank.

6. Audit Reports

You are required to have the accounts of the Project audited each year, or at such other times, as specified in the said Agreement, in accordance with generally accepted accounting principles, by independent accountants that satisfy the Bank's requirements. Certified copies of any audit report are required to be submitted to the Bank as follows: (i) for annual audit reports, not later than [6] months after the financial year to which such report relates closes; and (ii) for any other audit reports required by the Bank, not later than the date specified by the Bank for submission of such report.

Without limiting the scope of any such report, the designated auditor is required, among other things, to:

- Determine the eligibility of expenditures and identify any ineligible expenditures;
- Review the beneficiary's / the agent's internal financial control mechanisms to identify any deficiencies or weaknesses which could affect the financial integrity and efficiency of the project;
- Review the operations of any Special Account associated with the project;
- Complete the template set out in Annex 4B (Special Account: Reconciliation Statement)
- Audit all Statement of Expenditure (SOE) used as a basis for submission of withdrawal applications by the beneficiary/ the agent under the project;
- Form an opinion on compliance by the beneficiary/ the agent with applicable Bank policies and procedures;
- Form an opinion on the quality and reliability of the financial statements and other information submitted by the beneficiary/ the agent.

7. Disbursement Modalities

The following Disbursement Modalities may be used under the said Financing/Agency Agreement:

- Reimbursement
- Reimbursement Guarantee (RG or ICR)
- Direct Payment
- Special Account

Detailed procedures for each such disbursement modality are explained in the Bank's Disbursement Handbook. The Statement of Expenditure (SOE) procedure is permitted for use under the Reimbursement and Special Account disbursement modalities under the following conditions:

[specify project-specific conditions if and as justified by the disbursement capacity assessment].

8. Special Account

Your authorized signatories are permitted to open [] foreign currency and [] local currency special accounts into which the proceeds of the Financing Agreement will be deposited in accordance with the Bank's terms and conditions set out for operation of such accounts in the said Agreement.

[The applicable ceiling for such special account, as set out in the said Financing/Agency Agreement, is the lowest in value of:

- a. Three-month coverage of the eligible expenditures (components);**
- b. 25% of the IDB Approved Financing;**
- c. USD 500,000] ¹**

Among other requirements, please also ensure that:

- Separate bank accounts are identified for each operation for which special accounts are used and each such account is subject to a separate audit report;
- Recruitment of special account auditor, with qualifications and experience satisfactory to the Bank, must have been commenced by the beneficiary/ the agent, in a manner satisfactory to the Bank, prior to submission of any withdrawal application requesting disbursement of advances into such special account;
- There will be [a minimum of at least two (2) replenishments]² annually into any special account;
- Your submissions in relation to establishment and operation of any special account use the Bank's standard template applicable for such purpose (e.g. for special account opening, for statements of forecasted expenditures, for any approved SOE procedures, for account reconciliations, for special account audit reports and/or certifications, etc.)

Any SOEs, and related supporting documentation, for operation of the Special Accounts must be audited regularly in accordance with the terms of Paragraph 6 above. Non-compliance with this requirement will result in immediate suspension of replenishments to the Special Accounts.

The beneficiary/ the Agent must ensure that all amounts deposited in the Special Accounts, and each of them, are accounted for to the satisfaction of the Bank and their use reported prior to the Closing Date³ or, if extended, the deadline for the last disbursement. After such date, the beneficiary must immediately refund to the Bank any advances still unaccounted for or remaining in any Special Account.

9. Custody of Documents

Under Section__ of the said Agreement, the beneficiary/ the Agent is required to retain and keep in safe custody all records (e.g. contracts, orders, invoices, bills, receipts, etc.) and other documentation that evidences eligible expenditures. Such records and documentation must be made available to the Bank's representatives and/or external auditors on request for at least [__] years after operational completion of the project.

10. Beneficiary/the Agent Submissions

Any submission by the beneficiary/ the Agent, including withdrawal applications, should be completed and signed by authorized signatories and accompanied by all supporting documentation. Such submission should be sent by courier or registered post or delivered by hand to:

Dues & Disbursement Unit

Financial Control Department

Islamic Development Bank

11. Disbursement Currency

Each disbursement request identified in a withdrawal application submitted by the beneficiary/ the Agent must be for amounts payable in a single currency. If the beneficiary/ the Agent requires payments made in more than one currency, the beneficiary/ the Agent must submit a separate withdrawal application request for each identified currency of payment. Requests for payment denominated in multiple currencies will not be processed.

12. Minimum Disbursement Request

The minimum value for any disbursement request under a withdrawal application is [US \$ _____] equivalent or [__] % of the financing provided by the Bank, whichever is lower, unless otherwise agreed by the Bank. Individual payments below this amount should be paid (i) by the beneficiary and subsequently claimed from the Bank through reimbursement or through the Special Account procedure (if such procedure is approved by the Bank for use under the project), unless otherwise accepted by the Bank.

13. Beneficiary Bank

Withdrawal applications submitted by the beneficiary / the Agent must accurately identify the full name and address of the beneficiary (or payee), the name and address of the beneficiary's bank, and the account number of the beneficiary. In addition, the IBAN code and/or the SWIFT/BIC/SORT/FEDWIRE code of the beneficiary's bank must be provided.

14. Correspondent Bank

If a settlement for a beneficiary is made in a country in which the currency of the disbursement request is not legal tender for the Bank, the request for payment must include the full name and address of the correspondent bank of the beneficiary's bank located in the country where such currency is legal tender. Such request for payment must also include the account number of the beneficiary's bank at such correspondent bank and the SWIFT/BIC/SORT/FEDWIRE code of such correspondent bank.

15. Repayments

To enable your authorized representatives / the authorized representatives of the Beneficiary (under the Istisna'a/ Lease/ I Sale.... Agreement) to make necessary repayments arising out of, or

in relation to, the provision of financing by the Bank, the Bank will dispatch notices of the due dates for such payments in accordance with the applicable repayment schedule, and related terms and conditions, set out in the said Agreement, normally at least [six] weeks before the relevant due date.

Your authorized representatives/ the authorized representatives of the Beneficiary (under the Istisna'a/ Lease/ I Sale.... Agreement) should advise the Bank whenever you make / they make payments for amounts due to the Bank in respect of, or in relation, to any financing provided by the Bank. Such notice should indicate the currency and amount paid, the paying bank, the value date, the project reference number and identify the bank name and account to which such payment has been made.

16. Overdues

The beneficiary must ensure that required repayments for provision of financing for the project (e.g. service and administrative charges, installments, lease payments, etc.) are settled as soon as such payments (net of bank fees and commissions) become due. If the Bank does not receive payments by the relevant due date, the Bank may impose sanctions including but not limited to suspension of disbursements under the project until any such amount overdue has been settled.

17. Disbursement Request Delays

Lack of necessary documentation or incomplete documentation is the major cause of delay in completing disbursement requests. Typical examples are lack of a copy of the underlying procurement contract to support a payment request, lack of identification of authorized signatories or changes in such signatories, lack of details of correspondent banks, outdated guarantees etc. The beneficiary/ the Agent should carefully review the procedures, checklists and templates provided in the Bank's Disbursement Handbook to ensure that all applicable documentary requirements have been fully complied with when the beneficiary/ the Agent finalizes its submission of a withdrawal application.

18. Disbursement Handbook

Procedures required to be followed by the Bank for each of the areas discussed above are detailed in the Bank's **Disbursement Handbook** (2019). We suggest that this Handbook be reviewed carefully by the officials responsible for implementation of the Project.

Please circulate this letter to all Project staff, including Project accountants. / and to the Representatives of the Beneficiary (in case the agent is the recipient of this letter)

If you have any questions, please do not hesitate to contact us. To facilitate timely response, please include the Project number in all messages to the Bank regarding disbursements in relation to the Project.

Sincerely,

Name:

Position:

Office: Financial Control Department

ANNEX 6: WITHDRAWAL APPLICATION

WITHDRAWAL APPLICATION

To : Manager
Dues and Disbursement Division
Financial Control Department
Islamic Development Bank

1. **Mode of Disbursement**
 - a Direct Payment
 - i Advance
 - ii Interim
 - iii Final delivery
 - iv Retention release
 - b Reimbursement Contract
 - i Advance
 - ii Interim
 - iii Final delivery
 - iv Retention release
 - iv Non-Contractual Exp.
 - c Special Account
 - i Initial Advance
 - ii Replenishment

2. **Application No.:**

3. **Date of Application**

4. **Project No. (OMS):** _____

5. **Project Name:** _____

6. **Operation Name:** _____

6. **Operarion ID (CML)** _____

7. **Mode of Finance:** _____

8. **Contract No. (Vendor):** _____

9. **Co-Financier(s) Reference:** _____

10. Payment Instructions

a Application Currency

b Application Amount (figures)

c Application Amount (words) _____

11. Bank Details

a Beneficiary Bank

b Correspondent / Intermediary Bank

i Name

i Name

ii Address:

ii Address:

iii Account No.:

iii Account No.:

iv SWIFT Code:

iv SWIFT Code:

v IBAN Code (If applicable)

v IBAN Code (If applicable)

c Special Payment instruction and Other References:

12. This Withdrawal Application includes:

a_ Summary Statement (for all disbursement requests except for Special Account)

b_ Statement of Expenditure (SOE) [for special account disbursements only]

c_ Summary of Expenditure (SOE) Forecast [for special account disbursements only]

d_ Special Account Reconciliation Statement

e_ Auditor's Report __ Auditor's Certificate

f_ Copies of Other Supporting Documentation (specify) _____

13. CERTIFICATION:

The undersigned authorized signatories and agree as follows:

- a. The expenditures are eligible for payment from the proceeds of the Bank financing
- b. The expenditures were or will be made for the purposes specified in the Agreement and in accordance with its terms and conditions, and the undersigned has not previously withdrawn from the Project Account of obtained any other financing, credit, or grant for the purpose of fully or partially meeting these expenditures.
- c. The works, goods, or service claimed for direct payment, reimbursement, or liquidation of advance in any special account have been procured in accordance with the Agreement and the cost and terms of the purchase are reasonable and in accordance with the relevant contract(s).
- d. The works, goods, or services were or will be produced in and supplied by a member country of the Bank, unless specifically permitted otherwise under the Agreement by the Bank.
- e. This application is claimed in accordance with the Bank's Disbursement Handbook, and all documents related to the expenditures covered by this application are available for examination by auditors and by the Bank upon request.
- f. Unless otherwise restricted in the Agreement, if the disbursement pursuant to this application results in the agreed allocation of the corresponding expenditure categories of the Account being exceeded, the Bank may process the disbursement and subsequently reallocated to such categories from other categories to the extent required to meet the shortfall.
- g. At the date of this application the borrower is not in default of any obligations under any financing agreement with the Islamic Development Bank.
- h. For expenditure claimed on the basis of a Statement of Expenditure (SOE), all documentation which verifies these expenditures is retained in the location stated on the summary sheet and is available for review by the Bank or auditors upon request.

By: _____ [name of borrower]

14. Signature(s) of Authorized Representative(s): _____

15. Name(s) and Title of Authorized Representative(s): _____

16. Date:

17. Contact Details:

a. Name and Title

Phone:

Email:

*Please ensure your application and annexes are complete and correct to avoid any delays

Instructions for preparing the Withdrawal Application Form

General

- Submit original withdrawal application (WA) form to the Bank (or to its designated Regional Hub, if instructed).
- Number WAs consecutively by each project not by each operation/financing agreement/mode of finance i.e. the second disbursement for a given project which is also the first disbursement for the loan agreement portion of the project is WA Number 2
- The value of a WA should be at least US\$_____ equivalent, or ___% of the financing provided by the Bank, whichever is lower, unless otherwise agreed by the Bank. Individual payments below this amount should be paid (i) by the borrower and subsequently claimed from the Bank through reimbursement, or (ii) through the special account procedure (if such procedure has been approved by the Bank), unless otherwise accepted by the Bank.
- When the WA is completed, verify completeness of supporting documentation and accuracy of details before passing to the authorized representative(s) for signature. Mistakes and omissions may result in delayed disbursement.

Withdrawal References

- If the Project has more than one executing agency (EA) or implementing agency, they should nominate one central co-ordinator to ensure the WA Number remains sequential.

Application Type

- Check the appropriate box of the type of disbursement modality applicable for the WA.

Application Currency & Amount

- Currency: Indicate the name of the currency requested for disbursement.
 - Reimbursement (of contract or non-contractual expenditure)/Direct Payment/Reimbursement Guarantee : This is the currency in which the cost of goods, works and/or services has been paid or is payable.
 - Special Account: This will be the currency the Special Account was opened in.
 - Separate WAs: Prepare a separate WA for each operation/mode of finance, application currency and beneficiary.
- Amount: indicate the amount requested for disbursement in figures and words.

Project Code, Operation ID and Mode of Finance

- Project Number (OMS): IsDB's alphanumeric reference assigned by the Bank for the overall project in the Operations Management System (OMS)
- Operation ID (CML): IsDB's numeric reference for the specific Financing Agreement/Mode of Finance
- Mode of Finance: The specific product type relevant to the Operation ID

Summary Statement (SS), Statement of expenditures (SOE) and Summary of Expenditure (SOE) Forecast:

- The SS form applies for all disbursement modes except those relating to special accounts.
- The SOE forms apply to the withdrawal applications that relate to disbursement(s) to a special account.
- For either SS or SOE forms, the supporting documentation must be identified and attached.
- List items of payment to the same supplier together, one below another.
- Submit the Statement of expenditures (SOE) and/or Summary of Expenditure (SOE) Forecast form(s) for an initial advance or replenishment(s) into the special account. The requested amount cannot be greater than the ceiling allowed as per the financing agreement.
- Estimated expenditures for the forthcoming 3 months should normally be based on the amount of contracts awarded and to be awarded. For expenditures related to operational costs, the amount should be linked to the Project's annual budget provision.

Payment Instructions

- Beneficiary's Name and Address: Indicate full name and address of the payee for identification of payment.
- Name and Address of Beneficiary's Bank and Account No: Indicate full name and address of the payee's bank, which may include a banker and/or branch designation. Account number is important. Provide SWIFT code if the payee's bank is a member of SWIFT.
- Correspondent Bank: When payment is to be made to a payee's bank not located in the country of the disbursement currency, indicate full name and address of its correspondent bank located in the country of the disbursement currency. Provide SWIFT code if the bank is a member of SWIFT.
- Special Payment Instructions: Indicate any particulars, special instructions, or references to facilitate payment or identification of payment. When the disbursement currency is different from the application currency, indicate «pay the application amount in [the currency name to be disbursed] equivalent.»

Supporting Documentation

- Special Account Reconciliation Statement: Submit this form for liquidation and for each replenishment of the special account.
- Copies of supporting documentation: Itemized supporting documentation should be provided in accordance with the requirements set out in the Bank's Disbursement Handbook to substantiate eligibility of the expenditure claimed, unless abbreviated documentary requirements have been approved for use by the Bank (in the context of special accounts or in connection with any other disbursement modality) e.g. copy of the ending balance per the corresponding bank statement.

Certifications and Signature

- Certifications: Modifications to any certifications are not valid or binding, unless otherwise agreed by the Bank.
- By (Name of Borrower or Recipient): Fill in the name as it appears in the Financing Agreement.
- Date Signed: Enter the date WA is signed by authorized representative(s), not the date it was prepared.

Authorized Representative(s): Pass this application to the authorized representative(s), who is (are) designated in the Authorization Request form submitted to the Bank (see Annex 7 below). Verify that the list of authorized representative(s) has not been changed.

ANNEX 7: AUTHORIZATION REQUEST¹

[Letterhead of the representative of the borrower]

[Street address]

[City] [Country]

Islamic Development Bank

_____ Attn: Manager, Dues and Disbursement Division, Financial Control Department (FCD)

Dear _____:

Subject: Project No. ____ - ____ [Project Name]

I refer to the Financing Agreement (the "Agreement") between the Islamic Development Bank ("Bank") and [name of borrower] (the "borrower"), dated _____, providing financing for the captioned Project.

For the purposes of Article [insert appropriate Article number] as defined in the Agreement, the person(s) whose authenticated specimen signature(s) appear below is authorized on behalf of the borrower to sign withdrawal application(s), and any and all other documentation required by the Bank in relation to such applications, to obtain the proceeds of such financing for the said Project.²

[Name], [Position]: Specimen Signature: _____

[Name], [Position]: Specimen Signature: _____

Yours faithfully

SIGNED BY:

[Title of the Borrower/Designated Representative,
as provided in the Financing Agreement]



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