

**DISBURSEMENT  
GUIDELINES**

**UNDER  
SAMAN BANK  
PROJECT FINANCE**

**EXECUTIVE VP CREDIT**

**PROJECT FINANCE & MANAGEMENT**

Sources: W.B, IDB

## CONTENTS

Purpose .....	3
Disbursement Procedures .....	7
Disbursement Reports .....	15
Account and Audit .....	16
Accounting system .....	17
Hints to avoid delay in processing disbursement requests .....	18
Appendix:	
Disbursement Basic Data.....	18
An example of the use forms in Saman Bank:	
MODEL FORM OF AUTHORIZED SIGNATORY LETTER.....	19
Statement of expenditure (S.O.E).....	22
Banking Statement.....	23
Discrepancy format Repot.....	24
Financial Statement.....	26

## Preface

### Purpose

The purpose of these Guidelines is to inform the Policies and payment methods for procurement of works /goods / services - consultants under the Saman Bank project finance.

The Above guidelines are available to borrowers, during the project cycle the borrower must be observe them for disbursement to be possible.

In case of non –compliance saman bank guidelines for project finance It may cause delays in project implementation.

So, we recommend follow saman bank guidelines in project financing period must be observe by all of financing applicants.

## **DISBURSEMENT PROCEDURES**

1- 2 Disbursement arrangements and procedures have evolved over the years to meet Changing needs of the beneficiaries. This chapter describes the current process and procedures for handling a withdrawal application for direct payment, reimbursement or a Letter of Credit. It also addresses related issues for opening of Special Account (an impress account), ineligible items for Saman Bank's financing, co-financing and retroactive financing.

2-2 All payments for goods and services should be made in accordance with the Provisions of a contract which specify the currencies and mode of payment.

2-3 Prompt payment is of considerable importance since suppliers may have to borrow to continue operations, and since these extra costs are usually reflected in current or future contract prices.

### **Basic Requirements**

2-4 The Bank's Articles of Agreement stipulate that proceeds of financing are used only for the purposes set out in the financing documents and that the financed goods and services are procured with due regard to economy and efficiency and

Are suitable and satisfactory for the project The Articles further stipulate that funds Maybe withdrawn only to meet project expenses as they fall due the disbursement procedures described below have been designed to ensure Compliance with the said Articles Borrowers should send applications for withdrawal or for issuance of Irrevocable Commitments to Reimburse directly to the executive VP credit at the Bank's headquarters Tehran – Iran.

- Applications should not be sent to other Bank

## **First Steps before Withdrawals**

2-5 before withdrawals can begin; the following conditions must be met:

- the financing must be declared effective by the Bank following compliance With all conditions specified in the financing agreement and the general Conditions.....
- The Bank must receive evidence of authority given to representatives of the Borrower to sign withdrawal requests
- Disbursement conditions (if any) relating to the category must be fulfilled.
- For all withdrawals, the Bank must receive a withdrawal application in a form Acceptable confirming compliance with procurement procedures and accompanied by acceptable supporting documents.

## **Withdrawal Process**

2-6 In order to be eligible for payment, all disbursement requests require the Following:

- Compliance with the conditions of the financing agreement
- Submission of specimen signature(s) of person(s) authorized to sign application requests
- Submission of original application (photocopies or facsimile are not acceptable) plus one copy duly signed by authorized representative
- Original application signed by authorized signatory including the amount to be paid along with full instructions for payment
- Documentation showing eligibility of goods works or services (including evidence of procurement)
- Sufficient funds available in the disbursement category of the project to cover the request.

2-7 the financing agreements (in the relevant attachment) specify the percentages of expenditures to be financed for each category. These percentages of expenditures are applied to each invoiced related expenditure, as payments become due.

2-8 When the Bank has approved the payment based on the request of the borrower, it will either:

- a) Effect disbursement to the borrower or a specific third party or
- b) Issue irrevocable commitment to reimburse to a commercial bank.

## Types of Expenditure

2-9 the financing agreement will specify the percentages of expenditures to be Financed and provides legal definitions of those expenditures.

### Foreign Expenditures

These are expenditures in the currency of any country other than that of the Borrower/guarantor for goods or services of any country other than that of the borrower

### Local Expenditures

These are expenditures in the currency of the borrowers/guarantors or for goods and services obtained from the borrower/guarantor. This definition includes imported goods purchased from a local supplier or the services of a local consultant even if invoiced in foreign currency.

### Supply of Application Forms

A supply of printed application forms and summary sheet is sent to the borrower With the disbursement letterforms are available in saman bank. Additional forms can be obtained from the project finance & Management / executive VP Credit when needed.

### Application for Withdrawal Form

2-10 the form is used for:

- Reimbursement of payment(s) made by the borrower from its own funds advance to Special Account Replenishment to a Special Account
- Direct payment to a third partly for amounts due.

## Summary Sheet

2-11 Summary sheets should be attached to each application. Separate summary Sheets are used if expenditure covers more than one category or sub-project.

2-12 alternatively one summary sheet may be used provided items are grouped by Category and sub-totals provided for each category.

## Documentation

2-13 generally, the documentation required to support disbursements depends on the type of expenditures involved. Examples of documentation provided to the Bank with withdrawal applications are:

- Suppliers or consultants invoice or a summary statement of works performed Signed by the supervising engineer or other authorized official
- Evidence of shipment for equipment and materials purchased i.e. Bill of Loading, etc
- Evidence of payment for reimbursement i.e. receipted invoice or formal Receipt, commercial bank's report of payment, etc
- Performance security i.e. Bank guarantee for advance payment, Performance Bond, etc...

## Disbursement Procedures

2-14 the disbursement procedures start by submitting an original Disbursement Application Form a supply of printed application forms is sent to the borrower. Forms are available in saman bank.

2-15 No alterations of application forms are permitted except when initialed by Authorized officials of the saman bank

Three different procedures may be used for withdrawing funds from a project Account:

### **1- Reimbursement**

Reimbursement to borrowers for payments made from their own funds. Reimbursement goes to the borrower, the project entity or special account depending on the source from which the payment was made. Supporting documentation provides evidence of payment.

### **2- Direct Payment**

Direct payment to a supplier/ contractor/ consultant for goods or services the payment goes to a third party, and supporting documentation shows evidence of amounts due.

2-16 all applications for withdrawal should be submitted in duplicate (i.e. original plus one copy)

### **Payment Instructions for the above Procedures**

2-17 Payment instructions must show the complete name and address of the payee and His bank, the SWIFT code (for Banks that are members of this system), the account Number and name as they appear on the account, as well as any references (such as Invoice, purchase order, or contract numbers) to ensure proper identification of the payment.

2-18 in addition, if the payee's bank is not located in the country of the currency of Payment, the name and address of the bank's correspondent in that country should be Provided

### **3- Reimburse under an L/C**

2-19 to finance the purchase of goods under a project, the borrower frequently needs to open a letter of credit. If a commercial bank is unwilling to open, advice, or confirm the letter of credit without some guarantee or security, the Bank, at the request of the borrower, can provide the commercial bank with the guarantee it requires in the form of

A Special Commitment This procedure normally covers major contracts for imported goods.

2-20 A borrowers wishing to use this procedure send to the saman bank an Application for a Special Commitment in duplicate that is, original plus one copy supported by the following documents:

- Two copies of the contract or purchase order (unless this document was previously submitted to the Bank)
- Two copies of the letter of credit (with valid expiry date) that the commercial bank proposes to issue
- Instructions for completing the form

2-21 when approved the saman bank issues the Special Commitment to the negotiating bank so saman bank will don base on special commitment procedures.

### **Minimum Disbursement Application Amount**

2-22 for each financing agreement, the Bank stipulates a minimum application value. This value varies between facility s depending on the size of the facility and the mode of financing under the project. Borrowers should aggregate eligible expenditures until them Reach the minimum value for application. The absolute minimum for any facility is normally 750 Million Rails equivalent. For payment of smaller amounts, the Bank may authorize the beneficiary to open a Special Account as per the rules set by the Bank.

### **Numbering system for withdrawal applications:**

2-23 for control purposes all withdrawal applications related to a particular agreement Should be numbered sequentially beginning with the number one for the first application

### **Internal Processing of Withdrawal Applications**

Withdrawal applications sent to the Bank are processed as follows:

1- All withdrawal applications should be sent directly to the project finance &Management in the Finance Executive VP Credit at the address shown at the top of the application form. When applications are received by the Division, they are stamped with the date and time of receipt and entered into the computer system for tracking applications in the Registration Unit.

2- The concerned staff checks each application to ensure:

- the application has been signed by authorized signatory
- the expenditures are eligible and properly documented
- there are sufficient funds at the facility and category level
- there are no reasons for stopping the disbursement
- the dates are in accordance with the agreement or extension thereof

3- A standard form is sent by the Assistant Disbursement Officer to the Chief of The Projects Division in the concerned Operations and Projects Department requesting it's no objection for

payment. Similarly a standard memorandum is sent to the Legal Department requesting clearance, if first disbursement. Replies must be sent within two working days

4- The disbursement officer reviews the work of the assistant disbursement officer particularly from the stand point of consistency with contracts or other information he may have gained through his interaction with the beneficiary or the Operations and Projects Department or Legal Department

5- The disbursement request is then sent to the Division Chief for approval of the payment.

6- After approval of the application for payment, the Budget and Disbursement Division makes arrangements to execute the payment. Banking channels are utilized as they are secured and offer the fastest means.

6- Special report is to be prepared by the registration unit related to pending disbursements needing further investigation.

#### Codes Used by the Bank

2-24 The Bank classifies disbursements for reporting purposes primarily according to the type of item being financed.

#### Suspending Disbursements

2-25 when a borrower does not comply with the conditions of the financing Agreement, The Bank may suspend disbursement. Conditions for suspension on account of over dues can be found.

2-26 The Bank notifies the borrower in writing whenever disbursements are suspended. Payments against Special Commitment issued before the date of suspension are not Subject to suspension or cancellation

2-27 under the general conditions of financing, borrowers may request cancellation of Any undisbursed facility balances unless they have been reserved for Special commitments issued by the Bank. The Bank also reserves the right to cancel facility balances in full or part.  
2-28 Notices for cancellation specify the effective date of the cancellation.

2-29 A check-lists to be filled by the various officers concerned

2-30 Definition of Impress Account, This is a Special Account which will be employed by the saman bank from time to time to provide adequate flow of funds to the beneficiary for financing eligible expenditures and enhancing project implementation. The Impress Account will be a revolving fund and funded with an advance against the financing provided by the saman bank and used exclusively to cover the saman bank's share of eligible expenses in both local and foreign currencies.

2-31 Purpose of Account:

The principal objective of the Account is to provide assistance to facilitate timely payments to small contractors, suppliers etc. The Account will help overcome any immediate cash flow problems and accelerate disbursements by means of:

- (a) Making funds readily available;
- (b) Drastically reducing the processing time;
- (c) Reducing the number of withdrawal applications; and
- (d) Giving greater control to the beneficiary.

#### Conditions for Use of the Procedure

The saman bank should be satisfied that the following conditions exist before the borrower may be allowed to use the procedures:

- The borrower should justify the need for the procedure indicating the cash flow requirement for effective project implementation
- The borrower must have sufficient administrative and accounting capabilities to establish adequate internal control, accounting and auditing procedures to ensure efficient use of the account and its operations
- The borrower must also have the capability to arrange for periodic and annual independent audit of the account by auditors acceptable to the Bank.

#### Approval of the Procedure

2-31 during appraisal missions, the Bank's mission should identify the need for the Procedure. If the procedure is required, it should be mentioned in the Report and Recommendations of the President (RRP) and the Financing Agreement.

2-32 the procedure may also be explained in the Disbursement Letter indicating the location, currency and maximum amount. The procedure for applying for advances, replenishment size and frequency.

#### Establishment of Account

2-33 the borrower is required to open the bank account for the exclusive use of the project where advances shall be deposited. The borrower will submit to the Bank evidence that the account has been established according to approved procedures. The Borrower should indicate to the Bank the financial institution where the account is opened, the special nature of the account and that it will be financed by the saman bank. Any special charges and interest should be agreed by the borrower. The financial institution selected must be acceptable by the saman bank.

2-34 Nature/Type of Components: The procedure may be applied where the project components consist of:

- (i) Sub-projects or sub-components which are geographically dispersed; and
- (ii) Contracts or orders spread out among small contractors and suppliers.

Location of the Account: The Account must be opened in saman bank or any of the banks that approved by saman bank.

#### Currency of Denomination:

the Account should be denominated in a fully convertible and stable currency widely used in international trade. It should be determined between the beneficiary and the saman bank in the course of negotiation's or financing and specified in the Financing Agreement.

#### Operating the Account

2-35 the borrower shall utilize the account to pay contractors, suppliers and others only for the Bank's share of eligible expenditures incurred in local and foreign currency.

2-36 Borrower counterpart funds must not be deposited in the account. Under no Circumstances may funds in the account be used in anticipation that counterpart funds to cover the borrower's share of expenditures will shortly become available. Borrowers may pre finance items from their own resources and reimburse themselves from the account for the Bank's share of these expenditures.

2-37 Advances from the account into other account opened by the borrower without authorization from the Bank are not permitted and constitute serious grounds for refusal to replenish the account.

2-38 the borrower must obtain prior Bank approval for any upward changes in the approved ceiling.

#### Replenishment

3-39 as eligible expenditures are incurred and paid from the account; the advance deposited in the account reduces accordingly. The borrower shall request replenishment by submitting a Withdrawal application duly supported by documents as required together with the corresponding bank statement and a reconciliation statement. Replenishment application should be submitted regularly after bank statements are received and reconciled preferably on monthly basis or intervals of three months. The Disbursement Letter should specify the intervals at which replenishment applications may be submitted.

3-40 to replenish the Account, a withdrawal application supported by a statement of estimates of expenditure for the forthcoming period shall be submitted. Replenishment should be made after a careful review of the status of the Account by:

- (a) Deposit of an amount equal to payments made out but limited to the prevailing ceiling established at the initial state, or
- (b) Deposit of an amount equal to the prevailing ceiling after 50% of the previous advance shall have been utilized.

3-41 If any ineligible expenditures are made through the Account, including those Unaccompanied by justifiable evidence, the IDB may not make further deposits until:

- (a) The corresponding amount is refunded;
- (b) saman bank agrees that the beneficiary may submit evidence of other eligible expenditures paid from its own resources which can be used to offset the ineligible expenditure; and
- (c) The saman bank may offset the unjustified payment against new withdrawal application for replenishment.

## Access and Control

3-42 Access and Control: The borrower is responsible for making appropriate arrangements for the project entity or executing agency to have control and efficient access to the account so as to finance eligible expenditures. Controls for compliance must not hinder project implementation or delay payment for these expenditures. In most cases borrowers require at least two officials to authorize each payment. Impress Accounts are audited as part of the annual audit in accordance with the provisions of the financing agreement. The beneficiary shall make appropriate arrangements for the proper operations of the Account. Withdrawals therefrom may be made either by:

- (a) The same person(s) authorized to withdraw funds from the facility account, or
- (b) Two officials of the project or a combination of one project official and one official of the executing agency; and
- (c) The same bank will prepare detailed procedures for withdrawals from the Account.

## Review by Bank Staff

3-43 The borrower is responsible, when making payments, to follow all procedures specified in the financing agreement. The bank carries out normal review of disbursement documentation after payments have been effected from the account. If any ineligible expenditures are identified including those unaccompanied by justifiable evidence, further advances will not be made until the borrower has refunded the corresponding ineligible amounts.

3-44 However, the borrower may submit evidence of other eligible expenditures paid from its own resources which the Bank can use to offset the ineligible items.

3-45 Since any amount advanced into the account will be considered as a disbursement, interest or service charges will accrue from the date of disbursement.

## Reconciling Bank Statement

3-46 The documentation submitted with applications requesting replenishment of the account must include related bank statements from the bank holding the account. Bank Statements must give details of all transactions and must be provided monthly irrespective of any movements in the account.

3-47 These statements must be reconciled against items in the replenishment applications. Any discrepancies or irregularities must be explained satisfactorily. Where explanations are not satisfactory the Bank may take appropriate actions i.e. suspension of replenishment.

## Suspension of Replenishment

3-48 The Bank may suspend replenishment of the account when the following events occur:

- The financing of the project is declared suspended by the Bank
- Audit reports or Bank missions indicate significant irregularities in the operation of the account

- The account has been inactive for more than nine (9) months and no application has been submitted.

3-49 During the period of suspension, no additional amount may be advanced to the account. However, available balance in the account can be applied to meet eligible expenditures. Withdrawal applications submitted for this expenditure will be applied to liquidate the balance of advances.

#### Closing the Account

3-50 Because of the nature and special characteristics, the account should be finally closed after receiving satisfactory documentation showing how the amounts advanced have been used. A bank statement to show the balance as zero and that the account has been closed should be provided.

#### Closing of the Fund

3-51 when the project is near completion, or in the final operating period, it may not be necessary to make full replenishment. The Project Manager should review the needs of the project and set a limit beyond which further replenishment should not be made.

3-52 In the event of any amount remaining outstanding after the closing date specified in the Financing Agreement, the beneficiary shall promptly upon notification by the saman bank refund to the Project Account with saman bank any balance outstanding in the Account.

3-53 Special Accounts are audited as part of the annual audit in accordance with the provisions of the financing agreement.

3-54

#### DISBURSEMENT REPORTS

The aim of the Bank's reporting is to keep borrowers informed of their facility status.

Two documents help borrowers to update their records:

- Payment (Debit) Advice
- Quarterly Disbursement Summary

Borrowers should immediately advise the Operation Financing Division, Finance Department if any discrepancies such as charges to the wrong operation, category or contract are identified.

#### Payment (Debit) Advice

When the Bank executes a payment, the borrower is notified promptly of all the details of the payment. The Bank mails to all borrowers and other authorized interested parties a computerized form called a Payment/Debit Advice that provides the following information:

- Project number

- Component charged
- Application number (assigned by the borrower)
- Value date of payment
- Paying agent of the IDB through which the payment is effected
- Currency and amount of payment
- Exchange rate and the equivalent in Islamic Dinar charged to the project account in the currency of commitment
- Undisbursed balance of the facility account.

Borrowers are asked during financing negotiations to provide names and addresses of agencies, not more than four (4), that should receive copies of Payment Advices. The borrower must notify the Division, promptly whenever addresses change, or new agencies should be added to the list.

#### Quarterly Disbursement Summary

Promptly after the Hegira quarterly closing of its accounts, the Bank mails to all borrowers and authorized parties a copy of the project statement. It details all transactions that have occurred under a given financing agreement in the preceding quarter. The Bank automatically sends copies of quarterly project statements to all agencies receiving mailed payment advices.

The two parts of a quarterly project statement provide the following information:

- Part One:

Opening balance and list of all up-to-date transactions under the project, including all Applications paid or refunds processed, along with value dates, currencies and amounts Paid, and amounts charged to the financing account.

- Part Two:

End-of-quarter balances for each contract for each component approved and for the Financing as a whole, as well as amounts set aside to cover irrevocable commitment to Reimburse.

#### Applicable Exchange Rates (Aers) Used To Value Disbursement

In making payments, currency exchanges are frequently required. These currency exchanges are valued base on central bank of Iran Process.

The proceeds of facility s and credits are disbursed in the currency of the contract approved by the international banking Division at the request of the borrower, its equivalent in any foreign currency at the exchange rate prevailing on the date of effecting the disbursement by international banking Division and central bank of Iran regulations.

#### ACCOUNTS AND AUDIT

## Objective

The financing covenant applicable to facilities and the other modes of financing (leasing, installment sales, Istisna, etc.) require the beneficiary to maintain according to generally accepted accounting practices, the necessary records and accounts for projects and programs financed by the Bank

6.2 Although accounting standards and practices may differ from borrower to borrower or from one case to another, the accounts of the Bank is funded projects should disclose:

- (a) Full accountability of all funds available to the project; such funds may comprise proceeds from the Bank, and resources from co-financiers, including the beneficiary's contribution.
- (b) All material information relevant to the project in the financial statements
- (c) A true and fair view of the financial position including the financial performance of the project as presented by the financial statements
- (d) The accounting principles and financial policies of the beneficiary

## Accounting System

It is the responsibility of the Bank to ensure that the beneficiary establishes accounting records for the project. In this respect, as soon as a financing agreement enters into force the Bank should take the necessary steps to assess the adequacy of the accounting records of the beneficiary. If necessary the beneficiary would be authorized to recruit a qualified consultant/accountant to put PMC team with appropriate accounting system in place.

## Project Accounts

The accounting records that the beneficiary is required to keep to record project expenditures financed by the Bank are summarized below. Records of supporting documentation relating to these expenditures, such as withdrawal application and their Attachments are also required to be kept.

A facility is broken down into categories of expenditure from which disbursements are made. It is the sum of these allocations that make up the amount of the facility or financing granted by the Bank. The category ledger contains accounts for recording disbursements made from these categories. The balances remaining under the various categories of expenditure will apply to applications which may be rejected because of the exhaustion of the related category of expenditure. When categories of expenditure of a project are exhausted and where there is a need for additional expenditure, the borrower should apply to the Director of the Operations Department concerned for a reallocation of funds between categories. The beneficiary should understand that a proposed revised list of categories of expenditure will not become effective until it has been approved by the Bank.

. For the purpose of clarity, the beneficiary should ensure that the contract document shows the following:

- The contract price

- The proportion of the contract price to be funded by the Bank
- The proportion of the contract price to be funded by the beneficiary The exchange rate applicable where the contract price is denominated in one
- currency and payments are made in another currency
- The account number where funds have to be transferred. In case a payment being made in a currency other than that of the country's currency where the works are being implemented, an account number in a Bank in the country of that currency should be specified

## Audit Reports

The beneficiary shall as a rule, have accounts of the project or program audited by independent auditor, acceptable to the Bank. The audit report prepared in this respect should clearly summaries all the financial transactions undertaken for the project during the financial year under review. The report should also give the written opinion of the auditors indicating the extent to which the financial statements provide a true and fair view of the financial position and performance of the projects. In addition, the Bank may, at its discretion, without prior notice dispatch audit team to conduct a comprehensive review of projects execution.

An audit report should be submitted to the Bank no later than nine months after the financial year to which the project relates. Non compliance with this provision could lead to suspension of disbursements on projects.

Statement of expenditures sent to the Bank for reimbursement of payments made or for the replenishment of special account together with related supporting documentation retained by the borrower with the consent of the Bank will be audited from time to time by the Bank authorized staff or experts.

All auditing expenses will be borne by the Bank as part of the project cost. Depending on the size of the project and the auditing expertise in the country, the Bank may consider accepting audit of the project account by a local firm, an international auditing firm or rely entirely on the Bank's Internal Audit Department

## HINTS TO AVOID DELAYS IN PROCESSING DISBURSEMENT REQUESTS

some useful hints to the executing agency that are worth checking before sending the withdrawal application form to the Bank for payment to avoid any delays in the transfer of funds.

- Send all completed disbursement documents directly to the project Financing & Management Office
- Number the applications, ad seriatim
- Forward signed copies of all contracts (and addenda, if any) to the project Financing & Management Office with the first withdrawal application of each contract

- Submit the list of signatories who will be responsible for signing requests for Disbursements duly authorized by the borrower.
- All disbursement applications must be signed by the authorized officials. If there are any changes in the list of authorized signatories, please inform the Division and provide a revised list duly authorized
- Indicate the reference and date of saman bank's "no objection" notice for the awarded contracts.
- Ensure full consistency between the information in the disbursement request and the attached supporting documents
- Initiate advance action to extend closing dates of first and last disbursement dates, where applicable
- For replenishment of SPECIAL ACCOUNTS, provide reconciled statements of expenditure and an audit report on the physical progress of the project as well as contributions of the Government
- Ensure that the percentage requested for a project category is according to the financing plan annexed to the financing agreement for that category and that there is still an undisbursed amount for that category.
- Whenever applicable, the consultant should sign the contractor's invoice certifying that the works have been implemented
- In case of co-financed projects, the invoice should clearly indicate the percentage financing of each financier for the category concerned.

## GLOSSARY OF DISBURSEMENT TERM

1. Applicable Exchange Rate: An exchange rate established for each currency for the valuation of all transactions of a particular value date.
2. Application: A request by the recipient for withdrawal of funds or issuance of irrevocable commitment to reimburse in accordance with the provisions of the Financing Agreement
3. Appraisal Report: Detailed evaluation and recommendation on a project prior to approval of finance.
4. Borrower: The party to the Financing Agreement to which the facility finance is offered.
5. Category: A grouping of items to be financed in a project. The categories are stated in a schedule to the Financing Agreement.
6. Closing Date: The dated stated in the Financing Agreement which may be amended from time to time, after which the authority of the borrower to withdraw from the Project Account can be terminated and the unwithdrawn balance may be cancelled.
7. Co-financing: Project financed jointly by the Bank and at least one other external source of funds.
8. Contract: An agreement between the borrower and a supplier of goods or services for an agreed amount under the contract.
- 9-Disbursement Letter: Information sent to the borrower when an agreement is signed containing agreed procedures for withdrawing funds within each category of the project and a request for specimen of authorized signatures.

10. Effective Date: The date, on which the Financing Agreement and the Guarantee Agreement shall come into force and effect, binding all parties that have signed it and on which withdrawals from the approved amount can be made.

11. General Conditions: Terms and conditions generally applicable to Bank finance and incorporated in Financing Agreements and to any guarantee agreement of Bank finance.

12. Goods: Means material, machinery, equipment and services required for the project.

13. Guarantee Agreement: The agreement between a member country of the Bank or private organization and the Bank providing for the guarantee of the facility , as amended from time to time. It includes the General conditions applicable, supplementary agreements and all schedules to the Guarantee Agreement.

14. Guarantor: The member of the Bank or private organization which is a party to the Guarantee Agreement and guarantees a facility granted by the Bank.

Example:

#### Disbursement Basic Data

Base on Procurement /disbursement plan

Faculty component: Amount	saman Bank % Amount	Co-finance % Amount
Civil Works:		
Equipment, Goods Furniture		
Installation:		
Services:		
Technical/supervision consultant		
PMC (Project Management Consultancy)		
Auditor		
Others:		
Total:		

**An example of the use forms in Saman Bank is:**

MODEL FORM OF AUTHORIZED SIGNATORY LETTER

[Letterhead]

[DATE]

The Saman Bank  
No.2, Tarkesh Douz, Vali-e-Asr Ave  
Tehran 1966643513, IRAN  
Attention: [.....]  
Dear [.....]:

Re: Facility /Financing No. \_\_\_\_-\_\_\_\_ (\_\_\_\_\_ Project)

I refer to the [facility /Financing] Agreement (“Agreement”) between the [saman bank] (the “Bank”/ the “Association”) and [name of borrower/recipient] (the “Borrower” / the “Recipient), dated \_\_\_\_\_, providing the above [facility /Financing]. For the purposes of Section ..... Of the General Conditions, as defined in the Agreement, any [2one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the [Borrower/Recipient] to sign applications for withdrawal [and applications for a special commitment] under this [facility /Financing]:

[Name], [position]                      Specimen Signature: \_\_\_\_\_

[Name], [position]                      Specimen Signature: \_\_\_\_\_

[Name], [position]                      Specimen Signature: \_\_\_\_\_

Yours truly, / signed /

Example:

**Example**

**Statement of expenditure (S.O.E)**

**Company XXXX**

**Project Name .....**

**Statement of Expenditure for the three months ending.....**

**SAMAN BANK FACILITY No XXXX**

<b>Ref</b>	<b>Category</b>	<b>Type of expenditure</b>	<b>Amount paid</b>	<b>Disbursement percentage %</b>	<b>Amount financed by the bank</b>





Example:

## **REFERENCE SHEET AND CHECKLIST FOR PROJECT STAFF WHO PREPARE APPLICATIONS FOR WITHDRAWAL**

**Project name:**

**Facility /financing/facility number(s):**

### **Dates**

- 1.\* Legal agreement date- Legal agreement (cover)
2. Date of legal agreement amendment(s), if any Legal agreement amendment(s)
3. Date of disbursement letter Disbursement letter
4. Date of revision(s) to the disbursement letter, if any Disbursement letter revision(s)
- 5.\* Facility effective date saman Bank notice
- 6.\* Facility closing date Legal agreement
- 7.\* Facility disbursement deadline date Disbursement letter
- 8.\* Lapsed facility date Disbursement deadline date +2 months

### **Application authorized signatories**

9. Name(s) Authorized signatory letter

### **Retroactive financing**

10. Eligibility date Legal agreement
11. Eligible categories Legal agreement
12. Limits Legal agreement

### **Disbursement conditions, if any**

13. Condition, related category Legal agreement
14. Date condition satisfied saman Bank notice

### **Disbursement methods and type of supporting documentation (if a disbursement method is applicable, enter the type of supporting documentation required)**

15. Advance Disbursement letter
16. Reimbursement Disbursement letter
17. Direct payment Records Disbursement letter
18. Special commitment Letter of credit Disbursement letter

### **Minimum application size**

19. Reimbursement Disbursement letter
20. Direct payment Disbursement letter
21. Special commitment Disbursement letter

### **Designated Account**

22. Type (pooled or segregated) Disbursement letter
23. Currency Disbursement letter
24. Ceiling Disbursement letter
25. Beneficiary's name and account number, or IBAN for n.a. euro payments
26. Beneficiary's bank name and address, and SWIFT code, n.a. if available
27. Special payment instructions, if any (e.g., ABA fedwire n.a. number, branch/sort code)
28. Reporting period Disbursement letter

### **Application forms**

29. Address where applications and supporting documentation Disbursement letter should be sent (in paper form)
30. Other disbursement instructions, if any Disbursement letter

### **Example Financial Statement**

**ISLAMIC REPUBLIC OF IRAN**  
**XXXXX COMPANY**  
**YYYYY PROJECT**  
**Project Management UNIT (PMU)**

**FINANCIAL STATEMENTS**  
**AND RELATED NOTES**

**FOR .... MONTHS AND PERIOD ENDED 20.MARCH.0000**

**ISLAMIC REPUBLIC OF IRAN**  
**XXXXX COMPANY**  
**YYYYY PROJECT**  
**Project Management UNIT (PMU)**

BALANCE SHEET  
As at March.20.0000

<b>Assets</b>	<b>Notes</b>	<b>00/20/0000</b>	
		<b>Million _Rials</b>	<b>Euro</b>
Current Assets:			
Cash &Bank	<b>3</b>	-	-
Accounts receivable	<b>4</b>	-	-
<b>Total Current Assets</b>		-	-
Non -Current Assets:(Project Cost):			
Investment Costs	<b>5</b>	-	-
Fixed assets and equipments	<b>6</b>	-	-
Front_ end fee	<b>7</b>	-	-
Other management cost	<b>8</b>	-	-
<b>Total Non -Current Assets</b>		-	-
<b>Total Assets</b>		-	-
<b>Liabilities</b>			
Non-current liabilities:			
Funding Sources-Saman bank	<b>9</b>	-	-
Funding Sources-Owner	<b>10</b>	-	-
<b>Total Non- current liabilities</b>		-	-
<b>Total liabilities</b>		-	-

The accompanying notes 1 to 10 are integral parts of the financial statements

ISLAMIC REPUBLIC OF IRAN  
XXXXX COMPANY  
YYYYY PROJECT  
Project Management UNIT (PMU)

As at March.20.0000

Managing director:

The PMU project manager and financial officer here with present the financial statements for 00 month a period ended March.20.0000 together with the related notes thereto as follows:

<u>Description</u>	<u>Page No.</u>
1- Balance Sheet	2
2- Statement of receipts and disbursement	3
3-Special Accounts Statement	4
4- Notes 1 to 10	5_10
Managing director	.....
PMU project manager	.....
PMU Financial officer	.....

**ISLAMIC REPUBLIC OF IRAN**  
**XXXXX COMPANY**  
**YYYYY PROJECT**  
**Project Management UNIT (PMU)**

**Statement of receipts and disbursement**

**For 00 months period ended, March.20.0000**

	<u>Million – Rials</u>	<u>Euro</u>
	<u>Financed</u>	<u>Financed</u>
<b>Receipts:</b>		
S.B - special account	-	-
Owner - local account	-	-
Total Sources of Founds	<u>-</u>	<u>-</u>
<b>Disbursement</b>		
Treatment works	-	-
Civil works	-	-
Goods	-	-
Consultant's services and training	-	-
Project management costs	-	-
Unallocated	-	-
Front_ end fee	-	-
Exchange difference	-	-
Other expenses	-	-
Account receivable	-	-
Total Uses of Founds	<u>-</u>	<u>-</u>
<b>Surplus - closing cash</b>	<u>-</u>	<u>-</u>
<b>Balance</b>		

The accompanying notes 1 to 10 are integral parts of the financial statements

ISLAMIC REPUBLIC OF IRAN  
XXXXX COMPANY  
YYYYY PROJECT  
Project Management UNIT (PMU)

SPECIAL ACCOUNT STATEMENT  
For 00 months period ended, March.20.0000

	<b>Special Account No. 1</b>	<b>Special Account No. 2</b>	<b>Total</b>
	<b>Euro</b>	<b>Euro</b>	<b>Euro</b>
Initial deposit Feb.00.0000	-	-	-
Add:			
Saman Bank replenishments during the period	-	-	-
	-	-	-
Deduct:			
Direct disbursements	-	-	-
Bank service charges	-	-	-
	-	-	-
Ending balance March 20.0000	-	-	-

The accompanying notes 1 to 10 are integral parts of the financial statements

**ISLAMIC REPUBLIC OF IRAN**  
**XXXXX COMPANY**  
**YYYYY PROJECT**  
**Project Management UNIT (PMU)**

**Notes to Financial Statements**  
**FOR 00 MONTHS ENDED MARCH.20.0000**

**1-Project background:**

1-1 The objectives of the project are .....

**Amount of Facility**

Category	allocated US\$	% of expenditure to be financed
Treatment	0	100%of foreign, 50% of local
Civil works	0	100%of foreign, 80% of local
Goods	0	100% of foreign,100% of local
Consultant's services & training	0	95% of foreign, 88% of local
Project management costs	0	90%until 31/12/2005, 75% thereaf
Front-end fee	0	100%
Co- finance	0	
Total	0	

1-4 The principle of Facility repayment schedule is as following

<u>Due payment date</u>	<u>No. of installment</u>	<u>Amount of each installment</u>	
		<u>The Facility</u>	<u>xxxxx portion</u>
		Euro	Euro
On each January 15 and July 15	24	000.000.000	0,000.000
Beginning January00000, through July15.00000			

**1-5** According to Article II of the Facility agreement the following commission are payable to

Facilitator:

Front \_end fee in an amount equal to half percent (%.?) of amount of the Facility on or promptly after the effective date. This is withdrawn from the Facility account by the bank.

Commitment charges at rate of three-fourths of half percent (?%) Per annum on the principal amount of Facility not withdrawn payable semiannually on January 15 and July 15.each year

Commission on the principal amount of the Facility withdrawn and outstanding, at a rate for each commission period equal to ..... Base rate plus ..... total spread, payable semiannually on January 15 and July 15 in each year

**1-6** The XXXXX project is a five year period plan. The total expenditure on **this** project is budgeted at Million.....Euro .Million..... Euro OF the budgeted expenditure is financed by saman bank, Million .....Euro by owner.

**1-7** On behalf of the Ministry owner the project is managed by xxxx Company. According to part D of Facility agreement PMU is nominated by Saman Bank for: (a) Strengthening the institutional capacity of xxxxx Company through : (ii) the provision of equipment, expert services and training required for the establishment and operation of a PMU within XXXXX Company And carrying out PMC TOR. The PMU/PMC offices are located at .....

## **2-Principal accounting polices:**

### **2-1 Financial statements and reporting period**

The financial statement of the project is prepared in accordance Saman Bank reporting requirements. Fiscal year of the project starts from ..... And ends ..... of each year. The first financial statement has been prepared for ....Month which started from the effective date of facility Agreement on .....

### **2-2 Separate accounting entity**

Although, the project does not have legal entity, its financial transactions are recorded in separate books of account, therefore it is considered as an independent accounting entity. However, the project transactions are recorded by financial Management XXXX Company in parallel and full records, and original supporting documents are kept therein. In order to be consolidated, the project financial statements have been presented to XXXX Company.

### **2-3 Basis of accounting**

Receipts and disbursement are accounted for on cash basis, other accounts are kept on accrual basis.

### **2-4 Current assets**

Cash and assets that are expected to be realized in cash and in goods or services within one year or during the normal operation cycle of the project are classified as current assets.

### **2-5 Investment cost**

Incurred expenditures relating to implementation of project are classified as non-current asset in the balance sheet. These expenditures represent the cost of project and would be the basis of calculation of the cost individual assets resulting from implementation of project.

### **2-6 fixed assets**

Fixed assets acquired or constructed for the purpose of completing the project are stated at historical cost and expensed as project cost at the time of acquisition therefore; no depreciation is applied for such assets.

### **2-7 foreign currency**

The functional currency of the project is Iranian Rials. Foreign currency receipts and payments are converted into Rials at the rate running on transaction date. Exchange gains or losses arising therefrom are distinguished separately in the accounts and at the end of project. Are charged to project cost. The project's books of account are maintained in Iranian Rials and Euro in parallel, so the financial statements are presented in both currencies.

### 3- Cash & bank

Cash and bank consist of followings:

	<u>Million Rials</u>	<u>Euro</u>
Special account No. 1	00	00
(Deposited in saman bank branch No. xxxxx)		
Special account No. 2	00	00
(Deposited in saman bank branch No. xxxxx)		
Local account No. 1		
(Deposited in saman bank branch No. xxxxx)	00	00
Local account No. 2		
(Deposited in saman bank branch No. xxxxx)	<u>00</u>	<u>00</u>
	<u>00</u>	<u>00</u>

**3-1** The special account No. 1 and 2 have been opened and maintained in Euro. These are separate special deposit accounts in saman bank xxx main branch. The payments out of each special account are made in accordance with the provisions of schedule 6 to the Facility Agreement and their thresholds and eligible payments are summarized as following.

	<u>Special A/C No. 1</u>	<u>Special A/C No. 2</u>
Initial authorized allocation:	000	000
Authorized allocation when withdrawals	000	000
Exceed xxxxx Respectively		
Eligible disbursement	category (1)(a),(2)(a) (3)(a),(4)(b).(5)(a)of Facility agreement	category (1)(b),(2)(b), (4)(a)

#### **4- Accounts receivable**

Account receivable consists of advance payments made in connection to following contracts.

Contractor lists :

.....

**4-1** Up to the balance sheet date no invoice has been received from the above mentioned contractor, therefore the advances have not been amortized.

**4-2** Advance payment of financial controller for exchanging was deposited (changed) to XXXXC's acco.unt

#### **5- Investment cost**

The amount mentioned in the balance sheet, relates to completion of 5 retroactive projects (AS4/1,AS4/2,AS4/3.AS4/4.AS4/5)and is paid from the internal resources after SAMAN Bank agreed to pay for them, the amount ..... Euro is applied as saman Bank portion up to date preparing the balance sheet that was not paid.

#### **6- Fixed assets and equipments**

No assets are purchased since the beginning of the project ,up to the date of balance sheet. During this time, AWWC assets were used.

#### **7- Front-end fee**

According to Article (II) of the Facility agreement ..... Equal to ..... Of amount of the Facility, has been withdrawn from Facility account by saman Bank as at effective date of agreement.

## 8- Other management cost

The item under this heading represents the general expenditure actually incurred in relation to implementation of the project. They consist of following items:

	Amount	
	Million Rials	Euro
Administrative expenditure		
Bank charges		
Foreign exchange gain SA account		
Foreign exchange gain Rial account		

## 9- Funding sources - IBRD

During the reporting period, following items have been withdrawn from the Facility account.

	<u>Amount</u>	
	<u>Million Rials</u>	<u>Euro</u>
Front-end fee. ?% of the Facility amounts		
Initial special account No. 1		
Initial special account No. 2		
Total		

**10- Funding sources - Owner**

According to note 1-3 above, specified percentages of the expenditures under different categories, are financed by saman Bank out of proceeds of the Facility, the remaining balance of each item should be financed by Owner, and the funds provided by owner based on aforementioned conditions are as follows:

<u>Category</u>	<u>Amounts</u>	
	<u>Million Rials</u>	<u>Euro</u>

Civil works project

Project management

Total