

JAPAN INTERNATIONAL
COOPERATION AGENCY

Brochure on
Advance Procedure for Japanese ODA Loans

April 2021

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April2021

Section 1. Introduction

- 1.01. Unless otherwise defined in this brochure, the capitalized words not defined herein have the same meanings as defined in the relevant Loan Agreement and/or the General Terms and Conditions to which this brochure applies.
- 1.02. If any provision of this brochure is inconsistent with any provision of the Loan Agreement, of which this brochure constitutes an integral part, such provision of the Loan Agreement shall govern.
- 1.03. Headings of Sections herein are inserted for convenient reference only, are not part of this brochure and do not affect the construction of, or be taken into consideration in interpreting this brochure.

Section 2. Procedure

- 2.01. This brochure provides for advance disbursements substantiated by a financial forecast made by the Borrower on a periodic basis.
- 2.02. The Borrower shall prepare a financial forecast that reflects the fund requirements, in principle, for the subsequent two (2) terms (such forecast hereinafter referred to as the “**Financial Forecast**”), with sufficient details to enable JICA to verify the reliability of the forecast and submit the same to JICA promptly after the end of each term. A term wherever mentioned in this brochure shall be for a quarter, an interval of three (3) months, starting from the date separately agreed between the Borrower and JICA.
- 2.03. The Borrower shall open and maintain a non-resident yen account (hereinafter referred to as the “**Loan Account**”) in accordance with the relevant laws and regulations of Japan in advance with a bank in Tokyo (hereinafter referred to as the “**Paying Bank**”), as stipulated in the

Loan Agreement, and a designated account, from which payments for eligible expenditures are made (such account hereinafter referred to as the “**Designated Account**”), with a bank, as stipulated in the Loan Agreement.

- 2.04. The Designated Account shall be stated and maintained in Japanese Yen. Amount requested to JICA shall also be expressed in Japanese Yen, and the total disbursement for the Designated Account shall be in the amount not exceeding the amount allocated to the Category for the Designated Account, stipulated in the Loan Agreement.
- 2.05. The Borrower may submit one (1) request for advance disbursement each term (other than the case stipulated in Section 4.04. below). When JICA finds that the Request for Disbursement and the related documents are in order and in conformity with the relevant provisions of the Loan Agreement, JICA shall make disbursement in Japanese Yen, in principle, within fifteen (15) business days from the date of receipt of the request by paying into the Loan Account. Thereafter, the Borrower shall transfer the amount disbursed from the Loan Account to the Designated Account.
- 2.06. The Borrower shall make the request mentioned in Section 2.05. above so that JICA can receive the necessary documents, in principle, not less than fifteen (15) business days prior to (i) the expiration date of the Disbursement Period and (ii) the date that the Borrower requests JICA to make disbursement, provided that item (ii) shall apply only in the case where such request is made.
- 2.07. All amounts withdrawn from the Designated Account shall be used solely for payments made or to be made in accordance with the purpose and scope of works stipulated in the relevant provisions of the Loan Agreement. The Borrower shall record all transactions independently in accordance with consistently maintained sound accounting principles. The Borrower shall submit relevant documents, including, but not limited to, the documents mentioned hereinafter to justify the expenditures paid out from the Designated Account.

Section 3. Initial Advance Disbursement

- 3.01. The Borrower shall submit the following documents to make request for the initial advance disbursement:
- (a) Request for Disbursement as per attached Form RFD(A);
 - (b) Financial Forecast, in principle, for the first two (2) terms; and
 - (c) document evidencing the opening of the Designated Account

Section 4. Subsequent Request for Disbursement and Recovery Percentage

- 4.01. The Borrower shall submit to JICA the following documents to make request for subsequent advance disbursements:
- (a) Request for Disbursement as per attached Form RFD(A);
 - (b) Financial Forecast, in principle, for the subsequent two (2) terms;
 - (c) Reconciliation Statement made substantially as per attached Form RS;
 - (d) Statement of Expenditures, as supporting documents, made substantially as per Form SOE (A); and
 - (e) document evidencing the balance of the Designated Account
- 4.02. Subsequent request for advance disbursement should be based on the Financial Forecast, in principle, for the subsequent two (2) terms, provided that the advance disbursement made in the past under the Loan Agreement have been utilized adequately. The amount stated on the Request for Disbursement shall match the amount calculated and described in the Reconciliation Statement.
- 4.03. For each request, Reconciliation Statement shall show the recovery percentage calculated based on the cumulative total justified through supporting documents, over the cumulative total withdrawn from the Designated Account. If the recovery percentage is less than seventy percent (70%), the Borrower shall not be allowed to submit the Request for Disbursement until it exceeds such percentage, unless JICA determines otherwise.

4.04. Notwithstanding Section 2.05. above, if the Borrower has unexpected fund requirements for further advance disbursement for the Project before the end of the term, the Borrower is allowed to make additional requests in the course of the term, upon submission of the required documents stated in Section 4.01. above, to rationalize such requirements. In such case, the Borrower shall submit a revised Financial Forecast that reflects such unexpected fund requirements, for the unexpired time period of the two (2) terms covered in the originally submitted Financial Forecast. Furthermore, if one (1) year or less is left until the end of the project completion or expiry of the Disbursement Period, whichever is expected to come earlier, the Borrower may change the interval for submitting the Request for Disbursement by adjusting the term for the Financial Forecast by consultation with JICA. In any event, however, meeting the recovery percentage shall be a prerequisite in submission of a Request for Disbursement as provided in Section 4.03. above.

4.05. The Borrower may, not only at the time of requesting disbursements as stipulated in Section 4.01. above, but also, at any time during the Disbursement Period or up to four (4) months after the Disbursement Period expires as provided under Section 10.01. below, submit to JICA the documents listed in Section 4.01., excluding (b), to update the justified amount of expenditures and recovery percentage.

Section 5. Payments Made in Currency Other than Japanese Yen

5.01. When the currency used or to be used for the payment is not Japanese Yen, the amount paid or to be paid shall be converted to Japanese Yen and the Borrower shall withdraw such Japanese Yen equivalent to the amount paid or to be paid in the original currency, from the Designated Account. The exchange rate shall be the one quoted by a foreign exchange bank authorized as such by the authority in the territories of the Borrower as of the date of withdrawal. The amount paid or to be paid in the original currency, the exchange rate at the time of withdrawal from the Designated Account, and the equivalent amount paid in Japanese Yen shall be described in the Statement of

Expenditures and submitted together with the evidence of the exchange rate.

Section 6. Request for Advances to be Disbursed in Installments

- 6.01. Upon request by the Borrower, the advances may be disbursed in installments, provided that the request meets the following conditions:
- (a) the Request for Disbursement is submitted to JICA at least fifteen (15) business days prior to the first requested disbursement date;
 - (b) the Requested Schedule for Advance Payments substantially as per attached Form RSAD is submitted in addition to the requirements stipulated in Section 3.01. or 4.01. as the case may be;
 - (c) requested disbursement dates are all banking business days in Japan, are all within the immediately succeeding term and are acceptable to JICA; and
 - (d) the frequency of the requested disbursement in installment within the term, in the opinion of JICA, is reasonable.
- 6.02. Once the Request for Disbursement is approved by JICA, the request shall become irrevocable and the Borrower shall not be allowed to change the disbursement dates.

Section 7. Method of Statement of Expenditure and Auditing Requirements

- 7.01. The Statement of Expenditure required in Section 4.01. shall be deemed as a supporting document for payment and shall exempt the obligation of the Borrower to submit specific supporting documents such as invoices and receipts to JICA, on condition that the Borrower shall:
- (a) promptly at the beginning of project implementation, furnish JICA, with a copy of engagement letter signed by an authorized person of an auditor acceptable to JICA, in which the said auditor agreed to audit the records and accounts related to the applicable expenditures financed out of the proceeds of the Loan in the Designated Account and submit to the Borrower a certified copy of

the report of such audit;

- (b) maintain, or cause to be maintained, records and accounts adequate to reflect, in accordance with consistently maintained sound accounting practices, the expenditures financed out of the proceeds of the Loan;
- (c) have the records and accounts related to the applicable expenditures financed out of the proceeds of the Loan in the Designated Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by the said auditor;
- (d) furnish JICA as soon as available, but in any case not later than nine (9) months after the end of each fiscal year, with a certified copy of the report of such audit by the said auditor, of such scope and in such detail as JICA may reasonably request;
- (e) furnish JICA with such other information concerning said records and accounts, and the audit thereof, as JICA may from time to time reasonably request;
- (f) retain, until at least five (5) years after the Completion Date, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (g) enable JICA's representatives to examine such records; and
- (h) ensure that such records and accounts are included in the annual audits referred to in paragraph (c) above and that the report of such audit contains a separate opinion by the said auditor as to whether the statements of expenditures submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related disbursement.

Section 8. Refund

8.01. If JICA has determined at any time that any of the following occurs, the Borrower shall, promptly upon notice from JICA, deposit into the Designated Account or, if JICA so requests, refund to JICA such ineligible or unjustifiable amount in Japanese Yen:

- (a) any payment made for an expenditure not eligible under the Loan Agreement, including, but not limited to, an ineligible expenditure

described in a certified copy of a report of such audit referred to in Section 7.01.;

- (b) any payment not justified by supporting documents. (Such unjustifiable amount shall be determined to be the balance between the cumulative disbursement for the Designated Account and the cumulative amount of satisfactory supporting documents in Japanese Yen received by JICA); or
- (c) any amount deposited into the Designated Account that will not be required to cover further payments under the Loan Agreement.

8.02. When the ineligible or unjustifiable amount in Japanese Yen is refunded to JICA, the Borrower shall refund such amount together with the interest accrued thereon. Notwithstanding the above, if such refund is made before the Disbursement Period expires, the interest accrued thereon shall be paid to JICA on the Payment Date immediately following the date the refund is made.

Section 9. Suspension

- 9.01. When the Borrower, in the opinion of JICA, fails to perform its obligations stated in any of the paragraphs of Section 7. or Section 8. above, JICA may, by notice to the Borrower, suspend in whole or in part the rights of the Borrower under the Loan Agreement until JICA determines that such failure has been fully remedied.
- 9.02. Moreover, even if the situation is remedied, if JICA determines that the Borrower will not be able to perform its obligations at a satisfactory level to JICA, JICA may, by notice to the Borrower, suspend the use of the Statement of Expenditure and instead require the submission of all supporting documents such as invoices and receipts along with a Summary Sheet of Payments in a form designated by JICA, or suspend the use of Advance Procedures entirely.
- 9.03. However, the above actions do not impair JICA's further exercise of the rights stated in Section 6.01. of the General Terms and Conditions.

Section 10. Closing of the Designated Account

- 10.01. Upon request by the Borrower, and when JICA finds it necessary, withdrawals from the Designated Account may be allowed after the Disbursement Period expires, to make payments for services or supplies incurred on or before such period expires. Notwithstanding the above, the Borrower shall submit to JICA all supporting documents justifying the utilization of advance disbursement within four (4) months after the Disbursement Period has expired, unless otherwise agreed by JICA.
- 10.02. The Designated Account shall not be closed prior to JICA's confirmation that all necessary procedures including submission of the final audit report and refund, if necessary, have been completed.

Section 11. Banking Arrangement

- 11.01. The Borrower shall designate a foreign exchange bank in the territories of the Borrower (hereinafter referred to as the "**Agent Bank**"), as stipulated in the Loan Agreement, as its agent for the purposes of taking any action or entering into any arrangement or agreement, on behalf of the Borrower, required or permitted under this procedure. Any action taken or arrangement or agreement entered into by the Agent Bank pursuant to the authority conferred on the Agent Bank shall be fully binding on the Borrower and shall have the same force and effect as if such action was taken or such arrangement or agreement was entered into by the Borrower. The Borrower may revoke or modify the authority conferred on the Agent Bank if consent of JICA is obtained.
- 11.02. The Borrower shall cause the Agent Bank to make necessary arrangement with the Paying Bank, including, but not limited to, the following for this brochure:
- (a) to open a Loan Account on behalf of the Borrower with the Paying Bank; and

- (b) to confirm necessary arrangements for transaction of funds to the Designated Account after the proceeds of the Loan is credited to the Loan Account.

Section 12. Foreign Exchange Risk

- 12.01. The Borrower shall bear all risks associated with foreign exchange fluctuations arising from disbursement and JICA shall not be liable therefor. The Designated Account shall not be closed prior to JICA's confirmation that all necessary procedures including submission of the final audit report and refund, if necessary, have been completed.

Section 13. Exemption of JICA's obligation

- 13.01. In the case where each of the following cases occurs at the time of making each disbursement, JICA is not obligated to make any disbursement to the Borrower.
 - (a) JICA reasonably determines that fulfillment of the disbursement under the Loan Agreement would be difficult due to any event that is beyond the control of JICA, including, but not limited to, (i) a system malfunction, (ii) the imposition of economic sanctions, or (iii) the occurrence of any force majeure event, such as an act of God, epidemic disease, war, terrorism or change in governmental regulations.
 - (b) JICA reasonably determines that any reason or circumstance exists that would make it difficult for any supplier, contractor or consultant to receive a payment under a contract to be financed out of the proceeds of the Loan.

Request for Disbursement

to D/A Name : Account no. or name

| | |
|--|---|
| | Request for Disbursement |
| | Request for Disbursement (in installments) |
| | Request for reporting justified expenditures only |

Date:

Application Serial No.:

To: JAPAN INTERNATIONAL COOPERATION AGENCY

Attn: Name of the Department or JICA Office in charge

Pursuant to the Loan Agreement No. dated , between the JAPAN INTERNATIONAL COOPERATION AGENCY (hereinafter referred to as "JICA") and (the Borrower) (hereinafter referred to as the "Loan Agreement"), the undersigned hereby requests for Advance Disbursement, under the said Loan Agreement, of ¥ in number (Say Japanese Yen in wording) by being paid to the Loan Account of (Agent Bank of the Borrower) with (Paying Bank), Tokyo, Japan, from which (Agent Bank of the Borrower) transfers the amount to the Designated Account.

1. The undersigned has prepared the accompanying documents (including the Financial Forecast, if applicable) in good faith. The undersigned has not obtained nor will obtain funds for such purpose out of the proceeds of any other loan, credit or grant available to the undersigned except short-term loans or credits, if any, established in anticipation of the disbursement requested for herein and to be repaid pro-tanto with the funds disbursed hereunder and any charges, commission or interest paid or payable under such anticipatory short-term credits are not included in the amount herein requested to be disbursed.
2. Required documents as per the Loan Agreement attached to this request shall form an integral part hereof.

Very truly yours,

For: (Name of the Borrower)

 By: (Authorized Person's Signature, Name & Title)

REQUESTED SCHEDULE FOR ADVANCE PAYMENTS in INSTALLMENTS

Instruction: Please complete this form and attach it to the related Request for Disbursement (RFD) form, when applicable. When attached, this will be deemed to be an integral part of the RFD.

1. Loan No.

2. Application Serial No. of related Request for Disbursement

3. Requested payment schedule

| Ref. (a) | Requested Value Date for Disbursement (b) | Amount to be Paid in JPY (c) | |
|----------|--|------------------------------|---|
| I. | | JPY | |
| II. | | JPY | |
| III. | | JPY | |
| TOTAL | | JPY | - |

NOTE: i) The requested dates should be in accordance with section 6.01 of the Brochure.

ii) JICA will make its best effort to make the payments on the requested dates, but if difficult, JICA will shift the date to the nearest date appropriate for disbursement by JICA.

iii) Once JICA approves the request, the request will become irrevocable and the dates and amount may not be changed.

RECONCILIATION STATEMENT

LOAN NO.: _____ APPLICATION NO.: _____
 NAME: (Borrower or E/A) _____
 REPORTING PERIOD: From _____ To _____
 CATEGORY: _____
 DESIGNATED ACCOUNT: Bank Name _____ Account NO. _____
 DATE: _____

(in Japanese Yen)

| Detail | Current Period | Cumulative |
|--|--|---------------------|
| Beginning cash balance | | |
| 1. D/A balance as of | | - |
| ADD: Advances from JICA | | |
| 2. Advances credited to D/A | | |
| 3. Amount claimed but not yet credited as of the date of the bank statement | - | - |
| 4. Total cash available (1+2+3) | - | a |
| LESS: Advances withdrawn from D/A | | |
| 5. Total amount justified by supporting documents | | - b |
| 6. Total amount withdrawn but not yet justified by supporting documents | - | - c (d-b) |
| 7. Total withdrawn (5+6) | | - d (a-e) |
| 8. Cash available less withdrawn (4-7) | - | - |
| Closing cash balance | | |
| 9. D/A balance as of | e | - |
| Difference (8-9) should be zero | 0 OK! | |
| Recovery Percentage (Total justified amount / Total amount withdrawn from D/A) | The percentage stipulated on the L/A 70% | #DIV/0! b/d #DIV/0! |

(in Japanese Yen)

| Detail | Next Period |
|---|-------------|
| Forecast of amount needed for next 2 periods | |
| 10. Total Fund requirement | |
| 11. Amount requested to be advanced (10-9) | - f |
| (Reference) | |
| Unjustified Amount when request for advance above is approved | - a+f-b |

Authorized Signature(s), name, and title of representative of the E/A
 which hold the title of the designated account

NOTES:

- Copy of bank statement for the period should be attached
- _____ is automatically calculated.

REMARKS:

STATEMENT OF EXPENDITURE

Advance Procedure

PROJECT D/A NO. DATE
 LOAN NO. CATEGORY APP. NO.

| No. | JICA CONC. NO./CONTRACT No. | NAME OF SUPPLIER | NATIONALITY | Month/Date of Payment | Description | Amount Paid (without Tax) | Disbursement % | Amount for JICA Financing in Contract Currency | Exchange Date * | Exchange Rate | Amount for JICA Financing in Request Currency (JPY) |
|---|-----------------------------|------------------|-------------|-----------------------|-------------|---------------------------|----------------|--|-----------------|---------------|---|
| JICA CONCURRENCE NO. | | | | | | | | | | | |
| 1 | | | | | | | | | | | |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| SUBTOTAL (JICA CONC. NO.) | | | | | | - | | - | | JPY | - |
| JICA CONCURRENCE NO. | | | | | | | | | | | |
| 1 | | | | | | | | | | | |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| SUBTOTAL (JICA CONC. NO.) | | | | | | - | | - | | JPY | - |
| CONTRACTS NOT REQUIRING CONCURRENCE | | | | | | | | | | | |
| 1 | | | | | | | | | | | |
| 2 | | | | | | | | | | | |
| 3 | | | | | | | | | | | |
| SUBTOTAL (CONTRACTS NOT REQUIRING CONCURRENCE) | | | | | | - | | - | | JPY | - |

The undersigned certifies that the Supplier(s) and payments stated above are procured according to the applicable guidelines and eligible under the Loan Agreement.

TOTAL AMOUNT in JPY -

For (Name of the Borrower)

* Exchange Date: the date of withdrawal from D/A

Authorized Person's Signature,
Name & Title