

THE SAUDI FUND FOR DEVELOPMENT
LOAN ADMINISTRATION DEPARTMENT

**Guidelines for the Borrower
on Procedures for Withdrawal of the Proceeds
of the Saudi Fund for Development Loans**

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**GUIDELINES FOR THE BORROWER ON PROCEDURES
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1 – General

1.1 Introduction

The Saudi Fund for Development was established by Royal Decree No.M/48 dated 14-8-1394 AH (1-9-1974 AD) to participate in the financing of development projects by granting loans to developing countries.

The Headquarters of the Fund is located in Riyadh, Saudi Arabia and its full address is :

The Saudi Fund for Development
P.O.Box 50483, Riyadh 11523
Saudi Arabia

The numbers presently in use are :

Tel. +966-1-2794000, Fax +966-1-4647450
Swift No. : SFFDSARI, E-mail : info@sfd.gov.sa

The business days of the Fund are from Saturday through Wednesday each week.

1.2 Purpose of Guidelines

The purpose of these guidelines is to acquaint Borrowers or Executing Agencies and their staff with more explanation and detail of the Procedures for Withdrawal of Proceeds of SFD Loans which the Fund has adopted and which it anticipates will lead to withdrawals from and repayments to the loan account as smoothly and expeditiously as possible. Moreover, it is noteworthy to state that in addition to the Loan Agreement reference can be made to the General Conditions Applicable to Loan Agreements of the Fund (hereinafter referred to as the General Conditions).

1.3 Commencement of Project

These guidelines have been prepared on the assumption that every loan will be signed before any action is taken to commence work on the project. However, it is realized that this may not always be the case and to the extent that work has already commenced, reimbursement of costs already involved in such work will be determined by the terms of the loan agreement.

1.4 Co-Financing

Where a project involves the Borrower seeking loans from more than one source of finance, the situation could arise where different financiers have different systems or methods in approving withdrawals. In some cases, the Fund would be prepared to act as principal financier and administer the loan under its own procedure on behalf of all financiers or permit another financier to administer the loan on its behalf, following its own procedure. This should, of course, be determined at the time the SFD loan was to be signed, and the Borrower or the Executing Agency should be made aware of who is acting as principal financier and which system or procedure should be followed.

1.5 Languages used by the Fund

All correspondence and documents addressed to the Fund should be in any of the three working languages of the Fund namely : Arabic, English or French. If documents to be submitted to the Fund are in any other language, the Borrower should arrange to add a translation into one of the Fund's working languages, certifying the accuracy of the translation from the original.

1.6 Copies of Documents

Where documents are to be supplied to the Fund and the Borrower has only an original, a copy may be sent for use by the Fund. All copies should be completely legible or they will be rejected and their replacement will cause unnecessary delay.

1.7 Effective Date

After the loan agreement has been signed, there are certain legal formalities which have to be completed before the loan can be declared effective which are detailed in Article 12 of the General Conditions. When these are completed and accepted by the Fund, the Borrower will be advised by the Fund that the loan has been declared effective on a certain date.

Only after this date, an action can be taken by the Borrower or the Fund to reserve amounts as commitments by the Fund or to disburse any amount to or on the order of the Borrower in any way.

2 – RESERVATION BY THE FUND

2.1 Compiling the "Specific List of Goods"

A list of categories describing the goods and/or services to be financed by the Fund will have been agreed at the time that a loan agreement is

singed. It is still necessary for the Fund to reserve Saudi Riyal amounts as commitments to meet each item of expenditure to be incurred on contracts or purchase orders entered into by the Borrower which are already approved by the Fund pursuant to the Guidelines for Procurement (or the Fund's approval to retroactive financing has been granted as described in Section 1.3).

The list of the items for which reservations have been agreed should be referred to as the "Specific List of Goods". Therefore as each contract or Purchase order is singed by the Borrower, two complete signed copies should be sent to the Fund with a request for approval and for a reservation to be made against a specific category in the List of Goods attached to the Loan Agreement. Confirmation given by the Fund that a reservation has been made implies that the Fund will duly meet the cost (or its share of the cost) upon due presentation of the necessary documents to the extent that the Saudi Riyal reservation will be purchase the required foreign currency. When this confirmation is given, a copy of the previous " Specific List of Goods" is made and the new reservation with its allocated serial number is added. This procedure is repeated each time a new reservation is made, so that the Borrower always has the up-to-date copy of the " Specific List of Goods" computed by the Fund.

2.2 Amounts Reserved and Currencies

When making such a reservation, it will be necessary for the Fund to calculate the conversion from the currency in which payment is to be made into Saudi Riyals as used in the Loan Agreement. For this purpose, the Fund will make the conversion at the current selling rate for the foreign currency as advised by the Saudi Arabian Monetary Agency and add 5% to the Saudi Riyal amount to cover possible fluctuations in currency exchange.

2.3 Supplementary Reservations

For various reasons such as the terms of the contract or a necessary change due to unforeseen circumstances, it may become necessary to increase or decrease the value of a contract or, due to exchange fluctuations, to increase/decrease the amount of Saudi Riyals payable to finalize approved payments under the contract in another currency. Upon a request for a Supplementary Reservation being made by the Borrower which is approved by the Fund, the Fund can increase the Reservation in Saudi Riyals to meet the additional cost from the balance of the amount not already reserved under the category in the List of Goods. In the event of a reduction in the Saudi Riyal equivalent of

foreign currency required under the contract, the reservation can be reduced by transfer of the excess amount back to the category in the General List of Goods.

2.4 Insufficient Fund available within a Category

In the event that the funds available within the category involved have already been committed under reservations and actual withdrawals, the Borrower should formally request that a portion of the unallocated or contingencies amount (the last item in the General List of Goods attached to the Loan Agreement) be transferred to that particular category to provide sufficient Saudi Riyals to meet the total foreign currency cost of the particular reservation in the "Specific List of Goods".

2.5 Payments against a Reservation Completed

When the payments due under the contract have been fully met and the Saudi Riyal equivalent of the foreign currency is known, any surplus Saudi Riyal amount remaining will be transferred back to the same category and can be utilized by the Borrower to meet alternative further expenditure under the same category.

2.6 Restrictions on Use of Unallocated Funds

Where the schedule to the Loan Agreement entitled "Withdrawal of Proceeds of the Loan" (General List of Goods) includes an amount as 'Unallocated' or 'Contingencies', the amount stated is intended to be utilized to meet variations due to exchange rate fluctuations, price escalations, and physical contingencies in any of the other categories. The amounts required to cover such variations in cost should, therefore, be transferred to the other categories as and when required and it follows that no expenditure may be charged directly to the 'Unallocated' or 'Contingencies' item in the General List of Goods.

Normally, such allocation from the unallocated amount is not made until a large portion of the loan or any one category has already been withdrawn and the Borrower and the Fund agree that such allocation has become necessary.

3 – RESTRICTIONS ON USE OF LOAN FUNDS

Under normal circumstances, the Fund will not agree to finance new items and not considered at the time the loan agreement was signed and later suggested by the Borrower as a means of utilizing unspent balances of the loan. The SFD Board of Directors approve a loan to accomplish a specific object and it is unlikely that the Board will subsequently approve the use of part of those loan funds for a different purpose albeit the different purpose may be closely related to the original project.

4 – PROGRESS REPORTS

4.1 Interval between Reports

After a loan has been declared effective, progress reports of activity under the loan should be sent to the Fund as explained in the Fund's "Guidelines for Procurement of Goods and Services, and Technical Reporting Requirements".

4.2 Withdrawal Forecast

Just prior to the commencement of each half year, the Fund will request the Borrower to submit an estimate of the withdrawals from the loan for the next half year, on a monthly basis.

This will assist the Fund to calculate its actual cash requirements and ensure that adequate funds are available as and when required to meet its obligations.

It should be noted that the Fund's request will be for estimates of withdrawals from the loan and this may be a month or more later than actual expenditure incurred by the Borrower under the reimbursement procedure.

5 – WITHDRAWALS FROM THE LOAN

5.1 Methods of Disbursement

The Borrower can apply to the Fund to withdraw amounts from the loan in any or all of the three following methods :

- a) Reimbursement Procedure
- b) Direct Disbursement Procedure
- c) Payment under Letter of Credit Procedure

5.2 Expenses Specifically Excluded from the Loan

a) All expenses incurred on work for the project prior to the signing of the Loan Agreement unless specific provision is made in the Loan Agreement for any retroactive financing.

b) Imports Duties and Taxes

No import duties, VAT, sales tax, or other government levies incurred by the Borrower to obtain goods should be paid or refunded from the loan :

- i) either to the Borrower as a reimbursement or;
- ii) to a local importer in the Borrower's country or;

iii) to any contractor who is also responsible for the construction of the project.

For this purpose, local invoices for imported goods must show the CIF cost and the import duties as separate items. All local invoices for imported goods not showing import duty will be queried, which may lead to delay in disbursements.

c) Local Costs

- i) Only local expenditure accepted by the Fund and included in the General List of Goods (the categories included as a schedule to the Loan Agreement) can be processed for disbursement from the loan proceeds.
- ii) Examples of local costs which are not normally acceptable are :
 - 1) When goods are shipped to a port in the Borrower's country, no local costs for moving the goods from the port to a final destination in the country, or of installing the equipment.
 - 2) Any sales tax based on a percentage of invoice value.
 - 3) When local costs for any category are admissible, they should be incurred through a commercial contract, as work performed by a Government Department or Agency is not normally acceptable.
 - 4) Purchase or acquisition of land and buildings.
 - 5) Purchase of goods without a contract e.g. ad-hoc purchases made as required.
 - 6) Any invoice raised by the Borrower itself for self manufacture or provision of any services.
 - 7) Finance charges or stamp duties e.g. from local banks.
 - 8) Any opening bank charges on letters of credit.

6 – WITHDRAWAL PROCEDURE – REIMBURSEMENT

6.1 Application Form 1-1

The SFD Form 1-1 (at Appendix 4) Request for "Disbursement under the Reimbursement Procedure" is applicable to contracts for the supply of both goods or services. This form and the supporting summary sheets (Form 1-2 Appendix 5) should be completed as follows :

A) Withdrawal Application No. _____

The number should be given by the Borrower, commencing No.1 and continuing 2, 3 etc. The numbering sequence should be applied

for all the Withdrawal Application Forms, whether for Reimbursement or Direct Disbursement.

B) Category Number

The category number refers to the category number of the General List of Goods attached as a schedule to the Loan Agreement, and under which the Fund should already have issued to the Borrower letters of reservation covering the contracts under which payments were made by the Borrower.

C) Reservation Number

When the contract was approved by the Fund, it will have been allocated a reservation number in the Specific List of Goods. This number must be shown to avoid confusion between suppliers' names or where a supplier may have more than one contract/reservation.

D) Invoice Number and Date

This refers to the copy invoice or work progress claim to be attached with a copy of the Borrower's payment voucher to the application form. Progress claims should be certified by the Consultant (if any) or an officer in charge of supervising the contract.

E) Amount

The amount shown on the Application Form should be identifiable with a separate total on the supporting invoice e.g. net of import duties, any sales tax or other non-reimbursable items.

F) Evidence of Payment by Borrower

Evidence of payment refers to any document such as a bill of exchange, an endorsed paid bank cheque or a demand draft.

A copy of (a) the payment document together with a copy of the evidence of payment or (b) a copy of the Commercial Bank advice of payment should be supplied with the Application Form and other supporting documents.

G) Amount to be Reimbursed

Where the schedule to the Loan Agreement (General List of Goods) shows a percentage of the total cost to be financed from the proceeds of the loan, these percentages will be applied to each item to be paid under each item to be paid under each category. Thus, for example, if category 1 is to be financed up to 50%, each item of expenditures under Category 1, no matter how many contracts have been approved for reservation, will be financed only up to 50% of each invoice (after deduction of non-allowable costs). Therefore,

when completing the Summary Sheets of the Withdrawal Application, Form No.1-2, Column 6 should show the allowable cost as the invoice amount, the amount paid by the Borrower should be the full invoice value as in the supporting documents but the amount to be claimed from the loan proceeds should be 50% of the allowable costs shown in Column 6.

In other words, the percentage is to be applied to the allowable cost only, not to the cost plus any government levies.

6.2 Currency

Up to this point, all amounts should have been stated in the local currency of the Borrower or the currency stated in the approved contract. If requested, however, the Fund will endeavor to assist the Borrower by providing the equivalent in foreign exchange if it is freely available and if the Borrower so wishes. This desire for another currency can be indicated by completing the second line of Para 5 of the Withdrawal Application Form by inserting the currency desired.

The amount of the currency requested should not be stated as this will be determined by the market rate of exchange applicable on the date that payment is made.

All payments to a Borrower in local currency must be made on a Bank or Branch operating in the country of the Borrower. If, however, the Borrower requests payment in a foreign currency, the withdrawal application must state (a) the Bank or Branch operating in the country of the Borrower, in addition to (b) a Correspondent Bank in the country of the currency of withdrawal. To facilitate prompt payment by the Fund, complete and correct addresses of such banks, and the account number or reference, if any, should be indicated.

6.3 Supporting Documents

The following documents should be submitted with the application form and the sufficiently fixed together so that there is little chance of separation, loss and subsequent delay in replacement :

1. Evidence of Payment :

- i) copies of a bank cheque, draft or bill of exchange endorsed by a paying bank; or
- ii) a commercial bank's report on Form 1-3 (specimen at Appendix 6) of the payment having been made under a letter of credit; or
- iii) any other evidence satisfactory to the Fund.

2. Evidence of Claim :

- i) A supplier's invoice for goods or services.
- ii) Advance Payment and Performance Guarantee.
- iii) Any other evidence satisfactory to the Fund.
- iv) Calculation Sheets for payment of "Escalation in Prices", etc.
- v) Partial or Final Acceptance Certificates.

3. Evidence of Transportation – to consists of copies of :

- i) The Bill of Lading for shipment or way bill for other means of transport.
- ii) Certificate of Origin.
- iii) Packing List for individual items.
- iv) Insurance Certificate or cover note preferably for transit from warehouse to warehouse in the Borrower's country.

If shipment has not been made at the time the application is submitted to the Fund or if the application relates to an advances or progress payment on a contract, evidence of payment together with any Consultant Certificate or Surveyor's Inspection Report on partial manufacture should be furnished. Any advance payment previously made to a supplier should be shown as a deduction on subsequent invoices in accordance with the terms of the contract.

If the evidence of payment consists of a report of payment made by a commercial bank under a letter of credit, no evidence of transportation is required if the commercial bank's Report of Payment, Form No.1-3, indicates that documents evidencing transportation were produced to the commercial bank at the time payment was made.

7 – WITHDRAWAL PROCEDURE – DIRECT DISBURSEMENT

7.1 Withdrawal Application – Forms 2-1 and 2-2

(at Appendices 7 and 8)

A) Withdrawal Application No. _____

The number should be given by the Borrower, commencing 1 and continuing 2, 3 etc. The numbering sequence should be applied for all of the Withdrawal Application Forms whether for Reimbursement or Direct Disbursement.

B) Category Number

The category number refers to the category number of the General List of Goods attached as a schedule to the Loan Agreement, and under which the Fund should already have issued to the Borrower letters of reservation covering the contracts under which payments are now requested to be made.

C) Reservation Number

When the contract was approved by the Fund, it will have been allocated a reservation number in the Specific List of Goods. This number must be shown to avoid confusion between suppliers' names or where a supplier may have more than one contract/reservation.

D) Invoice Number and Date

This refers to the copy invoice or works progress claim which is to be attached in support of the Direct Disbursement to be made by the Fund, and which should clearly identify the items supplied or progress payments due under the contract. Progress claims should be signed by the Consultant (if any) or an officer in charge of supervising the contract.

E) Amount

The invoice should show the currency and total amount due to the contractor less any duties or other levies by the Borrower. If more than one invoice is submitted, a total amount payable should be shown.

F) Methods of Payment

Page 2 of the Application Form 2-1 requires details of the amount to be paid by the Fund and the name of the bank and account number (if any). If the supplier requires payment in the currency of his own country, only his own bank and account number (if any) are required. If, however, the supplier's contract requires payment in a currency other than that of his own country and it is freely available, the name of a bank, operating in the country of the currency in which payment is to be made, must be given in addition.

Example : a) Supplier in Europe requires payment in Euro. The name of a European Bank is sufficient.

b) Supplier in Europe requires payment in US\$. The name of a USA Bank must be given in addition to the name of the European Bank.

To facilitate prompt payment, complete and correct addresses of the banks concerned and the account number (if any) must be given.

7.2 Supporting Documentation

The Borrower should submit the following documents in support of the claim :

- 1) Evidence of Partial Payment by the Borrower (if applicable)
 - i) Certificate from a Commercial Bank that a foreign payment has been effected.
 - ii) Any other evidence satisfactory to the Fund.
- 2) Evidence of Claim
 - i) A supplier's invoice for goods or services.
 - ii) Advance Payment and Performance Guarantees.
 - iii) A works progress claim with supporting measurement of works and costing duly certified by a Consultant or project officer in charge of works.
 - iv) Calculation Sheets for payments of "Escalation in Prices", etc.
 - v) Partial or Final Acceptance Certificates.
- 3) Evidence of Transportation – to consist of copies of
 - i) The Bill of Lading for shipment or way bill for other means of transportation.
 - ii) Certificate of Origin.
 - iii) Packing List for individual items.
 - iv) Insurance Certificate or Cover Note preferably for transit from warehouse to warehouse in the Borrower's country.

8 – DISBURSEMENT UNDER LETTER OF CREDIT PROCEDURE

8.1 Agreement to Reimburse

When a Letter of Credit (L/C) is to be opened in favor of a foreign contractor for goods or services, and the Borrower has the approval of the Fund to meet the cost of that contract, the procedure to be followed is as follows :

- a) The Borrower requests a bank in his own country to open an L/C in favor of the beneficiary for payment of a stipulated sum of foreign

exchange against presentation of certain documents within a certain time period, subject to "Agreement to Reimburse" being received by the Correspondent (Paying) Bank from the Fund. Normally, the validity date of an L/C should extend to 28 days after the last day for shipment.

- b) The Issuing Bank (in the Borrower's country) forwards three copies of the L/C, which should include the following three special instructions, to its own Correspondent Bank in the Beneficiary's country :
 - i) This Letter of Credit is governed by the "Uniform Customs and Practice for Documentary Credits".
 - ii) This Letter of Credit is not valid until you have received an Agreement to Reimburse from the Saudi Fund for Development, P.O.Box 50483, Riyadh 11523, Saudi Arabia, Fax No. : + 966-1-4647450.
 - iii) One copy of all documents submitted by the Beneficiary to be sent to the Saudi Fund for Development when requesting disbursement.

The Correspondent Bank will usually advise the beneficiary of the details of the L/C for his confirmation of the terms stipulated. No opening or issuing bank charges incurred on Letters of Credit may be paid from the loan.

- c) The Correspondent Bank forwards two certified copies of the L/C to the Fund and requests the Fund to add its Agreement to Reimburse and to supply a copy of the L/C Regulations of the Fund.
- d) The Fund checks the L/C against the contract (previously approved by the Fund) and, if in order and a sufficient amount has been reserved by the Fund, approves both copies of the L/C with its Agreement to Reimburse and inserts therein :

- i) The Fund as sole Financier

The amount of the Letter of Credit if in Saudi Riyals or, if in foreign currency, an equivalent amount in Saudi Riyals (calculated at the current exchange rate with 5% added for currency fluctuations), but excluding any opening bank charges.

- i) The Fund Joint Financing with others

- a) This concerns a letter of credit where (a) the Fund assumes responsibility for part only of a letter of credit and the Borrower has to pay a specified share or (b) the Fund administers a loan for itself as well the loan(s) of other lender(s) and a letter of credit has to be signed by the Fund both as Principal and as Agent for the other lender(s) or (c)

the one letter of credit covers one contract to be financed by more than lender, each administering his own loan.

- b) In each of the above cases, the Fund will only accept a commitment for part of the amount stated on the Letter of Credit and will indicate the limitation by inserting in its Agreement to Reimburse (a) if the L/C is payable in Saudi Riyals, the Saudi Riyal limit of its obligations (b) if the L/C is payable in a foreign currency, the amount of foreign currency accepted as its share as well as the Saudi Riyal amount reserved as a commitment.

After the Fund has approved a contract and issued a Letter of Reservation to the Borrower, there is no direct contract between the Borrower and the Fund for an Agreement to Reimbursement, but by the Borrower instructing the Bank which issues the L/C to request the Correspondent Bank to furnish the Fund with two copies of the L/C and the subsequent transmission of such copies shall be taken by the Fund as a request for disbursement according to the Loan Agreement and within the Letter of Reservation financial limits.

When a Letter of Credit is approved with an Agreement to Reimburse by the Fund, the foreign currency stated in the Letter of Credit or in the Fund's Agreement to Reimburse, will be converted into Saudi Riyals at the current rate of exchange, as advised by the Saudi Arabian Monetary Agency, with 5% added to meet possible currency fluctuations before due date of payment.

An Agreement to Reimburse issued by the Fund under this procedure will terminate and the obligations of the Fund will cease immediately upon suspension or cancellation of the loan to the Borrower, under Article VI of the General Conditions.

8.2 Amendments to Letters of Credit

- a) Under a Letter of Credit, the expiry date and the shipping date(s) may be extended, up to the closing date for final withdrawal from the Loan Account, without the Fund's prior approval (see Regulations under L/C Procedure, Appendix 1, Form A).
- b) All amendments other than those mentioned in (a) above under Letters of Credit are subject to the Fund's prior written approval for them to become effective. The Fund will not be obliged to reimburse any bank for payment made under any amendment which the Fund has not approved. All amendments of a Letter of Credit in such cases shall provide that :

"This amendment shall become effective immediately, as it has been approved by SFD under their Reference _____".

Request for approval of such amendment shall be made promptly on the Form B at Appendix 3, accompanied by two copies of the amendment signed by the L/C Issuing Bank. The Fund will notify its approval or disapproval direct to the Correspondent Bank, with a copy to the Borrower.

8.3 Discrepancies in Documents

In case of any discrepancy in the documents submitted for reimbursement by the Correspondent Bank from the terms of a letter of credit, the Fund will not be in a position to honor the reimbursement claim. Neither will it be in a position to accept a letter of indemnity issued or endorsed by a negotiating bank. In such an event, the negotiating bank should seek authorization from the Borrower through the L/C issuing bank to pay despite such discrepancy and provide SFD with a copy of the said authorization.

8.4 Currency Fluctuations

In the event currency fluctuations are such that payment of the total foreign currency would exceed the limit of Saudi Riyals stated in the L/C and provided to meet the reservation under this contract, the Borrower should request an additional amount to be reserved by transfer :

- i) From any balance remaining in the category under the list of goods from which the contract was reserved, or
- ii) From any amount remaining as unallocated within the loan amount and request a transfer of the required sum to the category and an additional reservation to meet the Saudi Riyal balance of the L/C.

If either request is approved by the Fund and the transfer has been made, the unpaid balance of the L/C can be met by the Fund. If no balances remain under the specific category or under any unallocated amount, the unpaid amount of foreign currency of the L/C should be met from the Borrower's own resources.

8.5 Bank Charges

Any bank charges under a Letter of Credit which are raised by the Issuing Bank are not payable by the Fund but should be borne by the Borrower.

Bank charges raised by the Correspondent Bank can, if the Borrower requires, be added to the cost of the goods or services to be financed,

subject always to the overriding principle that the financial limit placed on the reservation for those goods and services is not exceeded.

9 – ACCOUNTS

9.1 Advice of Payments made by the Fund

Each time that a disbursement is made on behalf of the Borrower from the Loan Account, a debit note in numerical sequence will be despatched to the authorized representative of the Borrower which will show the reference of the disbursement (Application Number or Letter of Credit Reference), the amount paid in foreign currency and the total cost in Saudi Riyals.

9.2 Request for Amounts Due from the Borrower

Well before any amount is due from the Borrower under the terms of the Loan Agreement, the Fund will dispatch a debit note (in numerical sequence) requesting payment of a stated sum in Saudi Riyals, and where necessary, supported by a detailed calculation of how the amount claimed has been calculated. The debit note will also request that payment should be made to the Fund's account with a stated bank and on a certain date. A corresponding credit note will be despatched when the Fund receives notification from its banker that a remittance from the Borrower has been received.

9.3 Currency Adjustments

If the Borrower arranges payment by converting the Saudi Riyal into another currency and instructs his bank to pay in that other currency, and as there will be a delay between giving the instructions and the actual date of receipt into the Fund's bank account, a variation in exchange rates may have occurred, resulting in an excess or shortage in the amount of Saudi Riyal paid. This will be indicated by the Fund on the credit note for the amount received and will be adjusted in the next claim for payment when it falls due.

To avoid this minor problem, it would be preferable if the Borrower instruct his bank to pay a specific sum in Saudi Riyals to meet the full amount due and accept the bank advice of the equivalent in another currency.

9.4 Reconciliation of Loan Accounts

The accounts of the Fund are audited each half-year (according to the Hijra calendar) and a statement will be sent to the Borrower requesting its signed confirmation or comments on the Fund's Balances to be sent to the Fund's External Auditors and a further copy to be returned to the Fund.

9.5 Reconciliation of the List of Goods Accounts

At the same time as the reconciliation statement for the Loan Account is prepared, another statement will be prepared relating the loan disbursements to the loan allocation over the General List of Goods attached to the Loan Agreement and the "Specific List of Goods" compiled from the reservation of funds. This statement will be sent to the Executing Agency requesting its confirmation to the Fund only.

REGULATIONS OF THE SAUDI FUND FOR DEVELOPMENT (THE FUND)
FOR PAYMENTS UNDER THE LETTER OF CREDIT DISBURSEMENT PROCEDURE
(APPLICABLE TO AGREEMENT TO REIMBURSE)

The following conditions apply to payments made by the Fund to commercial banks which advise (and may confirm) letters of credit (Correspondent Banks) in connection with a loan granted by the Fund.

1. By returning to the Correspondent Bank one copy of the letter of credit bearing the approval* signed by the Fund, the Fund agrees to make payments to the Correspondent Bank in accordance with the provisions of the present "REGULATIONS" up to (a) the amount stated in the letter of credit or (b) the amount in the same currency as in the letter of credit as stated in the Fund's Agreement to Reimburse, whichever is the lower, upon each and any request for disbursement which is submitted by the Correspondent Bank in conformity with the enclosed specimen Form B/III and for which the Correspondent Bank has received the proper documents required by and during the validity of the letter of credit.
2. a) The Fund shall not be obliged to make further payments in the event that the Correspondent Bank violates the provisions of the present "REGULATIONS".
b) The Fund shall not be obliged to make further payments subsequent to the date of any suspension of the Borrower's right to make withdrawals from the Loan Account or cancellation of the loan amount reserved for the items covered by the Agreement to Reimburse pursuant to Article VI of the General Conditions Applicable to Loan Agreements.
3. If the letter of credit has been opened in Saudi Riyals, the Fund shall make payments up to (a) the amount of the letter of credit or (b) such amount as inserted in the Fund's Agreement to Reimburse. If the letter of credit has been issued in a currency other than Saudi Riyals, the Fund shall make payments to the Correspondent Bank in the currency stated in the letter of credit up to (a) the amount of such letter of credit or (b) the amount of such currency as inserted in the Fund's Agreement to Reimburse, whichever shall be the lower, however only up to such equivalent as the Fund is able to procure at the respective exchange rates for the maximum Saudi Riyal amount reserved for the letter of credit.
4. a) Upon receipt of an Application for Disbursement (B/III) under the Fund's Agreement to Reimburse which fully complies with these regulations, the Fund shall remit to the Correspondent Bank the due amount promptly.
b) In order that the Fund may make the necessary remittances, the authorized signature list must be made available to the Fund well in advance.
5. The Fund shall not be obliged to pay or refund any expenses, commission, fees, interest or other charges payable in connection with the letter of credit.
6. Except in cases of extension of shipping dates or validity of letters of credit, if letters of credit are modified without the Fund's express prior approval, the Fund shall be entitled to refuse to make any further disbursements. Therefore, the Correspondent Bank shall not observe any such amendments to the letter of credit unless such amendments are notified as approved by the Fund. However, transfer of letter of credit is not acceptable by SFD.
7. Upon payment for the last supply and service under the respective letter of credit, the Correspondent Bank shall also inform the Fund of the amounts in the letter of credit not utilized, if any.
8. The Correspondent Bank undertakes vis-à-vis the Fund to check the documents in accordance with sound banking practices and in conformity with the Uniform Customs and Practice for Documentary Credits.

* The approval of the Fund reads as follows :
"Agreement to Reimburse No. _____"

Pursuant to the attached REGULATIONS OF THE SAUDI FUND FOR DEVELOPMENT FOR PAYMENTS UNDER THE LETTER OF CREDIT DISBURSEMENT PROCEDURE, we agree to disburse up to the amount of SR _____ subject to our letter dated _____.

Appendix No.2
Form B/III

To :	From
The Saudi Fund for Development P.O.Box 50483 Riyadh 11523 Saudi Arabia	Name : _____
Fax No. : +966-1-4647450	Address : _____
Tel. No. : +966-1-2794000	Fax No. : _____
Swift : SFFDSARI	Swift No. : _____
	Date : _____

"REQUEST FOR DISBURSEMENT" under the L/C Procedure

Re : Your Loan No. _____ Country _____ Project _____
L/C No. : _____ Issuing Bank : _____
Your Agreement to Reimburse No. : _____
Our Reference No. : _____

In conformity with the conditions of the above Letter of Credit, we have received documents for the delivery of _____
(quantity and specification of the goods according to the L/C)

Gross Weight or Volume _____ Country of Origin _____
The goods were shipped on _____ from _____ to _____
by vessel* (Name) _____
airline* (Name and Nationality) _____
Bill of Lading / Air Way Bill No.* : _____ issued on _____

A copy of the following documents is enclosed herewith :

a) Commercial Invoice	e) Factory Inspection Certificate
b) Bill of Lading	f) Interim Payment Certificate
c) Certificate of Origin	g) Packing List
d) Insurance Certificate	h) Other Documents

Referring to your Agreement to Reimburse as well as to the Regulations of the Saudi Fund for Development for Payment under the Letter of Credit Disbursement Procedure, we request you to remit the total amount of _____ to our IBAN A/C No. _____ with (Bank) : _____.

The Letter of Credit, a copy of which you returned to us bearing your Agreement to Reimburse, has not been cancelled or modified without your approval.

REMARKS

Seal and Authorized Signatory of
Corresponding Bank
(Name, Number, Page and Branch)

Appendix No.3
Form B

To : _____ Date : _____
The Saudi Fund for Development
P.O.Box 50483
Riyadh 11523
Saudi Arabia
Reference : _____
Loan No. _____ Project _____

AMENDMENT OF A LETTER OF CREDIT
REQUIRING SFD PRIOR APPROVAL

L/C No. _____ L/C No. _____
(Issuing Bank) (Correspondent Bank)

Date _____
Amount _____
Beneficiary _____

You are kindly advised that the following amendments are proposed to the above Letter of Credit
which is subject to an Agreement to Reimburse issued by the Saudi Fund for Development :

Two copies of the proposed amendments duly signed by the Issuing Bank and agreed by the
Beneficiary are attached.

The approval of the Fund to this amendment is requested.

Signed _____
On behalf of _____
(Borrower)

DISBURSEMENT PROCEDURE I

To

The Saudi Fund for Development
P.O.Box 50483, Riyadh 11523
Saudi Arabia

Fax No. : +966-1-4647450

Tel. No. : +966-1-2794000

Date : _____
Project : _____
Loan No. : _____

Application Serial No. : _____

Attention : Loan Administration Department

WITHDRAWAL APPLICATION – REIMBURSEMENT

Pursuant to the Loan Agreement dated _____ between the Saudi Fund for Development, and the _____ (hereinafter called the Borrower), the Borrower hereby applies for withdrawal from the Loan Account opened under said Loan Agreement of a sum in Saudi Riyals equivalent at the time of payment to _____ (Currency and Amount) and the Borrower hereby certifies and agrees :-

1. The above amount is required to reimburse the Borrower for expenditures made in that currency as described in the attached summary sheet(s) which form an integral part of this application.
2. The borrower has not previously withdrawn from the Loan Account or applied for the withdrawal from the Loan Account of any amounts for the purpose of reimbursement or direct disbursement of such expenditures and the Borrower has not obtained and will not obtain funds for such purpose out of the proceeds of any other loan, credit or grant available to the Borrower, except as to long term financing to such extent as indicated in Para 7 of this application, or such short-term bank loans or credits (if any) established in anticipation of the withdrawal applied for herein and to be repaid with the funds withdrawn hereunder, as are described in the attached Withdrawal Application Summary Sheet(s).
3. Such expenditures were made for the purposes of the project as specified in said Loan Agreement; the goods and services so purchased are appropriate for such purposes; the cost and terms of purchase thereof are reasonable; and the Borrower hereby certifies that none of the expenditures were incurred for goods (including services) procured from firms or agencies boycotted by virtue of the resolutions of the competent organ of the League of Arab States and any regulations in force in Saudi Arabia.
4. At the date of this application, there is no existing default under the said Loan Agreement.

Appendix 4

Form No.1-1
(continued)

5. Kindly make payment as follows :-

Beneficiary's Name :

Amount and Currency :

Payment Reference :

Beneficiary's Bank

Bank Name :

Branch :

Address (City and Country) :

Swift Code (BIC) :

Beneficiary's A/C No. :

Correspondent Bank

Bank Name :

Branch :

Address (City and Country) :

Swift Code (BIC) :

IBAN A/C No. :

6. This application consists of this form No.1-1 and _____ signed and numbered summary sheet.

7. The following joint financing has also been arranged to meet the balance of the cost of expenditure detailed in the attached schedules :

Joint Financed by :

Currency and Amount Payable

(Name of the Borrower)

By :

(Authorized Representative)

THE SAUDI FUND FOR DEVELOPMENT

DISBURSEMENT PROCEDURE 1 = REIMBURSEMENT

Borrower

Project

1020

Category

Date : _____

WITHDRAWAL APPLICATION SUMMARY SHEET

(REIMBURSEMENT)

Serial No. _____

BANK'S REPORT OF PAYMENT

(Name of Commercial Bank)

Date of Payment : _____
Our Letter of Credit No. : _____
Fund Loan No. : _____
Attention : _____

To : _____
(Name of Borrower or Borrower's Representative)

(Address)

We report having paid the sum of _____ on _____
(final payment date)

to _____
(Name of Supplier)

(Address of Supplier)
under L/C No. _____ established by _____

(Name and Address of Issuing Bank)
for account of _____
(Name and Address of Buyer)

Our payment commission amounted to _____

Payment was effected against delivery of the documents as specified in and in accordance with
the terms and conditions of the Letter of Credit mentioned above evidencing shipment of

(General description of the merchandise including the quantity, etc.)
per S.S./MV _____ Voyage Ref. _____ or R.R. _____
Date _____ from _____ to _____
(Point of Shipment) (Destination)

or storage or manufacture of the goods at _____

The Supplier's documents were despatched as follows :

- Shipping documents have been forwarded to the above-mentioned Issuing Bank.
- The railway way bill, warehouse receipt or certificate of manufacture have been sent to _____.
- Copy of the supplier's invoice is attached.

Yours very truly,

(Authorized Signature)

DISBURSEMENT PROCEDURE II

To :

The Saudi Fund for Development
P.O.Box 50483, Riyadh 11523
Saudi Arabia

Fax No. : + 966-1-4647450

Tel. No. : + 966-1-2794000

Date : _____
Project : _____
Loan No. : _____
Application Serial No. : _____

ATTENTION : LOAN ADMINISTRATION DEPARTMENT

WITHDRAWAL APPLICATION – DIRECT DISBURSEMENT

Pursuant to the Loan Agreement dated _____ between the Saudi Fund for Development and the _____ (hereinafter called the Borrower), the Borrower hereby applies for withdrawal from the Loan Account opened under said Loan Agreement of a sum in Saudi Riyals equivalent at the time of payment to _____ (Currency and Amount)

and the Borrower hereby certifies and agrees as follows :-

1. The above stated amount is required to enable the Borrower to meet the whole/part of expenditures to be made as described in attached summary sheets which form an integral part of this application.
2. The Borrower has not previously withdrawn from the Loan Account or applied for the withdrawal from the Loan Account any amounts for the purpose of reimbursing the Borrower for or meeting such expenditures, and the Borrower has not obtained and will not obtain funds for such purpose out of the proceeds of any other loan, credit or grant available to the Borrower except to such extent as is indicated in Paragraph 8 of this application.
3. Such expenditures are to be made for the purposes of the project as specified in said Loan Agreement; the goods and services so purchased are appropriate for such purposes; the cost and terms of purchase thereof are reasonable; and the Borrower hereby certifies that none of the expenditures were made for goods (or services) procured from firms or agencies boycotted by virtue of the resolutions of the competent organ of the League of Arab States or in accordance with regulations in force in Saudi Arabia.
4. At the date of this application there is no existing default under the said Loan Agreement.
5. Said amount will be applied by the beneficiary to the payment of the cost of such goods and services as are set forth in the invoice (s) attached to the summary sheet(s).

Appendix 7

Form No.2-1
(continued)

6. Kindly make payment as follows :

Beneficiary's Name :

Amount and Currency :

Payment Reference :

Beneficiary's Bank

Bank Name :

Branch :

Address (City and Country) :

Swift Code (BIC) :

Beneficiary's A/C No. :

Correspondent Bank

Bank Name :

Branch :

Address (City and Country) :

Swift Code (BIC) :

IBAN A/C No. :

7. This application consists of this Form 2-1 and _____ signed and numbered summary sheets.

8. The following joint financing has also been arranged to meet the balance of the cost of expenditure detailed in the attached schedules.

Joint Financed by :

Currency and Amount Payable

(Name of the Borrower)

By :

(Authorized Representative)

THE SAUDI FUND FOR DEVELOPMENT

DISBURSEMENT PROCEDURE 2 – DIRECT DISBURSEMENT

Borrower : _____
Project : _____
Loan No. : _____
Category : _____

Date _____
Withdrawal Application No. _____
Summary Sheet No. _____

WITHDRAWAL APPLICATION SUMMARY SHEET

(DIRECT DISBURSEMENT)

