



Y. SEYNABOU SAKHO  
Director  
Central America

January 30, 2018

His Excellency  
Iván Acosta  
Minister  
Ministry of Finance and Public Credit  
Republic of Nicaragua

Re: **NICARAGUA: FCPF Grant No.TF 099264**  
**Readiness Fund of the FCPF Grant Agreement for Readiness**  
**Preparation Proposal**  
**Letter Agreement**

Excellency:

I refer to the Grant Agreements between the Republic of Nicaragua (“Recipient”) and the International Bank for Reconstruction and Development (“World Bank”), dated August 22, 2011 and December 26, 2013 (“Readiness Grant Agreements”) pursuant to which the World Bank agreed to provide the Recipient grants in the amount not to exceed US\$200,000 (“R-PP Formulation Installment”) and US\$3,600,000 (Second Installment) respectively, for formulating the Readiness Preparation Proposal (“R-PP”).

I also wish to refer to Resolution PC2008-2 of the Participants Committee of the Forest Carbon Partnership Facility (“FCPF”) regarding selection of REDD Country Participants (“Resolution PC2008-2”). REDD refers to reducing emissions from deforestation and forest degradation.

Resolution PC2008-2 provides that subject to the availability of the funds, certain REDD Country Participants may receive grant funding of up to an additional five million United States Dollars (US\$5,000,000) for formulating and carrying out a Readiness Preparation Proposal (“R-PP”).

The Recipient was selected as a REDD Country Participant. The Participants Committee of the FCPF (“PC”) has reviewed the R-PP submitted by the Recipient and acknowledge the great efforts made by the Recipient in formulating its R-PP. Accordingly the PC, through its Resolution PC/22/2016/8 decided to allocate grant funding to the Recipient in the amount of up to an additional five million United States Dollars (US\$5,000,000) to enable it to continue with its preparation for readiness, subject to terms and conditions set out in said Resolution.

In response to the request for financial assistance made on behalf of the Recipient and the decision of the PC referred to above, I am pleased to inform you that the World Bank, acting as a Trustee of the Readiness Fund for the FCPF (“Trustee”) agrees to extend to the Recipient a grant in an amount not to exceed five million United States Dollars (US\$ 5,000,000 ) (“Third Installment” or “Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), to assist in the financing of Readiness Preparation Activities (as defined in the Annex to this Agreement. The Third Installment is in addition to the R-PP Formulation Installment and the Second Installment, which have already been fully disbursed in accordance with the terms of their respective First Grant Agreement and Second Grant Agreement.

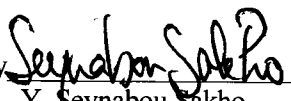
The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

This Agreement shall become effective upon receipt by the World Bank of an original copy of this Agreement countersigned by the Recipient. Upon compliance with the abovementioned condition, the World Bank will send a notice of effectiveness to the Recipient.

Very truly yours,

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**  
Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility

By   
Y. Seynabou Sakho  
Director  
Central America  
Latin America and the Caribbean

AGREED:

**REPUBLIC OF NICARAGUA**

By   
Authorized Representative

Name Iván Acosta Montalván

Title Ministro de Hacienda y Crédito Público

Date: 30 enero 2018

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with "Disbursement Guidelines for Investment Project Financing", dated February 2017
- (3) Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016

- (4) World Bank Procurement Regulations for IPF Borrowers” dated July 2016, as revised November 2017

**Article I**  
**Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 (“Standard Conditions”), with the modifications set forth in paragraphs (a), (b) and (c) below, constitute an integral part of this Grant Agreement.

- (a) The following term shall be inserted as paragraph 6(bis):

6bis. “Charter” means the Charter Establishing the Forest Carbon Partnership Facility, as may be amended from time to time;”

- (b) The definition of the term “Project” shall be deleted and replaced to read as follows:

11bis ‘Readiness Preparation Activities’ means the proposed activities, for which the World Bank as the Trustee of the Readiness Fund of the Forest Carbon Partnership Facility has made the R-PP Formulation Installment, for the formulation by the Recipient of a Readiness Preparation Proposal.”

- (c) All references to the term “Project” shall be construed to read “Readiness Preparation Activities”.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following definitions shall have the following meanings:

(a) “ENDE REDD+ Strategy” means *Estrategia Nacional para Reducir la Deforestación y Degradación Forestal*, the Recipient’s national strategy to reduce deforestation and forest degradation published in the Recipient’s territory and the Forest Carbon Partnership Facility external website on September 19, 2017, as amended to the date of this Agreement.

(b) “ESMF” or “Environmental and Social Management Framework” means the environmental and social framework, dated and duly published in the Forest Carbon Partnership Facility external website on September 19, 2017, setting forth mitigation, monitoring, and institutional measures to address environmental and social impacts of Readiness Preparation Activities, including impacts on natural habitats, forests, pest management, physical cultural resources, involuntary resettlement, indigenous peoples or economically displaced persons, offset negative impacts, or reduce them to acceptable levels, or enhance positive environmental and social impacts, as said ESMF may be modified from time to time with the prior written agreement of the World Bank, and such term includes any schedules or annexes to such framework, including the guidelines for preparing and implementing Environmental and Social Management Plans (ESMPs) if applicable.

(c) “INAFOR” means *Instituto Nacional Forestal*, the Recipients’ National Forestal Institute, or any successor thereto.

(d) “INETER” means *Instituto Nicaraguense de Estudios Territoriales*, the Recipient’s Institute of Territorial Studies or any successor thereto.

(e) “Indigenous Peoples Planning Framework (IPPF)” means framework dated and duly published in the Forest Carbon Partnership Facility external website on September 19, 2017, which sets forth, the measures to ensure that where indigenous peoples affected in the implementation of the ENDE REDD+ Strategy, ensuring that any intervention related to the implementation of the Readiness Preparation Activities, whether it has positive or adverse impacts, will be adequately addressed by the relevant implementing agencies in such a way that affected indigenous peoples will have opportunities to participate in and benefit equally (as the rest of the Recipient’s population) from the ENDE REDD+ Strategy, and includes guidelines for preparing and implementing Indigenous People Plans (IPPs) if applicable.

(f) “Involuntary Resettlement” means any direct economic and social impact caused by: (a) the involuntary taking of land resulting in (i) relocation or loss of shelter, (ii) loss of assets or access to assets, and (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of such person.

(g) “Involuntary Resettlement Policy Framework (RPF)” means a framework dated and duly published in the Forest Carbon Partnership external website on September 19, 2017, which sets forth, *inter alia*: the measures, mechanisms, procedures and compensation entitlements to be applied to address any land acquisition and resettlement impacts identified based on the final design, or temporary impacts during implementation of the Readiness Preparation Activities, or emerging land acquisition and resettlement issues during implementation for the ENDE REDD+ Strategy, a description of the anticipated groups of affected persons, an assessment of the legal framework and principles for land acquisition and resettlement, procedures for redress of grievances, as well an outline of the monitoring of the land acquisition and resettlement impacts during the implementation of the ENDE REDD+ Strategy.

(h) “MARENA” means *Ministerio del Ambiente y Recursos Naturales*, the Recipient’s Ministry of Environment and Natural Resources and any successor or successors thereto.

(i) “MHCP” means *Ministerio de Hacienda y Crédito Público*, the Recipient’s Ministry of Finance and Public Credit.

(j) “Operations Manual” means the manual including all appendices and schedules thereto, satisfactory to the World Bank, dated February 28, 2014, setting forth the policies and procedures that apply to the carrying out of the Readiness Preparation Activities, which include, *inter alia*: (a) the roles and responsibilities of each of the agencies or entities involved in implementation of the Readiness Preparation Activities; (b) the staffing requirements for the Readiness Preparation Activities; (c) the estimated implementation schedule; (d) procedures for accessing, disbursing and accounting for funds; (e) the indicators to be used in the monitoring and evaluation of the Readiness Preparation Activities; (f) procedures monitoring, supervision and evaluation, including the format and content of the reports for the Readiness Preparation Activities; and (g) the procurement and financial management procedures; as the same may be amended from time to time with the prior written approval of the World Bank.

(k) “Partner Entities” means, *inter alia*, INETER, INAFOR, the Recipient’s Presidential Secretariat for National Policies, the Recipient’s National Agency for Promotion of Foreign Investments (PRONICARAGUA), and the Recipient’s Presidential Secretariat for Development of the Caribbean Coast.

(l) “PF” or “Process Framework” means the framework, dated and duly published in the Forest Carbon Partnership Facility’s external website on September 19, 2017, which sets forth, *inter alia*, the measures and participatory processes by which communities and the relevant authorities or agencies will jointly recommend resource-use restrictions and decide on measures to mitigate any significant adverse impacts of these restrictions.

(m) “Safeguards Information System” means a system for providing information on how the seven safeguards followed when undertaking REDD+ activities are addressed and respected throughout the implementation of activities as per Decision 1/CP.16 Appendix 1 Paragraph 2 of the UNFCCC COP held in Cancun in 2010 and Decision 1/CP.16 Paragraph 71 (d) of the UNFCCC COP held in Durban in 2011.

(n) “SESA” or “Strategic Environmental and Social Assessment” mean the assessment carried out by the Recipient to integrate key environmental and social considerations into REDD+.

(o) “SESA Plan” means the instrument carried out by the Recipient that provides guidance how the recommendations from the SESA will be implemented and by whom, helps in refining the ENDE REDD+ Strategy by assessing the responsiveness of the strategy options to environmental and social priorities in the forests sector and the opportunity cost of conserving forests, means the instrument that provides guidance how the recommendations from the SESA will be implemented and by whom.

(p) “UNFCCC” means the United Nations Framework Convention on Climate Change (UNFCCC) an international environmental treaty adopted on 9 May 1992 and opened for signature at the Earth Summit in Rio de Janeiro from 3 to 14 June 1992.

(q) “World Bank’s Safeguards Policies” means the operational policies and procedures of the World Bank set forth in the World Bank’s Operational Manual relating to Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Indigenous Peoples (OP/BP 4.10), Cultural Property (OP/BP 4.11), Involuntary Resettlement (OP/BP 4.12), Forestry (OP/BP 4.36), Projects on International Waterways (OP/BP 7.50), and Projects in Disputed Areas (OP/BP 7.60).

## **Article II**

### **Readiness Preparation Activities Execution**

2.01. ***Readiness Preparation Activities Objectives and Description.*** The objective of Third Installment is to help the Recipient become ready for future ENDE-REDD+ Strategy implementation by preparing its key elements, systems, and/or policies needed, in a socially and environmentally sound manner.

The Readiness Preparation Activities, consist of the following parts:

**Part 1. Readiness Organization and Consultation**

(a) Provision of support to MARENA to, *inter alia*: (i) strengthening the existing ENDE REDD+ Strategy management arrangements in the Caribbean Coast, Northern and Central regions of the Recipient's territory; (ii) completing the development of a feedback redress grievance mechanism for ENDE-REDD+ Strategy; and (iii) strengthening inter-institutional coordination with the Partner Entities, to ensure alignment of the ENDE-REDD+ Strategy with national priorities, and improve the engagement of the agriculture public sector institutions.

(b) Carry out outreach and consultation activities with relevant stakeholders in the Northern, and Central regions of the Recipient's territory, aimed at, *inter alia*, (i) strengthening the national cross-sectoral dialogue on sustainable land-use to counter deforestation and forest degradation; and (ii) providing support to finalize the ENDE-REDD+ Strategy in collaboration with the Recipient's Ministry of Agriculture (MAG) and the Ministry of Family Economy (MEFFCA).

**Part 2. REDD+ Strategy Preparation**

Strengthening MARENA's capacity through:

(a) carrying out an assessment of the drivers of deforestation; and an analysis of legal, institutional, and forest governance to identify barriers to the ENDE-REDD + Strategy;

(b) carrying out an assessment of alternatives to reduce deforestation and forest degradation in indigenous and afro-descendant territories, within the Recipient's territory, including Bosawas and Indio-Maiz Biosphere Reserves;

(c) carrying out an assessment of the economic feasibility of the ENDE-REDD+ Strategy and design incentives to promote REDD+ activities, including the participation of the private sector;

(d) analyzing the legal, institutional and forest governance framework of the ENDE-REDD+ Strategy, draft bylaws for the Recipient's National Carbon Fund, and coordinate with the MHCP in the ENDE-REDD+ Strategy process to develop the different elements of the ENDE-REDD+ Strategy; and

(e) finalizing the preparation of: (i) the SESA, including the preparation and implementation of a SESA Plan for the Central and Northern regions of the Recipient's territory; and (ii) the ESMF, including the RPF, the IPPF, PF; and (iii) the Safeguards Information System.

**Part 3. Forests Reference Emissions Levels**

Strengthening MARENA's capacity to: (a) finalize the Recipient's national Forest Reference Emissions Level (FREL) a component of the ENDE-REDD+ Strategy; and (b) contribute to the preparation of a national communication document to report the Green House Gas (GHG) emissions inventory before the UNFCCC.

**Part 4. Monitoring systems for forests and safeguards**

Strengthening MARENA's capacity to:

(a) design and operationalization of the Recipient's national forest and safeguard systems, including the Forest Monitoring System (NFMS) and the Information System for Multiple Benefits and Safeguards; and

(b) improve the Recipient's national environment information system and define the systems to monitor non-carbon aspects of the ENDE-REDD+ Strategy.

**Part 5: Readiness Preparation Activities monitoring system.**

Provision of support to MARENA in the implementation, monitoring and evaluation of the Readiness Preparation Activities, including to complete the existing ENDE-REDD+ Strategy monitoring and evaluation plan.

2.02. ***Readiness Preparation Activities Execution Generally.*** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient, through MARENA, shall carry out the Readiness Preparation Activities, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. ***Institutional Arrangements.*** The Recipient shall, through MARENA; (a) maintain key staff for the implementation of the Readiness Preparation Activities, all with experience and qualifications acceptable to the World Bank; and

(b) update and thereafter carry out the Readiness Preparation Activities in accordance with the Operations Manual and in coordination with the Partner Entities.

2.04. ***Safeguards.*** the Recipient, through MARENA shall ensure that:

(a) the Readiness Preparation Activities are implemented according to the SESA and the ESMF, including the RPF, PF and the IPPF;

(b) no Readiness Preparation Activities involve Involuntary Resettlement;

(c) all terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities and frameworks prepared on the basis of the SESA are consistent with the World Bank's Safeguards Policies, as well as the Recipient's own laws relating to the environmental and social aspects; and

(d) any regulations drafted by the Recipient under the Readiness Preparation Activities shall be consistent with said Safeguard Policies and laws.

2.05. ***Readiness Preparation Activities, Monitoring, Reporting and Evaluation.*** (a) The Recipient shall monitor and evaluate the progress of the Readiness Preparation Activities and prepare Readiness Preparation Activities Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each



Readiness Preparation Activities Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than four (4) months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Readiness Preparation Activities are prepared and furnished to the World Bank not later than forty-five days (45) after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than (6) six months after the end of such period.

2.07. **Procurement.** All goods, non-consulting services and consulting services required for the Readiness Preparation Activities and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the “World Bank Procurement Regulations for IPF Borrowers” dated July 2016, as revised on November 2017 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Readiness Preparation Activities (“Procurement Plan”) dated November 13, 2017 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

### **Article III Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing”, dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% Eligible Expenditures consisting of goods, non-consulting services, consulting services, Training and Workshops, and Operating Costs, inclusive of Taxes.

(b) For purposes of Section 3.01, the term: (i) “Training and Workshops” means the costs associated with training and workshop participation of personnel involved in the implementation of the Readiness Preparation Activities including travel and subsistence costs for training and speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs related to training courses and workshops preparation and implementation; and (ii) “Operating Costs” means operating costs incurred on account of the implementation of the Readiness Preparation Activities, including office supplies and consumables, utilities, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of the bank accounts required

for the Readiness Preparation Activities, and travel, lodging and *per diems*, but excluding salaries of officials of the Recipient's civil service.

3.02. ***Withdrawal Conditions.*** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement.

3.03. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2020.

#### **Article IV Effectiveness**

4.01. ***Effectiveness.*** This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the Operations Manual has been updated in a manner acceptable to the World Bank.

#### **Article V Recipient's Representative; Addresses**

5.01. ***Recipient's Representative.*** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance and Public Credit.

5.02. ***Recipient's Address.*** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and Public Credit  
Frente al Edificio de la Asamblea Nacional  
Managua, Republic of Nicaragua

Telephone:  
+505-22227231

4.03. ***World Bank's Address.*** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex:	Facsimile:
248423 (MCI) or 64145 (MCI)	1-202-477-6391

**Standard Conditions**

**for Grants Made by the**

**World Bank**

**Out of**

**Various Funds**

**Dated February 15, 2012**

## **ARTICLE I**

### **Introductory Provisions**

Section 1.01. *Application of Standard Conditions.* These Standard Conditions set forth certain terms and conditions generally applicable to grants made by IBRD or IDA out of various funds (other than IDA resources). They apply to the extent specified in the Grant Agreement.

Section 1.02. *Inconsistency with Grant Agreement.* If any provision of the Grant Agreement is inconsistent with a provision of these Standard Conditions, the provision of the Grant Agreement shall govern.

Section 1.03. *Definitions.* Except as otherwise provided in the Grant Agreement, wherever capitalized terms are used in these Standard Conditions or in the Grant Agreement, they have the meanings ascribed to them in these Standard Conditions.

Section 1.04. *References; Headings.* References in these Standard Conditions to Articles and Sections are to the Articles and Sections of these Standard Conditions. Their headings are inserted in these Standard Conditions for reference only and shall not be taken into consideration in interpreting these Standard Conditions.

## **ARTICLE II**

### **Project Execution**

Section 2.01. *Project Execution Generally.* The Recipient shall ensure that:

(a) the Project is carried out: (i) with due diligence and efficiency; (ii) in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices; and (iii) in accordance with the provisions of the Grant Agreement, including these Standard Conditions; and

(b) the funds, facilities, services and other resources required for the Project are provided promptly as needed.

Section 2.02. *Insurance.* The Recipient shall ensure that adequate provision is made for the insurance of any goods required for the Project and to be financed out of the proceeds of the Grant, against hazards incident to the acquisition, transportation and delivery of the goods to the place of their use or installation. Any indemnity for such insurance shall be payable in a freely usable currency to replace or repair such goods.

Section 2.03. *Land Acquisition.* The Recipient shall ensure that all action is taken to acquire as and when needed all land and rights to land that are required to carry out the Project and shall promptly furnish to the World Bank, upon its request, evidence satisfactory to the World Bank that such land and rights are available for the Project.

Section 2.04. *Use of Goods, Works and Services; Maintenance of Facilities.* The Recipient shall ensure that:

(a) except as the World Bank shall otherwise agree, all goods, works and services financed out of the proceeds of the Grant are used exclusively for the purposes of the Project; and

(b) all facilities relevant to the Project are at all times properly operated and maintained and all necessary repairs and renewals of such facilities are made promptly as needed.

Section 2.05. *Documents; Records.* The Recipient shall ensure that:

(a) all documents related to the Project are promptly furnished to the World Bank upon its request, in such detail as the World Bank shall reasonably request;

(b) records are maintained adequate to record the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods, works and services financed out of the proceeds of the Grant and to disclose their use in the Project, and such records are furnished to the World Bank promptly upon its request;

(c) all records evidencing expenditures under the Project are retained until at least: (i) two years after the Closing Date; or (ii) if the World Bank requires audits of the Recipient's Financial Statements pursuant to Section 2.07 (b) below, the later of: (A) one year after the World Bank has received the audited Financial Statements covering the period during which the last withdrawal from the Grant Account was made; and (B) two years after the Closing Date; and

(d) the representatives of the World Bank are able to examine all records referred to above in paragraphs (b) and (c), and are provided all such information concerning such records as they may from time to time reasonably request.

Section 2.06. *Project Monitoring, Reporting and Evaluation.* The Recipient shall:

(a) ensure the maintenance of policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the World Bank, the progress of the Project and the achievement of its objectives; and

(b) if so required in accordance with the provisions of the Grant Agreement:

(i) (A) ensure the preparation and delivery to the World Bank of one or more project reports ("Project Reports"), in form and substance satisfactory to the World Bank, integrating the results of such monitoring and evaluation activities and setting out measures recommended by the Recipient to ensure the continued efficient and effective execution of the Project, and to achieve the Project's

objectives; each Project Report to cover the period specified in the Grant Agreement and to be furnished to the World Bank not later than the date specified for that purpose in the Grant Agreement; and (B) afford the World Bank a reasonable opportunity to exchange views with the Recipient on such report, and thereafter implement such recommended measures, taking into account the World Bank's views on the matter; and

- (ii) ensure the preparation and delivery to the World Bank, not later than the date specified for that purpose in the Grant Agreement, of one or more completion reports ("Completion Reports"): (A) of such scope and in such detail as the World Bank shall reasonably request, on the execution of the Project, the performance by the Recipient and the World Bank of their respective obligations under the Grant Agreement and the accomplishment of the purposes of the Grant; and (B) a plan designed to ensure the sustainability of the Project's achievements.

Section 2.07. *Financial Management; Financial Statements; Audits.* The Recipient shall ensure that:

- (a) a financial management system is maintained and financial statements ("Financial Statements") are prepared in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project;

- (b) if so required in accordance with the provisions of the Grant Agreement:
  - (i) the Financial Statements are periodically audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank; and
  - (ii) the Financial Statements, as so audited, are furnished to the World Bank not later than the date specified in the Grant Agreement for that purpose, together with such other information concerning the audited Financial Statements and such auditors, as the World Bank may from time to time reasonably request; and

- (c) the Financial Statements audited pursuant to paragraph (b) of this Section are made publicly available in a timely fashion and in a manner acceptable to the World Bank.

Section 2.08. *Cooperation and Consultation.* The Recipient and the World Bank shall cooperate fully to assure that the purposes of the Grant and the objectives of the Project will be accomplished, and to this end, throughout the implementation of the Project and for a period of ten years thereafter:

- (a) from time to time, at the request of either of them, exchange views on the Project, the Grant, and the performance of their respective obligations under the Grant

Agreement, and furnish to the other party all such information related to such matters as it shall reasonably request; and

(b) promptly inform the other party of any condition which interferes with, or threatens to interfere with, such matters.

Section 2.09. *Visits.* The Recipient shall, throughout the implementation of the Project and for a period of ten years thereafter:

(a) if it is the Member Country, enable the representatives of the World Bank to visit any part of its territory for purposes related to the Grant;

(b) if it is not the Member Country, take all measures required on its part to enable the World Bank to visit any part of the Member Country's territory for purposes related to the Grant; and

(c) enable the World Bank's representatives: (i) to visit any facilities and sites included in the Project; and (ii) to examine the goods financed out of the proceeds of the Grant, and any documents relevant to the performance of its obligations under the Grant Agreement.

Section 2.10. *Disputed Area*

In the event that the Project is in an area which is or becomes disputed, neither the World Bank's financing of the Project, nor any designation of or reference to such area in the Grant Agreement, is intended to constitute a judgment on the part of the World Bank as to the legal or other status of such area or to prejudice the determination of any claims with respect to such area.

### **ARTICLE III Withdrawal of Grant Proceeds**

Section 3.01. *Grant Account; Withdrawals Generally; Currency of Withdrawals*

(a) The World Bank shall credit the amount of the Grant in the currency of denomination of the Grant to the Grant Account. The Recipient may from time to time request withdrawals of amounts of the Grant from the Grant Account in accordance with the provisions of the Grant Agreement and of these Standard Conditions.

(b) Withdrawals of the proceeds of the Grant from the Grant Account shall be made in the currency of denomination of the Grant. The World Bank may, at the request and acting as an agent of the Recipient, and on such terms and conditions as the World Bank shall determine, purchase with such currency withdrawn from the Grant Account such other currencies as the Recipient shall reasonably request to meet payments for Eligible Expenditures. Whenever it shall be necessary for the purpose of the Grant

Agreement or these Standard Conditions to determine the value of one currency in terms of another, such value shall be as reasonably determined by the World Bank.

Section 3.02. *Funding Shortfall.* Notwithstanding the provisions of Section 3.01, no withdrawals shall be made if, as a result of such withdrawal, the total amount of the Grant withdrawn from the Grant Account would exceed the amount available to the World Bank from trust fund resources provided to it by other financiers for the purposes of the Grant. The Recipient shall bear the risk of any such funding shortfall, and the World Bank shall not have any liability whatsoever to the Recipient or to any third parties in respect of any expenditures or liabilities incurred in connection with the Grant Agreement which exceed the amount made available to the World Bank for the purposes of the Grant.

Section 3.03. *Special Commitment by the World Bank.* At the Recipient's request and on such terms and conditions as the Recipient and the World Bank shall agree, the World Bank may enter into special commitments in writing to pay amounts for Eligible Expenditures notwithstanding any subsequent suspension or cancellation of an amount of the Grant ("Special Commitment").

Section 3.04. *Applications; Supporting Evidence*

(a) When the Recipient wishes to withdraw an amount from the Grant Account or to request the World Bank to enter into a Special Commitment, the Recipient shall deliver to the World Bank a written application for the purpose in such form and substance as the World Bank shall reasonably request ("Application").

(b) The Recipient shall furnish to the World Bank: (i) evidence satisfactory to the World Bank of the authority of the person or persons authorized to sign each Application and the authenticated specimen signature of each such person; and (ii) such documents and other evidence in support of each Application as the World Bank shall specify, whether before or after the World Bank has permitted any withdrawal requested in the Application ("Supporting Evidence").

(c) Each Application for an amount of the Grant, and its Supporting Evidence, must be sufficient in form and substance to satisfy the World Bank that the Recipient is entitled to withdraw such amount from the Grant Account, and that such amount will be used only for the purposes specified in the Grant Agreement. Applications shall be made promptly in relation to Eligible Expenditures.

(d) The World Bank shall pay the amounts withdrawn by the Recipient from the Grant Account only to, or on the order of, the Recipient.

Section 3.05. *Designated Accounts*

(a) The Recipient may open and maintain one or more designated accounts into which the World Bank may, at the request of the Recipient, deposit amounts



withdrawn from the Grant Account as advances for purposes of the Project (“Designated Accounts”). All Designated Accounts shall be opened in a financial institution acceptable to the World Bank, and on terms and conditions acceptable to the World Bank.

(b) Deposits into, and payments out of, any Designated Account shall be made in accordance with the Grant Agreement and these Standard Conditions and such additional instructions as the World Bank may specify from time to time by notice to the Recipient. The World Bank may, in accordance with the Grant Agreement and such instructions, cease making deposits into any such account upon notice to the Recipient. In such case, the World Bank shall notify the Recipient of the procedures to be used for subsequent withdrawals from the Grant Account.

Section 3.06. *Eligible Expenditures.* The Recipient shall ensure that the proceeds of the Grant are used exclusively to finance expenditures which, except as otherwise provided in the Grant Agreement, satisfy the following requirements (“Eligible Expenditures”):

(a) the payment is for the reasonable cost of goods, works or services required for the Project, to be financed out of the proceeds of the Grant and procured, all in accordance with the provisions of the Grant Agreement;

(b) the payment is not prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(c) the payment: (i) is made on or after the date specified in the Grant Agreement for that purpose; and (ii) except as the World Bank may otherwise agree, is for expenditures incurred prior to the Closing Date.

Section 3.07. *Financing Taxes*

(a) The Grant Agreement may specify that the proceeds of the Grant may not be withdrawn to pay for Taxes levied by, or in the territory of, the Member Country on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply. In such case, if the amount of any such Taxes decreases or increases, the World Bank may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such limitation on withdrawals.

(b) In the absence of such specification, the use of any proceeds of the Grant to pay for such Taxes is nevertheless subject to the World Bank’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the World Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the World Bank may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such policy of the World Bank.

Section 3.08. *Reallocation.* If, in the World Bank's opinion, an amount of the Grant allocated to a category of Eligible Expenditures under the Grant Agreement will be insufficient to finance the expenditures under such category, the World Bank may, by notice to the Recipient:

(a) reallocate to such category any other amount of the Grant which in the World Bank's opinion is not needed for other Eligible Expenditures, to the extent required to meet the estimated shortfall; and

(b) if such reallocation will not fully meet the estimated shortfall, reduce the percentage of Eligible Expenditures to be financed under such category, in order that further withdrawals for such expenditures may continue until all such expenditures have been made.

#### **ARTICLE IV Cancellation; Suspension; Grant Refund**

Section 4.01. *Cancellation by the Recipient.* The Recipient may, by notice to the World Bank, cancel any unwithdrawn amount of the Grant, except that the Recipient may not cancel any such amount that is subject to a Special Commitment.

Section 4.02. *Suspension by the World Bank.* The World Bank may, by notice to the Recipient, suspend the right of the Recipient to make withdrawals from the Grant Account if any of the following events occurs and is continuing. Such suspension shall continue until the World Bank has notified the Recipient that such right to make withdrawals has been restored.

(a) *Interference.* If the Grant has been made to a Recipient which is not the Member Country, the Member Country has: (i) taken or permitted to be taken any action which would prevent or interfere with the execution of the Project or the performance by the Recipient of its obligations under the Grant Agreement; or (ii) failed to afford a reasonable opportunity for representatives of the World Bank to visit any part of its territory for purposes related to the Grant or the Project.

(b) *Performance Failure.* The Recipient has failed to perform any obligation under the Grant Agreement.

(c) *Fraud and Corruption.* At any time, the World Bank determines that any representative of the Recipient (or the Member Country, if the Recipient is not the Member Country, or any other recipient of any of the proceeds of the Grant) has engaged in corrupt, fraudulent, coercive or collusive practices in connection with the use of the proceeds of the Grant, without the Recipient (or the Member Country or any other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.

(d) *Cross Suspension.* IBRD or IDA has suspended in whole or in part the right of the Recipient (or of the Member Country, if the Recipient is not the Member Country) to make withdrawals under any agreement with IBRD or with IDA because of a failure by the Recipient (or by the Member Country) to perform any of its obligations under such agreement or any other agreement with IBRD or IDA.

(e) *Extraordinary Situation.* As a result of events which have occurred after the date of the Grant Agreement, an extraordinary situation has arisen which makes it improbable that the Project can be carried out or that the Recipient will be able to perform its obligations under the Grant Agreement.

(f) *Misrepresentation.* A representation made by the Recipient in or pursuant to the Grant Agreement, or any representation or statement furnished by the Recipient and intended to be relied upon by the World Bank in making the Grant, was incorrect in any material respect.

(g) *Assignment of Obligations; Disposition of Assets.* The Recipient (or any other entity responsible for implementing any part of the Project) has, without the consent of the World Bank: (i) assigned or transferred, in whole or in part, any of its obligations arising under or entered into pursuant to the Grant Agreement; or (ii) sold, leased, transferred, assigned, or otherwise disposed of any property or assets financed wholly or in part out of the proceeds of the Grant; provided, however, that the provisions of this paragraph shall not apply with respect to transactions in the ordinary course of business which, in the opinion of the World Bank: (A) do not materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant Agreement or to achieve the objectives of the Project; and (B) if the Grant has been made to a Recipient which is not the Member Country, do not materially and adversely affect the financial condition or operation of the Recipient (or such other entity).

(h) *Membership.* The Member Country: (i) has been suspended from membership in or ceased to be a member of IBRD or of IDA; or (ii) has ceased to be a member of the International Monetary Fund.

(i) *Condition of Recipient.* If the Grant has been made to a Recipient which is not the Member Country:

- (i) Any action has been taken for the dissolution, disestablishment or suspension of operations of the Recipient (or of any other entity responsible for implementing any part of the Project).
- (ii) The Recipient (or any other entity responsible for implementing any part of the Project) has ceased to exist in the same legal form as that prevailing as of the date of the Grant Agreement.

- (iii) In the opinion of the World Bank, the legal character, ownership or control of the Recipient (or of any other entity responsible for implementing any part of the Project) has changed from that prevailing as of the date of the Grant Agreement so as to materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant Agreement, or to achieve the objectives of the Project.

(j) *Ineligibility.* IBRD or IDA has declared the Recipient (other than the Member Country) ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA, as a result of: (i) a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Recipient is ineligible to receive proceeds of any financing made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by such financier.

(k) *Additional Event.* Any other event specified in the Grant Agreement for the purposes of this Section has occurred (“Additional Event of Suspension”).

Section 4.03. *Cancellation by the World Bank.* The World Bank may, by notice to the Recipient, terminate the right of the Recipient to make withdrawals with respect to an unwithdrawn amount of the Grant, and cancel such amount, if any of the following events occurs with respect to such amount:

(a) *Suspension.* The right of the Recipient to make withdrawals from the Grant Account has been suspended with respect to any amount of the Grant for a continuous period of thirty days.

(b) *Amounts not Required.* The World Bank determines, after consultation with the Recipient, that an amount of the Grant will not be required to finance Eligible Expenditures.

(c) *Fraud and Corruption.* At any time, the World Bank determines, with respect to any amount of the proceeds of the Grant, that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient (or the Member Country, if the Recipient is not the Member Country, or any other recipient of the proceeds of the Grant), without the Recipient (or the Member Country or other recipient of the proceeds of the Grant) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.

(d) *Misprocurement.* At any time, the World Bank: (i) determines that the procurement of any contract to be financed out of the proceeds of the Grant is inconsistent with the procedures set forth or referred to in the Grant Agreement; and (ii) establishes the amount of expenditures under such contract which would otherwise have been eligible for financing out of the proceeds of the Grant.

(e) *Closing Date.* After the Closing Date, there remains an unwithdrawn amount of the Grant.

Section 4.04. *Amounts Subject to Special Commitment Unaffected.* No cancellation or suspension by the World Bank shall apply to amounts subject to any Special Commitment, except as expressly provided in the Special Commitment.

#### Section 4.05. *Grant Refund*

(a) If the World Bank determines that an amount of the Grant has been used in a manner inconsistent with the provisions of the Grant Agreement or these Standard Conditions, the Recipient shall, upon notice by the World Bank to the Recipient, promptly refund such amount to the World Bank. Such inconsistent use shall include, without limitation:

- (i) use of such amount to make a payment for an expenditure that is not an Eligible Expenditure; or
- (ii) (A) engaging in corrupt, fraudulent, collusive or coercive practices in connection with the use of such amount, or (B) use of such amount to finance a contract during the procurement or execution of which such practices were engaged in by representatives of the Recipient (or the Member Country, if the Recipient is not the Member Country, or other recipient of such amount of the Grant), in either case without the Recipient (or Member Country, or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.

(b) Except as the World Bank may otherwise determine, the World Bank shall cancel all amounts refunded pursuant to this Section.

Section 4.06. *Continued Effectiveness.* Notwithstanding any cancellation, suspension or refund under this Article, all the provisions of the Grant Agreement shall continue in full force and effect, except as specifically provided in these Standard Conditions.

### **ARTICLE V** **Enforceability; Arbitration**

Section 5.01. *Enforceability.* The rights and obligations of the Recipient and the World Bank under the Grant Agreement shall be valid and enforceable in accordance with their

terms notwithstanding the law of any state or of any of its political subdivisions to the contrary. Neither the Recipient nor the World Bank shall be entitled in any proceeding under this Article to assert any claim that any provision of these Standard Conditions or of the Grant Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of IBRD or IDA, as the case may be.

Section 5.02. *Failure to Exercise Rights.* No delay in exercising, or omission to exercise, any right, power or remedy accruing to any party under the Grant Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default. No action of such party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 5.03. *Arbitration.* Any controversy between the parties to the Grant Agreement and any claim by any such party against the other arising under the Grant Agreement which has not been settled by agreement of the parties shall be submitted to arbitration by an arbitral tribunal ("Arbitral Tribunal") as hereinafter provided.

(a) The parties to such arbitration shall be the World Bank on the one side and the Recipient on the other side.

(b) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: (i) one arbitrator shall be appointed by the World Bank; (ii) a second arbitrator shall be appointed by the Recipient; and (iii) the third arbitrator ("Umpire") shall be appointed by agreement of the parties or, if they do not agree, by the President of the International Court of Justice or, failing appointment by said President, by the Secretary-General of the United Nations. If either side fails to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section resigns, dies or becomes unable to act, a successor arbitrator shall be appointed in the same manner as prescribed in this Section for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(c) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought and the name of the arbitrator appointed by the party instituting such proceeding. Within thirty days after such notice, the other party shall notify to the party instituting the proceeding the name of the arbitrator appointed by such other party.

(d) If, within sixty days after the notice instituting the arbitration proceeding, the parties have not agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (b) of this Section.

(e) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(f) The Arbitral Tribunal shall decide all questions relating to its competence and shall, subject to the provisions of this Section and except as the parties shall otherwise agree, determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(g) The Arbitral Tribunal shall afford to the parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of the Arbitral Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Grant Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(h) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as are required for the conduct of the arbitration proceedings. If the parties do not agree on such amount before the Arbitral Tribunal convenes, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(i) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to the Grant Agreement or of any claim by any such party against the other such party arising under the Grant Agreement.

(j) If, within thirty days after counterparts of the award have been delivered to the parties, the award has not been complied with, any party may: (i) enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party; (ii) enforce such judgment by execution; or (iii) pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the Grant Agreement. Notwithstanding the foregoing, if the Recipient is the Member Country, this Section shall not authorize any entry of judgment or enforcement of the award against the Recipient except as such procedure may be available otherwise than by reason of the provisions of this Section.

(k) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 7.01. The parties to the Grant Agreement waive any and all other requirements for the service of any such notice or process.

**ARTICLE VI**  
**Effectiveness; Termination**

Section 6.01. *Effectiveness.* Unless otherwise specified in the Grant Agreement, the Grant Agreement shall become effective on the date as of which it has been executed by all parties to the Grant Agreement.

Section 6.02. *Termination.* The Grant Agreement and all obligations of the parties under it shall forthwith terminate when all such obligations have been fully performed.

**ARTICLE VII**  
**Miscellaneous**

Section 7.01. *Notices and Requests.* Any notice (or request) pursuant to the Grant Agreement shall be in writing. Such notice (or request) shall be deemed to have been duly given (or made) when it has been delivered by hand or by mail, telex or facsimile (or, if permitted under the Grant Agreement, by other electronic means) to the party to which such notice (or request) is directed ("Addressee"), at the address specified in the Grant Agreement for the purpose (or at such other address as the Addressee shall have designated by notice to the party giving such notice or making such request) ("Address"). Deliveries made by facsimile transmission shall also be confirmed by mail.

Section 7.02. *Action on Behalf of the Recipient.* The representative designated by the Recipient in the Grant Agreement, for the purpose of this Section (or any person authorized in writing by such representative for the purpose) ("Recipient's Representative"), may take any action required or permitted to be taken pursuant to the Grant Agreement, and execute any documents required or permitted to be executed pursuant to the Grant Agreement on behalf of the Recipient.

Section 7.03. *Evidence of Authority.* The Recipient shall furnish to the World Bank: (a) sufficient evidence of the authority of the Recipient's Representative; and (b) the authenticated specimen signature of such representative.

Section 7.04. *Execution in Counterparts.* The Grant Agreement may be executed in several counterparts, each of which shall be an original.

Section 7.05. *Disclosure.* The World Bank may disclose the Grant Agreement and any information related to the Grant Agreement in accordance with its policy on access to information, in effect at the time of such disclosure.



**APPENDIX**  
**Definitions**

1. "Additional Event of Suspension" means any event of suspension specified in the Grant Agreement for the purpose of Section 4.02 (k).
2. "Address" means the address of the Addressee referred to in Section 7.01, to which notices and requests pursuant to the Grant Agreement are to be directed.
3. "Addressee" means the party to which notices and requests are to be directed for the purpose of Section 7.01.
4. "Application" means an application made by the Recipient pursuant to Section 3.04 for withdrawal of an amount of the Grant from the Grant Account or to request the World Bank to enter into a Special Commitment with respect to an amount of the Grant.
5. "Arbitral Tribunal" means the arbitral tribunal established pursuant to Section 5.03.
6. "Closing Date" means the date specified in the Grant Agreement (or such later date as the World Bank shall establish by notice to the Recipient) after which the World Bank may, by notice to the Recipient, terminate the right of the Recipient to withdraw from the Grant Account.
7. "Completion Report" means each report to be prepared and furnished to the World Bank pursuant to Section 2.06 (b) (ii).
8. "Designated Account" means each account referred to in Section 3.05 into which the Bank may deposit amounts withdrawn from the Grant Account as advances for purposes of the Project.
9. "Dollar", "\$" and "USD" each means the lawful currency of the United States of America.
10. "Eligible Expenditure" means an expenditure the payment for which meets the requirements of Section 3.06 and which is consequently eligible for financing out of the proceeds of the Grant.
11. "Financial Statements" means the financial statements to be maintained for the Project in accordance with Section 2.07.
12. "Grant" means the grant provided for in the Grant Agreement.

13. "Grant Account" means the account opened by the World Bank in its books in the name of the Recipient to which the Grant is credited in accordance with Section 3.01 (a).
14. "Grant Agreement" means the grant agreement between the Recipient and the World Bank providing for the Grant, as such agreement may be amended from time to time. "Grant Agreement" includes these Standard Conditions as applied to the Grant Agreement, and all appendices, schedules and agreements supplemental to the Grant Agreement.
15. "IBRD" means the International Bank for Reconstruction and Development.
16. "IDA" means the International Development Association.
17. "Member Country" means the member of the World Bank in whose territory the Project is carried out or any of such member's political or administrative subdivisions. If the Grant is extended by the World Bank to such member as a party to the Grant Agreement, the term "Member Country" and "Recipient" refer to the same entity
18. "Project" means the project described in the Grant Agreement, for which the Grant is made, as the description of such project may be amended from time to time by agreement between the Recipient and the World Bank.
19. "Project Report" means each report on the Project to be prepared and furnished to the World Bank for the purpose of Section 2.06 (b) (i).
20. "Recipient" means the party to the Grant Agreement to which the Grant is made.
21. "Recipient's Representative" means the representative referred to in Section 7.02 designated by the Recipient in the Grant Agreement or authorized in writing by such representative for the purpose of such Section.
22. "Special Commitment" means any special commitment entered into or to be entered into by the World Bank pursuant to Section 3.03.
23. "Supporting Evidence" means the evidence and documents to be furnished to the World Bank in accordance with Section 3.04 (b) in connection with an Application.
24. "Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Grant Agreement or imposed after that date.
25. "Umpire" means the third arbitrator appointed pursuant to Section 5.03 (b).

26. "World Bank" means: (a) IBRD if the Grant is made or administered by IBRD; (b) IDA if the Grant is made or administered by IDA; and (c) collectively, IBRD and IDA if the Grant is made or administered by both IBRD and IDA.

**Disbursement Guidelines for**

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**Investment Project Financing**

**February 2017**



**WORLD BANK GROUP**

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## 1. Purpose

1.1 The purpose of the Disbursement Guidelines for Investment Project Financing (the guidelines) is to set out the World Bank's procedures and requirements for disbursement of funds in projects.<sup>1</sup> Specifically, the guidelines set out (a) the different arrangements used by the World Bank to disburse funds from the Financing Account<sup>2</sup>, (b) the requirements for withdrawal from the Financing Account, (c) the types of supporting documentation that the borrower may be required to provide to demonstrate the use of funds of the Financing Account for eligible expenditures, (d) the criteria for establishing Designated Accounts<sup>3</sup>, (e) the terms and conditions applicable to advances, (f) the types of disbursement-related actions that the World Bank may take if it determines that funds of the Financing Account are not needed or have been used for ineligible purposes, and (g) the disbursement consequence of refunds.

## 2. Disbursement Methods

2.1 The World Bank establishes disbursement arrangements for a project in consultation with the borrower, taking into consideration, among other things, an assessment of the borrower's financial management and procurement arrangements, the cash flow needs of the project, and its disbursement experience with the borrower. Those arrangements are stated in the Financing Agreement<sup>4</sup> and additional information is provided in the Disbursement Letter.<sup>5</sup>

2.2 The World Bank disburses funds from the Financing Account established for each loan, to or on the order of the borrower, using one or more of the following disbursement methods, as determined by the World Bank.

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<sup>1</sup> In this document the *World Bank* includes the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), whether acting on its own account or in the capacity as administrator of trust funds funded by donors.

*Financing or Bank loan* includes any loan, credit, or grant made by the World Bank from its own resources, from trust funds funded by other donors and administered by the World Bank, or from a combination of these.

*Borrower* means a borrower or recipient of a Bank loan for a project and any other entity involved in the implementation of the project financed by the Bank loan.

These guidelines apply to all Bank loans for an Investment Project Financing. They do not apply to Program-For-Results Financing and Development Policy Financing or for grants made by the World Bank from trust funds funded by other donors and administered by the World Bank, when, exceptionally, the terms of the agreement with the donor provide for different requirements . .

<sup>2</sup> The Financing Account refers to the account opened by the World Bank in its accounting system in the name of the borrower to which the amount of the financing is credited.

<sup>3</sup> A *Designated Account* is a bank account into which the World Bank may deposit amounts withdrawn from the Financing Account to pay for eligible expenditures as they are incurred.

<sup>4</sup> The *Financing Agreement* is the agreement between the World Bank and the Borrower providing for the Bank loan.

<sup>5</sup> The Disbursement Letter contains additional instructions describing the disbursement arrangements for withdrawing proceeds from the Financing Account under a particular investment project.

- (a) **Reimbursement:** The World Bank may reimburse the borrower for expenditures eligible for financing pursuant to the Financing Agreement (eligible expenditures) that the borrower has prefinanced from its own resources.
- (b) **Advance:** The World Bank may advance funds from the Financing Account into a Designated Account of the borrower to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date (see section 5, Designated Accounts).
- (c) **Direct Payment:** The World Bank may make payments, at the borrower's request, directly to a third party (for example, supplier, contractor, or consultant) for eligible expenditures.
- (d) **Special Commitment:** The World Bank may pay amounts to a third party for eligible expenditures under special commitments entered into, in writing, at the borrower's request and on terms and conditions agreed between the World Bank and the borrower.

### 3. Withdrawal of Funds from the Financing Account

3.1 **Authorized Signatures.** Before funds from the Financing Account may be withdrawn or committed, the authorized representative of the borrower (as designated in the Financing Agreement) must furnish to the World Bank, electronically through the Client Connection website (<http://clientconnection.worldbank.org>), or through an authorized signatory designation letter, the name(s) of the official(s) authorized (a) to sign and submit applications for withdrawal and applications for a special commitment (collectively, Applications), and (b) to receive Secure Identification Credentials (SIDC) from the World Bank. The borrower must notify the World Bank of any changes in signature authority, either electronically in Client Connection or through an updated authorized signatory designation letter.

3.2 **Terms and Conditions of Use of Secure Identification Credentials (SIDC) to Process Applications.** By designating officials to use SIDC and by choosing to submit the applications electronically, the borrower confirms its agreement to abide by the terms and conditions of use of SIDC.<sup>6</sup>

3.3 **Applications.** Applications must be provided to the World Bank in such form as is required to access funds from the Financing Account and must include such information as the World Bank may reasonably request.

3.4 Applications and necessary supporting documents (see section 4 Supporting Documentation Requirements) should be submitted to the World Bank electronically, in a

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<sup>6</sup> Terms and conditions of use of SIDC are provided in the Disbursement Letter.

manner and on terms and conditions specified by the World Bank, through the Client Connection website at <http://clientconnection.worldbank.org>. The World Bank may, at its discretion, temporarily or permanently, disallow the electronic submission of applications by the borrower. The World Bank may permit the borrower to complete and submit applications manually in paper form. Paper applications forms can be found in the Client Connection website at <http://clientconnection.worldbank.org> or may be obtained from the World Bank upon request.

3.5 ***Minimum Value of Applications.*** The World Bank establishes a minimum value for applications for reimbursement, direct payment, and special commitment. The World Bank reserves the right not to accept applications that are below such minimum value.

3.6 ***Loan Disbursing Period.*** The World Bank processes Applications only after the Financing Agreement has been declared effective in accordance with the terms of the Financing Agreement. The expenditures for which the Applications are made must be:

- (a) ***Paid*** for on or after the date of the Financing Agreement, or alternatively, in the case of projects that permit retroactive financing, on or after the earlier date specified in the Financing Agreement for that purpose; and
- (b) ***Incurred*** on or before the closing date specified or referred to in the Financing Agreement (the Closing Date), except as otherwise specifically agreed with the World Bank.

3.7 The loan disbursing period ends on the final date established by the World Bank for receipt by the World Bank of applications for withdrawal and supporting documentation (the Disbursement Deadline Date). The Disbursement Deadline Date may be the same as the Closing Date, or up to four months after the Closing Date. To support orderly project completion and closure of the Financing Account, the World Bank does not accept applications for withdrawal or supporting documentation received after the Disbursement Deadline Date. The borrower must promptly inform the World Bank of any expected implementation delays or exceptional administrative issues before those dates. The World Bank notifies the borrower of any exception that the World Bank may make to the Disbursement Deadline Date.

3.8 ***Disbursement Conditions.*** If the Financing Agreement contains a disbursement condition for a specific expenditure category, the World Bank will disburse funds from the Financing Account for that category only after the disbursement condition has been fulfilled and the World Bank has notified the borrower to that effect.

#### **4. Supporting Documentation Requirements**

4.1 The borrower provides supporting documentation to the World Bank to show that funds from the Financing Account have been or are being used to finance eligible expenditures.



4.2 For special commitments, the commercial bank provides its confirmation directly to the World Bank that conditions for the release of payments committed for withdrawal have been met.

4.3 **Types of Supporting Documentation.** The World Bank requires either copies of the original documents evidencing eligible expenditures (Records) or summary reports of expenditure (Summary Reports) in such form and substance as the World Bank may specify. Records include such documents as invoices and receipts. A Summary Report may be either (a) the interim unaudited financial report required under the Financing Agreement (Interim Financial Report) or (b) a statement of expenditure summarizing eligible expenditures paid during a stated period (Statement of Expenditure). In all cases, the borrower is responsible for retaining the original documents evidencing eligible expenditures and making them available for audit or inspection.

4.4 The World Bank determines the types of supporting documentation that the borrower must provide, taking into consideration the disbursement method used. The supporting documentation may be the following:

- (a) **For applications for Reimbursement:** (i) Interim Financial Reports, (ii) Statements of Expenditure, or (iii) Records
- (b) **For reporting on the use of Advances:** (i) Interim Financial Reports, (ii) Statements of Expenditure, or (iii) Records
- (c) **For applications for Direct Payments:** (i) Records such as copies of supplier invoices; (ii) a bank guarantee for advance or retention payment
- (d) **For applications for Special Commitment:** Copy of the Letter of Credit (with valid expiry date) that the commercial bank, known as the opening bank, has issued. For payment, a SWIFT (Society for Worldwide Interbank Telecommunication) message must be sent by the commercial bank; and
- (e) Any other supporting documentation that the World Bank may request by notice to the borrower or as specified in the Disbursement Letter.

4.5 **Failure to Provide Audited Financial Statements.** If the borrower fails to provide any of the audited financial statements required in accordance with, and within the period of time specified in, the Financing Agreement, the World Bank may, at its discretion, decide not to accept applications for withdrawal supported by Summary Reports, even if such reports are accompanied by Records.

## 5. Designated Accounts

5.1 The borrower may open one or more designated accounts into which the World Bank may, at the borrower's request, deposit amounts withdrawn from the Financing Account for the purpose of paying for eligible expenditures as they are incurred. Before the World Bank authorizes establishment of a Designated Account, the borrower must have adequate administrative capability, internal controls, and accounting and auditing procedures to ensure effective use of the Designated Account.

5.2 The World Bank may decide not to permit the use of Designated Accounts in new projects if the borrower has failed to refund undocumented advances in the Designated Account of any other loan to, or guaranteed by, the borrower within two months after the Disbursement Deadline Date for that loan.

5.3 **Type of Designated Account.** A Designated Account may be established in one of two ways – as a segregated account or pooled account as appropriate for the project concerned, and as determined and notified by the World Bank.

- (a) **Segregated Account:** An account of the borrower into which only proceeds of the Financing Account may be deposited;
- (b) **Pooled Account:** An account of the borrower into which the funds from the Financing Account and funds of other financing for the project (such as borrower resources or financing by other development partners) may be deposited.

5.4 **Currency of the Designated Account.** Designated Accounts must be in a currency acceptable to the World Bank. In countries that have a freely convertible currency, Designated Accounts may be held in the currency of the borrower or any freely convertible currency. The World Bank may also agree to local currency Designated Accounts when, among other things, the country's currency (even if not freely convertible) is stable and the expenditures to be financed are primarily in local currency. The borrower bears all risks associated with foreign exchange fluctuations between (a) the currency of denomination of the loan and that of the borrower's Designated Account, and (b) the currency of denomination of the borrower's Designated Account and the currency or currencies of project expenditures.

5.5 **Financial Institution.** Designated Accounts must be opened and maintained in a financial institution<sup>7</sup> selected by the borrower and acceptable to the World Bank. A financial institution is acceptable if it meets all the following requirements:

- (a) It is financially sound;
- (b) It is in good standing
- (c) It is authorized to maintain the Designated Account in the currency agreed between the World Bank and the borrower;
- (d) It is audited regularly, and receive satisfactory audit reports;

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<sup>7</sup> A financial institution may be the country's central bank, a local development bank or a commercial bank.

- (e) It can execute a large number of transactions promptly;
- (f) It can satisfactorily perform a wide range of banking services
- (g) It can provide a detailed statement of the Designated Account;
- (h) It is part of a satisfactory correspondent banking network;
- (i) It charges reasonable fees for its services.

5.6 The World Bank reserves the right not to transfer funds to a financial institution if that institution has asserted or asserts a claim to set off, seize, or attach the proceeds of any Bank loan on deposit in a Designated Account maintained by the institution.

## **6. Terms and Conditions Applicable to Advances**

6.1 ***Ceiling.*** The World Bank notifies the borrower of the maximum amount of funds from the Financing Account that may be on deposit in a Designated Account (the Ceiling). The World Bank, at its discretion, may establish the Ceiling as either (a) a fixed amount, or (b) an amount that is adjusted from time to time during project implementation on the basis of periodic forecasts of project cash flow needs.

6.2 ***Applications for Advances.*** The borrower may apply for an advance in an amount up to the Ceiling less the aggregate amount of those advances previously received by the borrower for which the borrower has not yet provided supporting documentation. Normally, to support orderly closure of the Financing Account, the World Bank does not advance funds from the Financing Account into the Designated Account after the Closing Date.

6.3 ***Frequency of Reporting Eligible Expenditures Paid from the Designated Account.*** The borrower reports on the use of funds from the Financing Account advanced to the Designated Account at intervals specified by the World Bank by notice to the borrower. The borrower must ensure that all amounts deposited into the Designated Account are accounted for and that their use is reported prior to the Disbursement Deadline Date. After that date, the borrower must refund to the World Bank any advances still unaccounted for or remaining in the Designated Account.

6.4 ***Withholding Advances.*** The World Bank is not required to make any deposit into the Designated Account if any of the following conditions apply:

- (a) The World Bank determines that payment of the deposit would result in exceeding the Ceiling (see subsection 6.2, Applications for Advances);
- (b) The World Bank is not satisfied that the borrower's planned project expenditures justify the deposit. The World Bank may adjust the amount it deposits or withhold further deposits into the Designated Account until it is satisfied that the financial needs of the project warrant further deposits;

- (c) The borrower fails to take the action required pursuant to the determinations made by the World Bank under subsections 7.1 and 7.2 of these guidelines;
- (d) The borrower fails to provide any of the audited financial statements required in accordance with, and within the period of time specified in, the Financing Agreement;
- (e) The World Bank determines that all further withdrawals of funds from the Financing Account should be made by the borrower directly from the Financing Account; or
- (f) The World Bank has notified the borrower of its intention to suspend in whole or in part the borrower's right to make withdrawals from the Financing Account.

6.5 **Excess Advances.** If at any time the World Bank determines that any amount deposited in the Designated Account will not be required to cover further payments for eligible expenditures (the Excess Amount), it may, at its discretion, require the borrower to take one of the following two disbursement-related actions:

- (a) Provide evidence satisfactory to the World Bank within a period specified by the World Bank that the Excess Amount will be used to pay for eligible expenditures. If the evidence is not furnished within the time period specified, the borrower must promptly refund the Excess Amount to the World Bank; or
- (b) Refund the Excess Amount promptly.

The borrower must perform the action requested promptly after receiving notification from the World Bank that it must do so.

## 7. Ineligible Expenditures

7.1 **Ineligible Expenditures Generally.** If the World Bank determines that any amount of the funds from the Financing Account was used to pay for an expenditure that is not eligible pursuant to the Financing Agreement (an ineligible expenditure), the World Bank may, at its discretion, require the borrower to take one of the following two disbursement-related actions, without prejudice to the Bank's right to exercise remedies under the General Conditions<sup>8</sup> or Standard Conditions<sup>9</sup> and Financing Agreement.

- (a) Refund an equivalent amount to the World Bank
- (b) Exceptionally, provide substitute documentation evidencing other eligible expenditures.

The borrower must perform the action requested promptly after receiving notification from the World Bank that it must do so.

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<sup>8</sup> The *General Conditions* set forth certain terms and conditions generally applicable to IBRD loans and IDA credits and grants.

<sup>9</sup> The *Standard Conditions* set forth certain terms and conditions that are generally applicable to trust funds and advances made by the Bank under the Project Preparation Facility.

**7.2 Ineligible Expenditures Paid from the Designated Account.** If the World Bank determines that any payment out of the Designated Account was not justified by the evidence furnished to the World Bank or was made for an ineligible expenditure, the World Bank may, at its discretion, require the borrower to take one of the following actions.

- (a) Provide the additional evidence requested by the World Bank
- (b) Deposit an equivalent amount into the Designated Account
- (c) Refund an equivalent amount to the World Bank
- (d) Exceptionally, provide substitute documentation evidencing other eligible expenditures.

The borrower must perform the action requested promptly after receiving notification from the World Bank that it must do so.

## **8. Refunds**

**8.1 Borrower Decision to Refund.** The borrower may, upon notice to the World Bank, refund all or any amount of the loan on deposit in the Designated Account to the World Bank for credit to the Financing Account.

**8.2 Consequence of Refunds.** The World Bank shall determine whether refunds made to the World Bank in accordance with sections 6 and 7 and subsection 8.1 of these guidelines will be credited to the Financing Account. Refunds of funds into the Financing Account may result in (a) swap termination fees (b) unwinding costs for amounts for which the interest rate basis or currency has been converted or hedged, (c) both.

**8.3 Other Rights and Obligations Unaffected by Refunds.** Refunds of loan amounts do not affect other legal rights and obligations of the parties under the Financing Agreement.



# Bank Directive

## Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016)

**Bank Access to Information Policy Designation**  
Public

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### **Content**

These Guidelines are designed to prevent and combat Fraud and Corruption (as hereinafter defined) that may occur in connection with the use of proceeds of financing from the International Bank for Reconstruction and Development (IBRD) or the International Development Association (IDA) during the preparation and/or implementation of projects supported by Investment Project Financing (IPF). They set out the general principles, requirements and sanctions applicable to persons and entities which receive, are responsible for the deposit or transfer of, or take or influence decisions regarding the use of, such proceeds.

**Applicable to**  
IBRD, IDA

**Issuer**  
Senior Vice President and General Counsel, LEGVP

**Sponsor**  
Chief Counsel, LEGOP

## **GUIDELINES**

### **On Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants**

**Dated October 15, 2006 and Revised in January 2011 and as of July 1, 2016**

#### **Purpose and General Principles**

1. These Guidelines are designed to prevent and combat Fraud and Corruption (as hereinafter defined) that may occur in connection with the use of proceeds of financing from the International Bank for Reconstruction and Development (IBRD) or the International Development Association (IDA) during the preparation and/or implementation of projects supported by Investment Project Financing (IPF). They set out the general principles, requirements and sanctions applicable to persons and entities which receive, are responsible for the deposit or transfer of, or take or influence decisions regarding the use of, such proceeds.

2. All persons and entities referred to in paragraph 1 above must observe the highest standard of ethics. Specifically, all such persons and entities must take all appropriate measures to prevent and combat Fraud and Corruption, and refrain from engaging in, Fraud and Corruption in connection with the use of the proceeds of the IBRD or IDA financing.

#### **Legal Considerations**

3. The Legal Agreement<sup>1</sup> providing for a Loan<sup>2</sup> governs the legal relationships between the Borrower<sup>3</sup> and the Bank<sup>4</sup> with respect to the particular project for which the

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<sup>1</sup>References in these Guidelines to “Legal Agreement” include any Loan Agreement providing for an IBRD loan or Financing Agreement providing for an IDA credit or grant, any Guarantee Agreement providing for a guarantee by the Member Country of such IBRD Loan, any agreement providing for a project preparation advance or Institutional Development Fund (IDF) Grant, Trust Fund Grant or Loan Agreement providing for a recipient-executed trust fund grant or loan in cases where these Guidelines are made applicable to such agreement, and any Project Agreement with a Project Implementing Entity related to any of the above.

<sup>2</sup>References to “Loan” or “Loans” include IBRD IPF loans as well as IDA IPF credits and grants, project preparation advances, IDF grants and recipient-executed trust fund grants or loans for projects to which these Guidelines are made applicable under the agreement providing for such grant and/or loan. These Guidelines do not apply to (i) Program for Results (PforR) financing or (ii) Development Policy Operations (DPOs), unless the Bank agrees with the Borrower on specified purposes for which Loan proceeds may be used, or (iii) IBRD/IDA guarantee operations.

<sup>3</sup>References in these Guidelines to the “Borrower” include the borrower of an IBRD loan or the recipient of an IDA credit or grant or of a trust fund grant or loan. In some cases, an IBRD Loan may be made to an entity other than the Member Country. In such cases, references in these Guidelines to “Borrower” include the Member Country as Guarantor of the Loan, unless the context requires otherwise. In some cases, the project, or a part of the project, is carried out by a Project Implementing Entity with which the Bank has entered into a Project Agreement. In such cases, references in these Guidelines to the “Borrower” include the Project Implementing Entity, as defined in the Legal Agreement.

<sup>4</sup>References in these Guidelines to the “Bank” include both IBRD and IDA, whether acting in their own capacity or as administrator of trust funds financed by other donors.

Loan is made. The responsibility for the implementation of the project<sup>5</sup> under the Legal Agreement, including the use of Loan proceeds, rests with the Borrower. The Bank, for its part, has a fiduciary duty under its Articles of Agreement to “make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.”<sup>6</sup> These Guidelines constitute an important element of those arrangements and are made applicable to the preparation and implementation of the project as provided in the Legal Agreement.

### **Scope of Application**

4. The following provisions of these Guidelines cover Fraud and Corruption that may occur in connection with the use of Loan proceeds during the preparation and implementation of a project financed, in whole or in part, by the Bank. These Guidelines cover Fraud and Corruption in the direct diversion of Loan proceeds for ineligible expenditures, as well as Fraud and Corruption engaged in for the purpose of influencing any decision as to the use of Loan proceeds. All such Fraud and Corruption is deemed, for purposes of these Guidelines, to occur in connection with the use of Loan proceeds.

5. These Guidelines apply to the Borrower and all other persons or entities which either receive Loan proceeds for their own use (e.g., “end users”), persons or entities such as fiscal agents which are responsible for the deposit or transfer of Loan proceeds (whether or not they are beneficiaries of such proceeds), and persons or entities which take or influence decisions regarding the use of Loan proceeds. All such persons and entities are referred to in these Guidelines as “recipients of Loan proceeds”, whether or not they are in physical possession of such proceeds.<sup>7</sup>

6. These Guidelines apply to the procurement of goods, works, non-consulting services and consulting services financed (in whole or in part) out of the proceeds of a Loan from the Bank. Additional specific requirements relating to Fraud and Corruption in connection with such procurement are set out in Annex IV of the World Bank Procurement Regulations for Borrowers under Investment Project Financing, dated July 1, 2016, as the same may be amended from time to time.

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<sup>5</sup>References in these Guidelines to the “project” means the Project as defined in the Legal Agreement.

<sup>6</sup> IBRD’s Articles of Agreement, Article III, Section 5(b); IDA’s Articles of Agreement, Article V, Section 1(g).

<sup>7</sup> Certain persons or entities may fall under more than one category identified in paragraph 5 of these Guidelines. A financial intermediary, for example, may receive payment for its services, will transfer funds to end users and will make or influence decisions regarding the use of Loan proceeds.



## **Definitions of Practices Constituting Fraud and Corruption**

7. These Guidelines address the following defined sanctionable practices when engaged in by recipients of Loan proceeds in connection with the use of such proceeds:<sup>8</sup>

- a) A “corrupt practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.<sup>9</sup>
- b) A “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly<sup>10</sup> misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.
- c) A “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.
- d) A “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
- e) An “obstructive practice” is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of the Bank’s contractual rights of audit or access to information.<sup>11</sup>

8. The above practices, as so defined, are referred to collectively and individually in these Guidelines as “Fraud and Corruption”.

## **Borrower Actions to Prevent and Combat Fraud and Corruption in connection with the Use of Loan Proceeds**

9. In furtherance of the above-stated purpose and general principles, the Borrower will:

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<sup>8</sup> Unless otherwise specified in the Legal Agreement, whenever these terms are used in the Legal Agreement, including in the applicable General Conditions, they have the meanings set out in paragraph 7 of these Guidelines.

<sup>9</sup> Typical examples of corrupt practice include bribery and “kickbacks”.

<sup>10</sup> To act “knowingly or recklessly”, the fraudulent actor must either know that the information or impression being conveyed is false, or be recklessly indifferent as to whether it is true or false. Mere inaccuracy in such information or impression, committed through simple negligence, is not enough to constitute fraudulent practice.

<sup>11</sup> Such rights include those provided for, *inter alia*, in paragraph 9(d) of these Guidelines.

- (a) take all appropriate measures to prevent Fraud and Corruption in connection with the use of Loan proceeds, including (but not limited to) (i) adopting appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted, and (ii) ensuring that all of its representatives<sup>12</sup> involved with the project, and all recipients of Loan proceeds with which it enters into an agreement related to the Project, receive a copy of these Guidelines and are made aware of its contents;
- (b) immediately report to the Bank any allegations of Fraud and Corruption in connection with the use of Loan proceeds that come to its attention;
- (c) if the Bank determines that any person or entity referred to in (a) above has engaged in Fraud and Corruption in connection with the use of Loan proceeds, take timely and appropriate action, satisfactory to the Bank, to address such practices when they occur;
- (d) include such provisions in its agreements with each recipient of Loan proceeds as the Bank may require to give full effect to these Guidelines, including (but not limited to) provisions (i) requiring such recipient to abide by paragraph 10 below; (ii) requiring such recipient to permit the Bank to inspect all accounts, records and other documents relating to the project required to be maintained pursuant to the Legal Agreement, and to have them audited by, or on behalf of, the Bank; (iii) providing for the early termination or suspension by the Borrower of the agreement if such recipient is declared ineligible by the Bank under paragraph 11 below; and (iv) requiring restitution by such recipient of any amount of the loan with respect to which Fraud and Corruption has occurred;
- (e) cooperate fully with representatives of the Bank in any investigation into allegations of Fraud and Corruption in connection with the use of Loan proceeds; and
- (f) in the event that the Bank declares any recipient of Loan proceeds ineligible as described in paragraph 11 below, take all necessary and appropriate action to give full effect to such declaration by, among other things, (i) exercising the Borrower's right to terminate early or suspend the agreement between the Borrower and such recipient and/or (ii) seeking restitution.

### **Other Recipients of Loan Proceeds**

10. In furtherance of the above-stated purpose and general principles, each recipient of Loan proceeds which enters into an agreement with the Borrower (or with another recipient of Loan proceeds) relating to the Project will:

- (a) carry out its project-related activities in accordance with the above-stated

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<sup>12</sup> References in these Guidelines to "representatives" of an entity also include its officials, officers, employees and agents.

general principles and the provisions of its agreement with the Borrower referred to in paragraph 9(d) above; and include similar provisions in any agreements related to the project into which it may enter with other recipients of Loan proceeds;

(b) immediately report to the Bank any allegations of Fraud and Corruption in connection with the use of Loan proceeds that come to its attention;

(c) cooperate fully with representatives of the Bank in any investigation into allegations of Fraud and Corruption in connection with the use of Loan proceeds;

(d) take all appropriate measures to prevent Fraud and Corruption by its representatives (if any) in connection with the use of Loan proceeds, including (but not limited to): (i) adopting appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted, and (ii) ensuring that all its representatives receive a copy of these Guidelines and are made aware of its contents;

(e) in the event that any representative of such recipient is declared ineligible as described in paragraph 11 below, take all necessary and appropriate action to give full effect to such declaration by, among other things, either removing such representative from all duties and responsibilities in connection with the project or, when requested by the Bank or otherwise appropriate, terminating its contractual relationship with such representative; and

(f) in the event that it has entered into a project-related agreement with another person or entity which is declared ineligible as described in paragraph 11 below, take all necessary and appropriate action to give full effect to such declaration by, among other things, (i) exercising its right to terminate early or suspend such agreement, and/or (ii) seeking restitution.

### **Actions by the Bank in Cases of Fraud and Corruption**

11. In furtherance of the above-stated purpose and general principles, the Bank has the right to sanction, in accordance with prevailing World Bank Group sanctions policies and procedures, any individual or entity<sup>13</sup> other than the Member Country<sup>14</sup>, including (but not limited to) declaring such individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from

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<sup>13</sup> As in the case for bidders in the procurement context, the Bank may also sanction individuals and entities which engage in Fraud or Corruption in the course of applying to become a recipient of Loan proceeds (e.g., a bank which provides false documentation so as to qualify as a financial intermediary in a Bank-financed project) irrespective of whether they are successful.

<sup>14</sup> For purposes of these Guidelines, "Member Country" includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to compete for and be awarded Bank-financed contracts in accordance with paragraph 3.22 of the World Bank Procurement Regulations for IPF Borrowers.

a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank,

- (a) if at any time the Bank determines<sup>15</sup> that such individual or entity has engaged in Fraud and Corruption in connection with the use of Loan proceeds;<sup>16</sup>
- (b) if another financier with which the World Bank Group has entered into an agreement for the mutual enforcement of debarment decisions<sup>17</sup> has declared such individual or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the individual or entity has engaged in Fraud and Corruption in connection with the use of the proceeds of a financing made by such financier; or
- (c) if the World Bank Group has found the individual or entity to be a non-responsible vendor on the basis of Fraud and Corruption in connection with World Bank Group corporate procurement.

### **Miscellaneous**

12. The provisions of these Guidelines do not limit any other rights, remedies<sup>18</sup> or obligations of the Bank or the Borrower under the Legal Agreement or any other document to which the Bank and the Borrower are both parties.

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<sup>15</sup> The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank.

<sup>16</sup> The sanction may, without limitation, also include restitution of any amount of the Loan with respect to which Fraud and Corruption has occurred. The World Bank Group may publish the identity of any individual or entity declared ineligible under paragraph 11 of these Guidelines.

<sup>17</sup> Also sometimes referred to as “cross-debarment.”

<sup>18</sup> The Legal Agreement provides the Bank with certain rights and remedies which it may exercise with respect to the Loan in the event of Fraud and Corruption in connection with the use of Loan proceeds, in the circumstances described therein.