

CL 5705-IN

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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March 17, 2016

Mr. S. G. Dastidar  
Controller of Aid Accounts and Audit  
Department of Economic Affairs, Ministry of Finance  
5<sup>th</sup> Floor, 'B' Wing  
Janpath Bhawan, Janpath  
New Delhi, India 110 001

Dear Sir,

**Re: IDA Financing 5705-IN  
(Citizen Access to Responsive Services Project)  
Additional Instructions: Disbursement**

I refer to the Financing Agreement between India (the "Recipient") and the International Development Association (the "Association") for the above-referenced project, dated **March 17, 2016**. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of financing 5705-IN ("Financing"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

The attached *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006, ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Financing is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

**I. Disbursement Arrangements**

**(i) Disbursement Methods (section 2).** The following Disbursement Methods may be used under the Loan:

- Reimbursement

**(ii) Disbursement Deadline Date (subsection 3.7).** The Disbursement Deadline Date is four months after the Closing Date specified in the Financing Agreement. Any changes to this date will be notified by the Association.

**(iii) Disbursement Conditions (subsection 3.8).** Please refer to the Disbursement Condition(s) in the Financing Agreement.

**II. Withdrawal of Financing Proceeds**

**(i) Authorized Signatures (subsection 3.1).** An authorized signatory letter in the Form attached (Attachment 2) should be furnished to the Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
P.O. Box 416  
New Delhi 110 001, India

Attention: Mr. Onno Ruhl, Country Director, India

**(ii) Applications (subsections 3.2 - 3.3).** Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

The World Bank  
No. 11, Taramani Main Road  
Taramani, Chennai – 600 113  
India  
Attention: Loan Department

**(iii) Electronic Delivery (subsection 3.4)** The Bank may permit the Borrower to electronically deliver to the Bank Applications (with supporting documents) through the Bank’s Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means may be effected if: (a) the Borrower has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification credentials (“SIDC”) from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower have registered as users of Client Connection. If the Bank agrees, the Bank will provide the Borrower with SIDC for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (<https://clientconnection.worldbank.org>). The Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Borrower.

**(iv) Terms and Conditions of Use of SIDC to Process Applications.** By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the *Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation* (“Terms and Conditions of Use of Secure Identification Credentials”) provided in Attachment 3; and (b) to cause such official to abide by those terms and conditions.

### **III. Reporting on Use of Financing Proceeds**

**(i) Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

- **For Reimbursement:**

- Interim Financial Report in the form attached (Attachment 4)
- Report of DLI achievement and disbursement for Category (1)

**(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3):**  
Not applicable

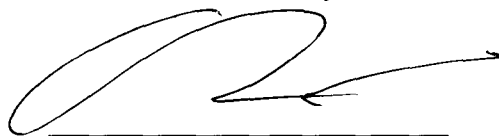
#### IV. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Bank's public website at <https://www.worldbank.org> and its secure website "Client Connection" at <https://clientconnection.worldbank.org>. Print copies are available upon request.

If you have not already done so, the Bank recommends that you register as a user of the Client Connection website (<https://clientconnection.worldbank.org>). From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Association by email at <[clientconnection@worldbank.org](mailto:clientconnection@worldbank.org)>.

If you have any queries in relation to the above, please contact Loan Department at service account email address [CTRLN-Chennai@worldbank.org](mailto:CTRLN-Chennai@worldbank.org) using the above reference.

Yours sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'O' followed by a horizontal line and a long, sweeping tail that ends in an arrowhead pointing to the right.

Onno Ruhl  
Country Director  
India

#### Attachments

1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006
2. Form for Authorized Signatures
3. *Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation* ("Terms and Conditions of Use of Secure Identification Credentials"), dated March 1, 2013
4. Form of "Interim Unaudited Financial Report"

**Form of Authorized Signatory Letter**  
Controller of Aid Accounts and Audit  
Department of Economic Affairs, Ministry of Finance  
New Delhi, India 110 001

[DATE]

The World Bank  
P.O. Box 416  
New Delhi 110 001, India

Attention: Mr. Onno Ruhl, Country Director, India

**Re: Credit No. 5705-IN (Citizen Access to Responsive Services Project)**

I refer to the Financing Agreement (“Agreement”) between the International Development Association (the “Association”) and India (the “Recipient”), dated \_\_\_\_\_, providing the above Financing. For the purposes of Section 2.03 of the General Conditions as defined in the Agreement, any <sup>1</sup>[one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Recipient to sign applications for withdrawal [and applications for a special commitment] under this Financing.

For the purpose of delivering Applications to the Association, <sup>2</sup>[each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Recipient, acting <sup>3</sup>[individually] <sup>4</sup>[jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the Association.

<sup>5</sup>[This confirms that the Recipient is authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to the Association by electronic means. In full recognition that the Association shall rely upon such representations and warranties, including without limitation, the representations and

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<sup>1</sup> Instruction to the Recipient: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply. *Please delete this footnote in final letter that is sent to the Association.*

<sup>2</sup> Instruction to the Recipient: Stipulate if more than one person needs to *jointly* sign Applications, if so, please indicate the actual number. *Please delete this footnote in final letter that is sent to the Association.*

<sup>3</sup> Instruction to the Recipient: Use this bracket if any one of the authorized persons may sign; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the Association.*

<sup>4</sup> Instruction to the Recipient: Use this bracket only if several individuals must jointly sign each Application; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the Association.*

<sup>5</sup> Instruction to the Recipient: Add this paragraph if the Recipient wishes to authorize the listed persons to accept Secure Identification Credentials and to deliver Applications by electronic means; if this is not applicable, please delete the paragraph. *Please delete this footnote in final letter that is sent to the Association.*

warranties contained in the *Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation* ("Terms and Conditions of Use of SIDC"), the Recipient represents and warrants to the Association that it will cause such persons to abide by those terms and conditions.]

This Authorization replaces and supersedes any Authorization currently in the Association records with respect to this Agreement.

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

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

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

Yours truly,

/ signed /

\_\_\_\_\_  
[Position]

**Terms and Conditions of Use of Secure Identification Credentials  
in connection with Use of Electronic Means  
to Process Applications  
and Supporting Documentation**

March 1, 2013

The World Bank (Bank)<sup>1</sup> will provide secure identification credentials (SIDC) to permit the Borrower<sup>2</sup> to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

SIDC can be either: (a) hardware-based (Physical Token), or (b) software-based (Soft Token). The Bank reserves the right to determine which type of SIDC is most appropriate.

**A. Identification of Users.**

1. The Borrower will be required to identify in a completed Authorized Signatory Letter (ASL) duly delivered to and received by the Bank each person who will be authorized to deliver Applications. The Bank will provide SIDC to each person identified in the ASL (Signatory), as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.
2. Each Signatory must register as a user on the Bank's Client Connection (CC) website (<https://clientconnection.worldbank.org>) prior to receipt of his/her SIDC. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

**B. Initialization of SIDC.**

1. Prior to initialization of SIDC by a Signatory, the Signatory will acknowledge having read, understood and agreed to be bound by these Terms and Conditions of Use.

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<sup>1</sup> "Bank" includes IBRD and IDA.

<sup>2</sup> "Borrower" includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant.

2. Where a Physical Token is to be used, promptly upon receipt of the Physical Token, the Signatory will access CC using his/her account name and CC Password and register his/her Physical Token and set a personal identification number (PIN) to be used in connection with the use of his/her Physical Token, after which the Physical Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Where a Soft Token is to be used, the Signatory will access CC using his/her account name and CC Password and set a personal identification number (PIN) to be used in connection with the use of his/her Soft Token, after which the Soft Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of the SIDC, the Signatory will be a "SIDC User". The Bank will maintain in its database a user account (Account) for each SIDC User for purposes of managing the SIDC of the SIDC User. Neither the Borrower nor the SIDC User will have any access to the Account.
3. Prior to first use of the SIDC by the SIDC User, the Borrower shall ensure that the SIDC User has received training materials provided by the Bank in use of the SIDC.

**C. Use of SIDC.**

1. Use of the SIDC is strictly limited to use in the delivery of Applications by the SIDC User in the manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other use of the SIDC is prohibited.
2. The Bank assumes no responsibility or liability whatsoever for any misuse of the SIDC by the SIDC User, other representatives of the Borrower, or third parties.
3. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation and warranty being expressly relied upon by the Bank in granting SIDC) that each SIDC User understands and will abide by, these Terms and Conditions of Use, including without limitation the following:
  - 4.1. The SIDC User shall not reveal his/her PIN to anyone or store or record the PIN in written or other form.
  - 4.2. The SIDC User shall not allow anyone else to utilize his/her SIDC to deliver an Application to the Bank.
  - 4.3. The SIDC User shall always logout from CC when not using the system. Failure to logout properly can create a route into the system that is unprotected.
  - 4.4. If the SIDC User believes a third party has learned his/her PIN or has lost his/her Physical Token he/she shall immediately notify [clientconnection@worldbank.org](mailto:clientconnection@worldbank.org).
4. ***Security***

4.5. The Borrower shall immediately notify the Bank at [clientconnection@worldbank.org](mailto:clientconnection@worldbank.org) of any lost, stolen or compromised SIDC, and take other reasonable steps to ensure such SIDC are disabled immediately.

5. ***Reservation of Right to Disable SIDC***

5.1. The Borrower shall reserve the right to revoke the authorization of a SIDC User to use a SIDC for any reason.

5.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a SIDC, de-activate a SIDC User's Account or both.

6. ***Care of Physical Tokens***

6.1. Physical Tokens will remain the property of the Bank.

6.2. The Bank will physically deliver a Physical Token to each Signatory designated to receive one in a manner to be determined by and satisfactory to the Bank.

6.3. Physical Tokens contain delicate and sophisticated instrumentation and therefore should be handled with due care, and should not be immersed in liquids, exposed to extreme temperatures, crushed or bent. Also, Physical Tokens should be kept more than five (5) cm from devices that generate electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smart phones and other similar devices. Physical Tokens should be carried and stored separate from any EMR device. At close range (less than 5 cm), these devices can output high levels of EMR that can interfere with the proper operation of electronic equipment, including the Physical Token.

6.4. Without derogating from these Terms and Conditions of Use, other technical instructions on the proper use and care of Physical Tokens are available at <http://www.rsa.com>.

7. ***Replacement***

7.1. Lost, damaged, compromised (in terms of 4.5, above) or destroyed Physical Tokens will be replaced at the expense of the Borrower.

7.2. The Bank reserves the right, in its sole discretion, not to replace any Physical Token in the case of misuse, or not to reactivate a SIDC User's Account.



**Form of Interim Financial Report  
(Provided Separately)**

**MP Sarv Seva Project**  
**Report for the Financial Year .....**  
**Expenditures under the Eligible Expenditure Program (EEPs)**

(Amount in INR Lacs)

Budget Code	Description	FY .....		Cumulative
		Budget	Exp	Exp
	<b>PSMD</b>			
43-2053-093-5379 (all minor and object heads under this scheme)	Salary, TA, DA, Telephone, Other			
	Subtotal (1)			
	<b>MPSAPS</b>			
	SAPS Establishment			
	V.G.F for LSK			
	Grant to DEGS for Application			
	Call Center ( CM Help Line)			
	Subtotal (2)			
	<b>MPSEDC</b>			
	SWAN			
	GIS Lab (revenue component)			
	Tele Samadhan Call Center			
	Subtotal (3)			
	<b>MAPIT</b>			
	Direct Grant to MAP IT			
	Seminar & Workshop			
	Training			
	PEMT (IT Cadre)			
	Subtotal (4)			
	<b>Total (1+2+3+4)</b>			

*Note: The expenditures reported for MPSAPS, MPSEDC and MAPIT comprise actual paid out expenditures of the respective agencies and not budgetary grants to these agencies.*

Prepared by:..... Certified by:.....

Date: .....

**Disbursement-Linked Indicator Matrix**  
Financial Year :

Disbursement Linked Indicators (DLIs)	Amount of the Loan Allocated to DLI (US\$ '000)	Baseline to be achieved		DLI Targets and Achievements													
		Year 0		Year 1		Year 2		Year 3		Year 4		Year 5					
		(2014-15)		(2015-16)		(2016-17)		(2017-18)		(2018-19)		(2019-20 until Closing Date)					
		DLI Rule	Achievement		DLI Rule	Achievement		DLI Rule	Achievement		DLI Rule	Achievement		DLI Rule	Achievement		
		Till Last FY	Current FY		Till Last FY	Current FY		Till Last FY	Current FY		Till Last FY	Current FY		Till Last FY	Current FY		
DLI 1: Citizens accessing PSGA Services		At least 16.3% of citizens accessed PSGA Services			Awareness campaign conducted			400 per each 1 percentage point increase over year 1 achievement			400 per each 1 percentage point increase over year 2 achievement			400 per each 1 percentage point increase over year 3 achievement			400 per each 1 percentage point increase over year 4 achievement
DLI Value	5,000	1,000			800			800			800			800			800
DLI 2: Women and Schedule Casts (SC) and Schedule Tribes (ST) citizens accessing PSGA Services		Outreach strategy targeted to women approved			Outreach strategy targeted to women conducted			200 per each 1 percentage point increase over year 0 achievement			200 per each 1 percentage point increase over year 2 achievement			200 per each 1 percentage point increase over year 3 achievement			200 per each 1 percentage point increase over year 4 achievement
		500			600			600			600			600			600
		Outreach strategy targeted to ST/SC approved			Outreach strategy targeted to ST/SC conducted			200 per each 1 percentage point increase over year 0 achievement			200 per each 1 percentage point increase over year 2 achievement			200 per each 1 percentage point increase over year 3 achievement			200 per each 1 percentage point increase over year 4 achievement
DLI Value	7,000	1,000			1,200			1,200			1,200			1,200			1,200
DLI 3: PSGA points of presence fully operational to receive and process on-line PSGA Services applications		At least 336 PSGA points of presence fully operational			Implementation strategy approved and rolled out			10 per each additional PSGA point of presence over year 0 baseline			10 per each additional PSGA point of presence over year 2 achievement			10 per each additional PSGA point of presence over year 3 achievement			10 per each additional PSGA point of presence over year 4 achievement
DLI Value	5,000	1,500			1,500			500			500			500			500
DLI 4: PSGA Services available on-line		At least 47 PSGA Services available on-line and High Power Committee established			60 per each additional PSGA Service over year 0 baseline			60 per each additional PSGA Service over year 1 achievement			60 per each additional PSGA Service over year 2 achievement			60 per each additional PSGA Service over year 3 achievement			60 per each additional PSGA Service over year 4 achievement
DLI Value	5,000	2,000			600			600			600			600			600
DLI 5: Beneficiary's feedback for decision making		Feedback collected through annual survey conducted			Methodology for gathering beneficiary feedback approved			Feedback module fully operational and first feedback report available on-line following approved methodology			Second feedback report available on-line following approved methodology			Third feedback report available on-line following approved methodology			Fourth feedback report available on-line following approved methodology
DLI Value	3,000	500			1,000			500			500			500			0
<b>Total Financing Allocated:</b>	<b>25,000</b>	<b>6,000</b>			<b>5,100</b>			<b>3,600</b>			<b>3,600</b>			<b>3,600</b>			<b>3,100</b>

Prepared by . . . . .

Certified by: . . . . .

Date: . . . . .



THE WORLD BANK

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DISBURSEMENT  
GUIDELINES  
FOR PROJECTS

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MAY 2006

**WORLD BANK**  
**DISBURSEMENT GUIDELINES**  
**FOR PROJECTS**



**LOAN DEPARTMENT**  
May 1, 2006

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THE WORLD BANK  
1818 H Street, N.W.  
Washington, D.C. 20433, U.S.A.

First Printing: July 2006

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# World Bank Disbursement Guidelines for Projects

May 1, 2006

## 1. Purpose

- 1.1 The purpose of these Guidelines is to set out the Bank's procedures for disbursement of loan proceeds for projects.<sup>1</sup> Specifically, the Guidelines explain (a) the different methods used by the Bank to disburse loan proceeds, (b) the requirements for withdrawal from the Loan Account, (c) the types of supporting documentation that the borrower may be required to provide to demonstrate the use of loan proceeds for eligible expenditures, (d) the criteria for establishing designated accounts, (e) the terms and conditions applicable to advances, (f) the types of actions that the Bank may take if it determines that loan proceeds are not needed or have been used for ineligible purposes, and (g) the consequence of refunds.

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<sup>1</sup> "Bank" includes IBRD and IDA; "loan" includes credit and grant; "borrower" includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant; and "Loan Agreement" includes the agreement with the Bank providing for a credit, grant, or advance. These Disbursement Guidelines apply to all loans, credits, advances under the Project Preparation Facility, and grants financed under the Institutional Development Fund and Global Environment Facility unless otherwise provided in Operational Policy 10.20, *Global Environment Facility Operations* (forthcoming). These Guidelines also apply to other recipient-executed grants financed from trust funds unless, exceptionally, the terms of the agreement with the donor make provision for different requirements. They do not apply to Development Policy loans.





## 2. Disbursement Methods

- 2.1** The Bank establishes disbursement arrangements for an operation in consultation with the borrower and taking into consideration, *inter alia*, an assessment of the borrower's financial management and procurement arrangements, the procurement plan and cash flow needs of the operation, and its disbursement experience with the borrower.
- 2.2** The Bank disburses proceeds from the Loan Account established for each loan, to or on the order of the borrower, using one or more of the disbursement methods set forth below, as determined by the Bank.
- (a) **Reimbursement:** The Bank may reimburse the borrower for expenditures eligible for financing pursuant to the Loan Agreement ("eligible expenditures") that the borrower has prefinanced from its own resources.
  - (b) **Advance:** The Bank may advance loan proceeds 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 Bank may make payments, at the borrower's request, directly to a third party (e.g., supplier, contractor, consultant) for eligible expenditures.
  - (d) **Special Commitment:** The 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 Bank and the borrower.

## 3. Withdrawal of Loan Proceeds

- 3.1 Authorized Signatures.** Before loan proceeds may be withdrawn or committed from the Loan Account, the au-

thorized representative of the borrower (as designated in the Loan Agreement) must furnish to the Bank (a) the name(s) of the official(s) authorized to sign applications for withdrawal and applications for a special commitment (collectively, "Applications"), and (b) the authenticated specimen signature(s) of the official(s). The borrower must indicate clearly if more than one signature is required on Applications and must notify the Bank promptly of any changes in signature authority.

- 3.2 Applications.** Applications must be provided to the Bank in such form and include such information as the Bank may reasonably request. Application forms are available online from the Client Connection Web site at <http://clientconnection.worldbank.org> or from the Bank upon request.
- 3.3** For withdrawal from the Loan Account for advances, the borrower should provide an original signed application for withdrawal. For withdrawal from the Loan Account for reimbursements and direct payments and for reporting on the use of advances, the borrower should provide an original signed application for withdrawal together with one copy of supporting documents (see section 4, "Supporting Documentation Requirements"). For a special commitment from the Loan Account, the borrower should provide an original signed application for a special commitment together with one copy of the letter of credit. The Bank reserves the right not to accept or review duplicate copies of Applications and supporting documents and may at its discretion return or destroy the duplicates.
- 3.4 Electronic Delivery.** The Bank may authorize the borrower to use electronic means, in a manner and on terms and conditions specified by the Bank, to deliver Applications and supporting documentation to the Bank. Applications and supporting documentation delivered in accordance with this subsection will be deemed to have been provided to the Bank for the purposes of satisfying the requirements of subsections 3.2 and 3.3 of these Guidelines.



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

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

- (a) *paid* for (i) on or after the date of the Loan Agreement, or (ii) in the case of operations that permit retroactive financing, on or after the earlier date specified in the Loan Agreement for that purpose; and
- (b) *incurred* on or before the closing date specified or referred to in the Loan Agreement (“Closing Date”), except as otherwise specifically agreed with the Bank.

**3.7** The loan disbursing period ends on the final date established by the Bank for receipt by the 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. Normally, to support orderly project completion and closure of the Loan Account, the Bank does not accept applications for withdrawal or supporting documentation received after the Disbursement Deadline Date. The borrower should promptly inform the Bank of any expected implementation delays or exceptional administrative issues before these dates. The Bank notifies the borrower of any exception that the Bank may make to the Disbursement Deadline Date.

**3.8 *Disbursement Conditions.*** If the Loan Agreement contains a disbursement condition for a specific expenditure category, the Bank will disburse loan proceeds for that category only after the disbursement condition has been fulfilled and the Bank has notified the borrower to this effect.



#### 4. Supporting Documentation Requirements

- 4.1 The borrower provides supporting documentation to the Bank to show that loan proceeds have been or are being used to finance eligible expenditures.
- 4.2 For special commitments, the commercial bank provides its confirmation directly to the Bank that conditions for release of payments committed for withdrawal have been met.
- 4.3 *Types of Supporting Documentation.* The 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 Bank may specify. Records include such documents as invoices and receipts. A Summary Report may be either (a) the interim un-audited financial report required under the Loan 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 Bank determines the types of supporting documentation that the borrower should 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, (iii) Records, or (iv) Records required by the Bank for specific expenditures and Statements of Expenditure for all other expenditures;
  - (b) *For reporting on the use of advances:* (i) Interim Financial Reports, (ii) Statements of Expenditure, (iii) Records, or (iv) Records required by the Bank for specific expenditures and Statements of Expenditure for all other expenditures;



- (c) *For applications for direct payments:* Records; and
- (d) Any other supporting documentation that the Bank may request by notice to the borrower.

**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 Loan Agreement, the 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 Bank may, at the borrower's request, deposit amounts withdrawn from the Loan Account for the purpose of paying for eligible expenditures as they are incurred ("Designated Account"). Before the 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 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 such loan.

**5.3 *Type of Designated Account.*** A Designated Account may be established in one of the two ways set out below, as appropriate for the operation concerned, as determined and notified by the Bank.

- (a) **Segregated Account:** this is an account of the borrower into which only proceeds of the loan may be deposited;  
or
- (b) **Pooled Account:** this is an account of the borrower into which the loan proceeds and proceeds of other financing for the operation (e.g., borrower resources and/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 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 Bank may also agree to local currency Designated Accounts when, *inter alia*, 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 acceptable to the Bank on terms and conditions acceptable to the Bank. To be acceptable to the Bank, the financial institution proposed by the borrower should generally meet all the following requirements:

- (a) be financially sound;
- (b) be authorized to maintain the Designated Account in the currency agreed between the Bank and the borrower;
- (c) be audited regularly, and receive satisfactory audit reports:



- (d) be able to execute a large number of transactions promptly;
- (e) be able to perform a wide range of banking services satisfactorily;
- (f) be able to provide a detailed statement of the Designated Account;
- (g) be part of a satisfactory correspondent banking network; and
- (h) charge reasonable fees for its services.

5.6 The Bank reserves the right not to accept a financial institution for the opening and/or maintenance of a Designated Account if such 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 it.

## 6. Terms and Conditions Applicable to Advances

6.1 *Ceiling.* The Bank notifies the borrower of the maximum amount of loan proceeds that may be on deposit in a Designated Account (the “Ceiling”). The 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 based on 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 Loan Account, the Bank does not advance loan proceeds 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 loan proceeds advanced to the Designated Account



at intervals specified by the Bank by notice to the borrower (“Reporting Period”). The borrower should ensure that all amounts deposited in the Designated Account are accounted for and their use reported prior to the Disbursement Deadline Date. After this date, the borrower must refund to the Bank any advances still unaccounted for or remaining in the Designated Account.

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

- (a) The Bank determines that payment of the deposit would result in exceeding the Ceiling (see subsection 6.2, “Applications for Advances”);
- (b) The Bank is not satisfied that the borrower’s planned project expenditures justify the deposit. The Bank may, by notice to the borrower, 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 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 Loan Agreement;
- (e) The Bank determines that all further withdrawals of loan proceeds should be made by the borrower directly from the Loan Account; or
- (f) The Bank has notified the borrower of its intention to suspend in whole or in part the borrower’s right to make withdrawals from the Loan Account.

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





notification by the Bank, the borrower must promptly take the action requested:

- (a) Provide evidence satisfactory to the Bank within a period specified by the 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 Bank; or
- (b) Refund the Excess Amount promptly.

## **7. Ineligible Expenditures**

**7.1 *Ineligible Expenditures Generally.*** If the Bank determines that any amount of the loan was used to pay for an expenditure that is not eligible pursuant to the Loan Agreement (“ineligible expenditure”), the Bank may, at its discretion, require the borrower to take one of the two actions listed below. Upon notification by the Bank, the borrower must promptly take the action requested:

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

**7.2 *Ineligible Expenditures Paid from the Designated Account.*** If the Bank determines that any payment out of the Designated Account was not justified by the evidence furnished to the Bank or was made for an ineligible expenditure, the Bank may, at its discretion, require the borrower to take one of the actions listed below. Upon notification by the Bank, the borrower must promptly take the action requested:

- (a) Provide the additional evidence requested by the Bank;
- (b) Deposit an equivalent amount into the Designated Account;



- (c) Refund an equivalent amount to the Bank; or
- (d) Exceptionally, provide substitute documentation evidencing other eligible expenditures.

## **8. Refunds**

- 8.1 *Borrower Decision to Refund.*** The borrower may, upon notice to the Bank, refund all or any amount of the loan on deposit in the Designated Account to the Bank for credit to the Loan Account.
- 8.2 *Consequence of Refunds.*** The Bank shall determine whether refunds made to the Bank in accordance with sections 6 and 7 and subsection 8.1 of these Disbursement Guidelines will be credited to the Loan Account for subsequent withdrawal or for cancellation. Borrowers should be aware that refunds of loan proceeds may result in swap termination fees and/or unwinding costs for amounts for which the interest rate basis or currency has been converted or hedged.
- 8.3 *Other Obligations Unaffected by Refunds.*** Refunds of amounts of the loan do not affect any remedies of the Bank under the Loan Agreement.



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