Guidance

Disbursement Handbook for World Bank Clients

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**Disclaimer:** *Disbursement Handbook for World Bank Clients* provides guidance on the implementation of the World Bank’s disbursement policies and procedures. Bank policies and procedures referenced that relate to disbursement. treatment of all documents, policies, and procedures referenced. Readers should refer to the source documents for further details. borrower’s legal agreements with the Bank, and is not intended to be used to interpret such rights.
Dear Handbook Recipient,

Disbursement Handbook for World Bank Clients for individuals who oversee, manage, or handle the day-to-day disbursement affairs for project financing that the World Bank has provided or is administering.

Disbursement Handbook and reflects the following changes in World Bank policies and procedures:

• the range of expenditures that may be financed by World Bank investment loans in countries with approved country financing parameters and provides scope for simplifying disbursement arrangements. Disbursement arrangements for investment projects that are not covered by country financing parameters are described in appendix I.

• updated the Bank’s operational policy on adjustment lending and also deals with fiduciary arrangements for such lending.

• and the new World Bank Disbursement Guidelines for Projects and disbursement letters.

• An integrated fiduciary framework for investment projects where disbursement arrangements complement the project’s financial management and procurement arrangements.

• An expanded flexibility for advances to ensure that projects using this disbursement method have sufficient liquidity to meet anticipated cash flow needs and, where appropriate, to support the pooling of resources with borrower funds or those of other development partners.

• An expanded flexibility for documenting the use of loan proceeds to support greater use of borrowers’ own financial management systems, facilitate summarized reporting on the use of loan proceeds, and reduce the reporting burden on borrowers.

• A new Application for Withdrawal form (form 2380).

• An enhanced disbursement information service that registered users may access online from the World Bank’s secure Web site, Client Connection.

Whether you have extensive or relatively less experience with World Bank disbursements, we hope that you will find this handbook useful. In particular, we hope that it will help you under-
stand the flexibility the World Bank offers in establishing and maintaining disbursement arrangements that (a) support efficient and cost-effective project implementation to achieve development results, and (b) provide assurance that loan proceeds are used for the intended purposes.

Loan Department at the address below and online from the World Bank’s

- public Web site (http://www.worldbank.org/projects, click on Policies and Procedures);
- secure Web site (http://clientconnection.worldbank.org, click on Reference, and under the Policies and Procedures tab click on Disbursement).

experience, feedback from users, and changes in practices. We welcome your suggestions for improving the handbook and invite you to send them by mail or email to

World Bank
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Attention: Loan Department Director

email: wbdisbursement@worldbank.org
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I. Policies and Procedures for Investment Projects Appraised Prior to the Establishment of Country Financing Parameters

II. What’s New Since 1992?

III. Old Application Forms
INTRODUCTION

1. *Disbursement Handbook for World Bank Clients* provides guidance on disbursement arrangements for financing provided or administered by the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), the two organizations of the World Bank Group that together are commonly referred to as the World Bank or the Bank. Definitions of terms shown in blue and underlined are provided by clicking on the term or referring to the glossary (annex A). Definitions in annex A are provided in the context of this handbook and do not supersede the definitions set forth in Bank policy documents, or in the General Conditions and legal agreements relevant to specific individual operations. In addition, hyperlinks, also in blue and underlined, are provided to key documents available on the World Bank’s Web site.

Applicability

**Borrowers** and applies to all IBRD loans;

IDA credits; advances under the *Project Preparation Facility*; and grants financed from Bank resources, including IDA and Institutional Development Fund grants. It also applies to recipient-executed grants funded by donor trust funds administered by the World Bank and cofinancing operations for which the development partner has asked the Bank to assume responsibility for reviewing disbursement requests unless, exceptionally, the terms of the agreement with the development partner make provision for different requirements. Loans unless otherwise indicated.

3. Chapters II through VII of the handbook deal with the disbursement of loan proceeds to finance project expenditures under

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1. extends a loan, credit or grant. For the purposes of this handbook, this term is primarily used to describe borrower staff or project implementation staff who handle day-to-day disbursement affairs.
investment lending. **Chapter VIII** addresses the disbursement of loan proceeds to support development policy lending where disbursement is based on the borrower meeting stipulated tranche release conditions. See **annex B** for a comparative summary of the project documents, key dates, and disbursement arrangements relevant to investment loans and development policy loans.

**Disbursement Arrangements**

4. Disbursement arrangements are grounded in the Bank’s operational policies and procedures as derived from the provisions of its Articles of Agreement, which require the Bank 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 paid to economy and efficiency. In designing disbursement arrangements to meet these requirements for individual projects or programs, borrowers and Bank staff are encouraged to

- respond to country and project needs;
- support the use of the borrower’s own financial management systems whenever appropriate, recognizing that the borrower is ultimately accountable for the loan that is made and for ensuring that funds are used for the intended purposes;
- consider arrangements that are simple and cost-effective for the borrower;
- facilitate collaboration with other development partners to the extent possible through aligned processes and requirements.

5. Disbursement arrangements for investment loans comprise (a) the *disbursement methods* used to make payments to the borrower or to third parties and to ensure timely availability of the amount of funding needed for smooth project implementation, and (b) the *supporting documentation* that the Bank requires from the borrower to demonstrate that loan proceeds are being used for the purposes intended.

   - borrower’s assessed financial management and procurement capacity, the project’s procurement plan and cash flow needs, and the Bank’s disbursement experience with the borrower along with any specific country considerations.

6. Disbursement arrangements for development policy loans are much simpler: loan proceeds are disbursed against satisfactory implementation of the program and the borrower commits not to use development policy lending funds for excluded expenditures.

   - that forms part of the country’s official foreign exchange reserves (normally held by the central bank), and an amount equivalent to the loan proceeds is credited to an account of the government to finance budgeted expenditures, when fiduciary weaknesses are identified.
Where To Go for Help

7. **Client Connection** is a secure Web site that offers government officials and project implementation staff access to information related to their borrowing activities as well as to the Bank’s country analytic work. Informed decision making and to simplify doing business with the Bank. Annex C provides information about registering for Client Connection access and summarizes the types of disbursement information available for viewing or downloading.

8. **Loan Department** is responsible for the adequacy and appropriateness of disbursement arrangements and for approving disbursement requests for financing provided or administered by the World Bank. Loan Department staff are assigned to each lending operation and work closely with other members of task teams, as well as with government and project implementation staff, throughout the project cycle to ensure that disbursement arrangements for each operation are appropriate.

9. For additional help please contact the Loan Department at wbdisbursement@worldbank.org.
II

DISBURSING FOR INVESTMENT LOANS

10. Investment loans provide financing for a wide range of activities aimed at creating the physical and social infrastructure necessary for poverty alleviation and sustainable development. Loan proceeds finance the expenditures necessary to meet the development objectives of operations supported by the loan, and disbursements are made against eligible project expenditures.

The Project Cycle: Overview for Disbursement

11. Bank-financed projects are developed and managed by means of a standard project cycle. A step-by-step guide to the project cycle is available at http://www.worldbank.org/projects and components of the project cycle are depicted in figure 1.

12. Planning for disbursement arrangements for investment loans begins early in the project cycle. Planning should discuss strategically important disbursement issues during the project identification stage. During project preparation, the eligibility of expenditures for Bank financing is discussed. Eligibility of these expenditures is established based on the agreed country financing parameters and the inputs required to achieve the project’s development objectives. The project plan, expenditure categories, and any disbursement conditions are

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2 eligibility of project expenditures for Bank financing as set out in Operational Policy 6.00, Bank Financing. Objectives are the primary determinant of what types of expenditures may be eligible for Bank financing, while requiring that risks such as fiscal sustainability are appropriately addressed. Investment operations appraised as having been established in a country. For guidance on the expenditure eligibility consequences for disbursement arrangements for investment projects in countries that do not have country financing parameters, see appendix I. For changes since the previous edition of the Disbursement Handbook, see appendix II.
defined. At this time, the borrower, in consultation with the Bank’s
task team, begins developing an integrated package of financial
management, procurement, and disbursement arrangements to
support project implementation and provide fiduciary assurance.

13. -
rangements, including disbursement arrangements, as part of
project appraisal.
documents (see the section on “Key Documents” in this chapter)
and finalized with the borrower during negotiations.

14. Once the Bank has approved the project, it opens an account
in its books, the loan account, in the name of the borrower.
the account to which the amount of the loan is credited and from
which withdrawals are made.
legal agreements
have been signed, the loan is declared effective, and once any con-
ditions of disbursement have been met (if specific categories of
expenditures, if applicable), disbursements may begin.
monitors the ongoing adequacy of disbursement arrangements during project implementation and makes adjustments as needed, in consultation with the borrower.

15. A more detailed discussion of this topic is provided in chapter III.

Key Documents

16. World Bank loans are governed by the following documents, which are available on the Bank’s external (http://www.worldbank.org) and Client Connection (http://clientconnection.worldbank.org) Web sites and through links in this handbook.

Articles of Agreement of IBRD and of IDA, signed by all member countries of the respective institutions, are the institutions’ governing charters. Institutions make arrangements to ensure that loan proceeds are used only for the purposes for which the loan was granted and that the borrower may only withdraw loan proceeds to meet expenses in connection with the project as they are actually incurred (IBRD Articles, Article III, Section 5; IDA Articles, Article V, Section 1).

18. General Conditions for Credits and Grants (henceforth referred to as the “General Conditions”) set forth certain terms and conditions generally applicable to loan agreements and credit and grant agreements, respectively, as well as to other relevant legal agreements. General Conditions include, among other things, provisions relating to the following topics:

- introductory provisions;
- withdrawals;
- IBRD loan or IDA financing terms;
- project execution;
- financial and economic data, negative pledge (for IBRD loans);
- cancellation; suspension; acceleration; grant refund (for IDA credits and grants);
- enforceability; arbitration;
- effectiveness; termination;

3 For the purposes of this handbook, references are made to the provisions of the IBRD General Conditions for Loans, and the IDA General Conditions for Credits and Grants, both dated July 1, 2005. Other General Conditions may apply for earlier legal agreements. For terms and conditions relating to specific loans, borrowers should refer to the relevant legal agreements and General Conditions, if applicable, for the operations.
19. Certain changes to the legal agreement can be made by notice to the borrower, such as extending the closing date, reallocating funds, or reducing disbursement percentages (see the section on “Disbursement Issues during Project Implementation” in chapter VII).

20. For each loan, the Bank and the borrower enter into a legal agreement that sets out the specific terms and conditions of the loan, including, among other things, the following:

- project activities for which expenditures can be incurred;
- project reporting requirements;
- financial management, financial reporting, and audit requirements;
- procurement provisions applicable to the project;
- withdrawal of loan proceeds, including provision for additional instructions (generally to be provided in the form of the Disbursement Guidelines and a disbursement letter for the operation);
- conditions of disbursement, if any;
- key project dates;
- financial terms of the loan and repayment terms, if any.

21. Legal agreements may be amended, as required, during project implementation. While some changes to legal agreements may be made by notice to the borrower, others are made by amendment of the legal agreement by the borrower and the Bank. Changes that would significantly affect the design or scope of the operation may also require approval of the Bank’s executive directors. The borrower should consult with the Bank’s task team leader concerning any changes that may be required to legal agreements.

22. When a project implementing entity will implement all or part of a project, the Bank also enters into a project agreement with the entity.

The World Bank Disbursement Guidelines for Projects contain the standard provisions governing the withdrawal of loan proceeds to which the General Conditions apply, as well as certain advances under the Project Preparation Facility, grants financed under the Institutional Development Fund, the Global Environment Facility, other recipient-executed trust funds unless, exceptionally, the terms of the agreement with the donor make provision for different...
ferent requirements. provisions:

- purpose,
- **disbursement methods**,
- withdrawal of loan proceeds,
- **supporting documentation** requirements,
- **designated accounts**,
- terms and conditions applicable to advances,
- ineligible expenditures,
- refunds.

24. each disbursement letter. In cases where changes to these standard provisions are required in the context of an individual operation, as agreed to by the borrower and the Bank, these are reflected in the disbursement letter for the operation. Guidelines are available on the Client Connection Web site in the official United Nations languages—Arabic, Chinese, English, French, Russian, and Spanish—however, the official, binding version is the English language version referenced by the disbursement letter for the operation.

25. rower that specifies the disbursement arrangements to be used and the provisions of the Disbursement Guidelines that apply for a specific operation. referenced in the legal agreement are binding on the borrower. Annex D presents the model form of a disbursement letter. Bank prepares the disbursement letter based on discussions during project preparation and appraisal. A dra included in the negotiations package for the project and the letter is finalized during negotiations.

26. the Disbursement Guidelines to the borrower when the legal agreement is signed and provides a conformed copy to the project implementing entity. of the disbursement letter in one of the other five official United Nations languages; however, the official, binding version of the letter is the signed English language version.

27. modify the disbursement arrangements for an operation, as required, during project implementation. subsequent disbursement letters usually a the borrower.

5 For legal agreements that do not incorporate these General Conditions, certain withdrawal provisions and the specific limits that apply are contained in the legal agreement for the respective loan, credit, or grant.

6 Other languages may be considered.
28. For each investment project proposed for Bank financing, the Bank prepares a project appraisal document, which describes the project and sets forth the Bank’s appraisal and assessment of the feasibility of and justification for the project. The technical annexes in each project appraisal document describe the project’s financial management, procurement, and disbursement arrangements.

29. Borrowers and Bank staff work together to ensure that loan proceeds are disbursed in accordance with the relevant General Conditions, legal agreements, Disbursement Guidelines, and disbursement letter for each operation. Users of this handbook should have ready access to these documents throughout the implementation period for each project.

30. Borrowers should also refer to the World Bank’s procurement guidelines. The procurement of goods, works, and services in Bank-financed projects and are referenced in the project’s legal agreement. Each project has a procurement plan that sets forth (a) the particular contracts for the goods, works, and services required to carry out the project; (b) the procurement methods for each contract; and (c) the related Bank review procedures. See

- Guidelines: Procurement under IBRD Loans and IDA Credits (May 2004),

31. Users of this handbook may also be interested in the World Bank Debt Servicing Handbook, which provides detailed information about the World Bank’s lending instruments, the Project Preparation Facility, the Bank’s financial products and terms, the policy on overdue payments and sanctions, the partial waiver of loan charges policy, and the Bank’s billing procedures.

32. Operational Policy 6.00, Bank Financing, operational policies and procedures are for World Bank staff and are provided to readers of this handbook for information only.

Key Dates

33. Table 1 shows the key dates for each operation.
# Table 1. Key Dates

<table>
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<th>Explanation</th>
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<td>Loan approval date</td>
<td>The date the Bank approves the loan for the project.</td>
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<tr>
<td>Legal agreement date</td>
<td>In most cases, the date the borrower and the Bank sign the legal agreement. All eligible project expenditures paid for by the borrower from this date onward may be reimbursed as soon as the legal agreement is declared effective.</td>
</tr>
<tr>
<td>Retroactive financing date</td>
<td>For projects that permit retroactive financing, the date earlier than the date of the legal agreement as specified in the legal agreement for determining payments eligible for reimbursement.</td>
</tr>
<tr>
<td>Effective date</td>
<td>The date on which the Bank provides notice to the borrower of the Bank’s acceptance of the evidence required to show the conditions of effectiveness under the legal agreement have been met, and on which the legal agreement enters into effect. Disbursements from the loan account may be made as of this date.</td>
</tr>
<tr>
<td>Closing date</td>
<td>The date specified in the legal agreement (or later date established by the Bank by notice to the borrower) after which the Bank may, by notice to the borrower, terminate the borrower’s right to make withdrawals from the loan account and cancel any undisbursed balances of a loan.</td>
</tr>
<tr>
<td>Loan disbursing period</td>
<td>The period during which expenditures must have been paid or incurred as follows to be eligible for disbursement. The expenditures must be</td>
</tr>
<tr>
<td>Disbursement deadline date</td>
<td>The final date on which the Bank will accept applications for withdrawal from the borrower or documentation on the use of loan proceeds already advanced by the Bank. This date is usually up to four months after the loan closing date.</td>
</tr>
<tr>
<td>Lapsed loan date</td>
<td>Date occurring two months after the disbursement deadline date, this is the date by which all undocumented advances to the designated account must be refunded to the Bank and after which the Bank may decline to allow the use of designated accounts for new loans.</td>
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III
DESIGNING DISBURSEMENT ARRANGEMENTS

34. designing disbursement arrangements for an investment loan. It considers the impact that eligibility and project design considerations may have on disbursement arrangements, provides an overview of fiduciary arrangements for investment loans, and explains the Bank’s disbursement methods and basic supporting documentation requirements.

Arrangements for Financing Eligible Expenditures

35. Disbursements may only be made to finance eligible project expenditures, in keeping with the purposes of the project. Accordingly, the first steps in establishing disbursement arrangements are to determine the expenditures that are eligible for financing under the loan, decide how these will be grouped in expenditure categories, ascertain what share (disbursement percentage) of each expenditure category will be financed under the loan, and determine the need for any disbursement conditions. Other financing considerations that affect disbursement arrangements are refinancing of project preparation advances, retroactive financing, and financing of fees and other loan charges.

36. eligible expenditures as the reasonable cost of goods, works, and services required for the project to be financed out of the proceeds of the loan and procured, all in accordance with the legal agreement and during the loan disbursing period. Payments prohibited by a decision of the United Nations Security Council taken under chapter VII of the United Nations Charter are not eligible expenditures.7

7 See IBRD General Conditions and IDA General Conditions (2005), section 2.05, for complete text and other requirements.
37. Expenditure categories provide a means to monitor and manage the expenditures for project activities.

38. Expenditure categories may be grouped based on types of eligible expenditures or eligible expenditures to be financed under certain project activities. Whether more than one expenditure category needs to be established.

39. A disbursement percentage is the portion of eligible expenditures that the Bank has agreed to finance. Disbursement percentage for each expenditure category and may apply different disbursement percentages to foreign and local expenditures within each expenditure category.

40. For projects in countries for which country financing parameters have been approved and to which the Bank’s Operational Policy 6.00, Bank Financing, applies, a disbursement percentage for a category or categories may be higher, lower, or the same as the overall share of Bank financing in the project.

**Note:** If required by the project design, it is possible for the disbursement percentage for a category or categories to be 100 percent provided that overall the Bank’s share of project costs is within the country financing parameters for cost sharing.

41. For projects in countries that do not yet have approved country financing parameters or to which Operational Policy 6.00 does not apply, see appendix 1.
stated in the legal agreement. Conditions will be clearly separated from the rest of the expenditures under the project and designated in a separate expenditure category so that the Bank can monitor and administer the condition appropriately. Some examples of cases when a disbursement condition for a portion of a loan may be warranted are as follows:

- If a project has multiple implementing units, a portion of the loan may be conditioned on the establishment of a particular unit that is not expected to be operational until the project is well under way.
- If the project requires finalization of operational and procedures manuals or the establishment of a decision-making body for approving subloans or subgrants for a portion of the loan, this portion may be conditioned on fulfilling the requirement.
- If the project requires execution of a subsidiary legal agreement for a portion of the loan, this portion could warrant a disbursement condition.

43. Actions of major importance to the project are not used as conditions of disbursement as such actions should be completed before effectiveness of a loan. In the above examples, the establishment of a particular unit or finalization of manuals or execution of subsidiary agreements, and the related conditions, should not prevent implementation of other portions of the project.

44. Payments that the borrower has made for a project out of its own resources before the date of the legal agreement are normally not eligible for financing under the loan. However, in some circumstances, to facilitate the prompt execution of Bank-financed projects, the Bank may allow retroactive financing; that is, the Bank may reimburse the borrower from the loan proceeds for payments that the borrower has made before the legal agreement date for eligible expenditures. If such retroactive financing is allowed, the withdrawal of proceeds section of the legal agreement will specify the date from which expenditures are covered and the amount. For investment operations, the Bank normally requires:

(a) the payments to be made within 12 months of the expected date of the legal agreement, and

(b) the amount of retroactive financing not to exceed 20 percent of the loan amount. For emergency recovery operations (as defined under the Bank’s Operational Policy 8.50, Emergency Recovery Assistance), payments must be made at the occurrence of the emergency and within four months of the expected date of the legal agreement. In exceptional circumstances, the Bank may use the date of the Bank’s first field visit or the date of the emergency event as the earliest date for payments eligible for retroactive financing.

8 For emergency recovery operations (as defined under the Bank’s Operational Policy 8.50, Emergency Recovery Assistance), payments must be made at the occurrence of the emergency and within four months of the expected date of the legal agreement. In exceptional circumstances, the Bank may use the date of the Bank’s first field visit or the date of the emergency event as the earliest date for payments eligible for retroactive financing.

9 For projects in countries without approved country financing parameters, this is limited to 10 percent (see appendix I).
Project Preparation Advances

45. **Project Preparation Facility** to a borrower to finance preparatory activities for investment operations, including preliminary and detailed designs and limited initial implementation activities. When the follow-on loan includes a provision for refinancing a project preparation advance, the withdrawal of proceeds section of the legal agreement includes an allocation to cover the estimated amount needed for this purpose. In this case, the Bank withdraws from the follow-on loan the amount of the project preparation advance withdrawn, together with accrued interest, on the effective date of the loan. The project preparation advance is repaid automatically.

46. A unused amount allocated in the loan to cover the refinancing remains available and may be reallocated to other expenditure categories to cover activities eligible for financing under the loan (see the section on “Reallocations” in chapter VII). Normally, activities eligible for financing under the project preparation advance will also be eligible under one or more of the expenditure categories of the follow-on loan.

47. In the event that the proposed follow-on loan is not made, the borrower must repay the advance in accordance with the provisions in the letter of agreement approving the project preparation advance with accrued interest or service charges. Additional information is available in the *World Bank Debt Servicing Handbook*.

Front-End Fees and Other Loan Charges

48. IBRD loan terms provide that front-end fees may be paid by the borrower or financed under the loan. When they are financed under the loan, the Bank withdraws the amount of the front-end fee payable to the Bank from the loan account on the effective date of the loan, or on the transaction settlement date (e.g., for conversion fees for IBRD loan).

49. When the Bank and the borrower have agreed that other loan charges will be financed under the loan, the Bank withdraws the amount of the charge payable to the Bank from the loan account on its due date (e.g., for capitalized interest during construction) or on the transaction settlement date (e.g., for conversion fees for IBRD loan).

Fiduciary Oversight Arrangements

50. may finance from loan proceeds requires that acceptable oversight arrangements, including fiduciary oversight arrangements, are in place to ensure that such loan proceeds are used only for the pur-
poses for which the loan is granted, with due attention paid to economy and efficiency.

51. Bank assesses and monitors the adequacy of the borrower’s financial management arrangements (budgeting, accounting, internal control, funds flow, financial reporting, and auditing practices). In cases where financial management arrangements are acceptable, the Bank relies on such arrangements to provide assurance that loan proceeds are used for the purposes intended. In cases where the Bank has identified weaknesses, it requires the borrower to undertake appropriate measures to mitigate the risks posed by the weaknesses. Weaknesses can be designed or modified to help mitigate identified weaknesses.

52. Similarly, the Bank assesses and monitors the adequacy of the borrower’s procurement arrangements and the initial and updated procurement plans for the project. When late payment of contracts has been a problem, the project design incorporates actions to address this weakness.

Note: Partial or late payments under contracts in Bank-financed projects are of funding. For example, some countries are able to pay the foreign exchange component financed by the Bank but have to delay payments of the local component and/or taxes due to lack of counterpart funding. In project design, the Bank may agree to finance 100 percent of the amount of consultant and other contracts in those countries that have country financing parameters.

53. Disbursement arrangements are established in consultation with the borrower and taking into consideration assessments of the borrower’s financial management and procurement arrangements, the procurement plan and cash flow needs of the operation, and the borrower’s prior disbursement experience. Disbursement methods and documentation of eligible expenditures.

Disbursement Methods

54. Disbursement methods include advance, direct payment, and payment against special commitment.
Table 2. Disbursement Methods and Supporting Documentation Requirements for Investment Loans

<table>
<thead>
<tr>
<th>Disbursement method</th>
<th>Supporting documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Disbursed to the borrower</strong></td>
<td></td>
</tr>
<tr>
<td>• Reimbursement: Payments to the borrower for the cost of project expenditures. The borrower provides documentation showing that such expenditures have been incurred and paid from its own resources at the time a request for payment is made.</td>
<td>Interim unaudited financial report, or statement of expenditure, or records (e.g., invoices, receipts), or records required by the Bank for specific expenditures and statement of expenditure for all other expenditures.</td>
</tr>
<tr>
<td>• Advance: Payments to the borrower for the expected cost of project expenditures. The borrower subsequently provides documentation showing that such expenditures have been incurred and paid for from the advance.</td>
<td>No documentation is required at the time of the request. When reporting on the use of advances, required documentation is the same as for reimbursement.</td>
</tr>
<tr>
<td><strong>Disbursed to third parties</strong></td>
<td></td>
</tr>
<tr>
<td>• Direct payment: Payments to a third party (e.g., contractor, supplier, consultant) for the cost of project expenditures. The borrower provides documentation showing that such expenditures have been incurred at the time a request for payment to the third party is made.</td>
<td>Records (e.g., invoices, receipts).</td>
</tr>
<tr>
<td>• Special commitment: Payments to a financial institution for the cost of project expenditures covered by a special commitment. A special commitment is an irrevocable commitment entered into by the Bank in writing to pay such amounts notwithstanding any subsequent suspension or cancellation. The financial institution provides confirmation that such expenditures have been incurred at the time a request for payment is made.</td>
<td>Society for Worldwide Interbank Financial Telecommunication (SWIFT) or other advice from the commercial bank confirming that documents have been negotiated (i.e., documents have been received and are acceptable) and that payment has been made or is due and will be made promptly to the beneficiary covered by the special commitment.</td>
</tr>
</tbody>
</table>

For all disbursement methods, the Bank disburses funds in accordance with properly authorized instructions from the borrower; however, the disbursement methods differ in relation to the payee, the type of supporting documentation required, and the timing for providing supporting documentation (whether it must be provided to the Bank when the disbursement request is made).

Documentation requirements are summarized in Table 2 and in section 2 of the Disbursement Guidelines.

Projects may use a single disbursement method or a combination of different methods depending on the circumstances. When selecting a disbursement method or methods for a project, the borrower and Bank staff review any country and project design issues that may affect how the borrower withdraws loan proceeds for project implementation.
• the nature and volume of expected project expenditures and the anticipated requirements of suppliers,
• the overall financing plan and the borrower’s ability to provide counterpart funding in a timely manner,
• the degree of centralization or dispersion of project beneficiaries,
• the borrower’s ability to prefinance expenditures,
• the project’s periodic cash requirements,
• the financial reporting arrangements.

Supporting Documentation

57. Evidence that withdrawals from the loan account have been or are being made for eligible expenditures, as specified in the legal agreement and section 4 of the Disbursement Guidelines. Depending on the disbursement method used, the borrower may provide this documentation at the same time as an application for withdrawal or at a later date (see the section on “Using the Advance Method” in chapter V).

58. Supporting documentation may be in the form of (a) a copy of the original records evidencing that payment has been made or is due for eligible expenditures (e.g., invoices, receipts); and/or (b) a summary report providing information on payments for eligible expenditures. Summary reports are of two broad types: (a) interim unaudited financial reports, and (b) statements of expenditure.

59. Required to provide is determined during project appraisal and agreed during negotiations, taking into consideration the specific circumstances of the project and the disbursement method or methods selected.

60. Records are always used to support requests for direct payments (see the section on “Using the Direct Payment Method” in chapter VI). Records to support requests for reimbursement or to report on the use of advances (see the sections on “Using the Reimbursement Method” and “Using the Advance Method” in chapter V), either as part of the initial disbursement arrangements or during implementation, depending on the circumstances.

61. Records are also required to support issuance of a special commitment and subsequent payments against special commitments (see the section on “Using the Special Commitment Method” in chapter VI for additional details concerning the nature and provision of these records).
Summary Reports

62. Summary reports may be used to support requests for reimbursement or to report on the use of advances (see the sections on “Using the Reimbursement Method” and “Using the Advance Method” in chapter V). For additional information regarding eligibility to use summary reports, see the section on “Providing Supporting Documentation for Disbursement” in chapter V.

Document Retention

63. Records (contracts, orders, invoices, bills, receipts, and other documents) evidencing eligible expenditures and to enable the Bank’s representative to examine such records. Records to be retained for at least one year following receipt by the Bank of the final audited financial statement required in accordance with the legal agreement or two years a closing date, whichever is later. Borrowers are responsible for ensuring that document retention beyond the period required by the legal agreement complies with their government’s regulations.

64. Implementing entity retain all original records and copies of applications for withdrawal, applications for special commitments, and supplementary forms sent to the Bank. Examples of original records to be retained for the project include the following:

- procurement documents (bid documents, invitations to bid, evaluation reports);
- purchase contracts;
- purchase orders;
- letters of credit;
- suppliers’ invoices and certificates of origin;
- shipping or import documents and inspection certificates;
- evidence of receipt of goods or services;
- contractors’ and consultants’ invoices or certificates of completion;
- performance security documents, such as bank guarantees in the case of advance payments if required under the terms of a contract;
- force account records (with the supervisor’s or consultant’s countersignature where required);
- recurrent cost records;
- authorizations for payment;
- evidence of payment, such as bank statements;
- accounting records of approvals, disbursements, and balances available;
- evidence that suppliers have provided refunds where goods have been returned and that corresponding adjustments have been made in subsequent applications.

11 See sections 5.07 and 4.07, respectively, of the IBRD General Conditions and IDA General Conditions (2005).
In addition, for work performed under specific categories of expenditure or under force account, Table 3 provides some examples of the records and documents that the borrower should retain for review by auditors and Bank staff.

### Table 3. Examples of Records to be Retained

<table>
<thead>
<tr>
<th>Expenditure type</th>
<th>Records</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local training programs</td>
<td>• Contracts, invoices, evidence of payment</td>
</tr>
<tr>
<td></td>
<td>• Other evidence of performance, including lists of participants and training details</td>
</tr>
<tr>
<td>Operating costs</td>
<td>• Wage and salary records</td>
</tr>
<tr>
<td></td>
<td>• Purchase orders</td>
</tr>
<tr>
<td></td>
<td>• Suppliers’ invoices and statements</td>
</tr>
<tr>
<td></td>
<td>• Evidence of payment</td>
</tr>
<tr>
<td></td>
<td>• Basis for any cost allocations</td>
</tr>
<tr>
<td>Subloans (onlending by financial intermediaries)</td>
<td>• Subproject or subloan applications or proposals and approvals</td>
</tr>
<tr>
<td></td>
<td>• Financing agreements</td>
</tr>
<tr>
<td></td>
<td>• Suppliers’ invoices</td>
</tr>
<tr>
<td></td>
<td>• Evidence of payment</td>
</tr>
<tr>
<td>Force account</td>
<td>• Labor and job cost records</td>
</tr>
<tr>
<td></td>
<td>• Time use records for machinery and equipment</td>
</tr>
<tr>
<td></td>
<td>• “Stores issued” notes</td>
</tr>
<tr>
<td></td>
<td>• Other evidence of performance</td>
</tr>
<tr>
<td></td>
<td>• Explanation of the basis for allocating costs</td>
</tr>
</tbody>
</table>
IV
WITHDRAWING LOAN PROCEEDS FROM THE LOAN ACCOUNT

66. Loan proceeds from the loan account. It describes what the Loan Department requires before it can begin disbursing to the borrower or, at the borrower’s request, to a third party, and explains the requirements and the forms used for requesting withdrawals and commitments from the loan account. It sets out where the borrower can obtain information about disbursement transactions and explains the exchange rates that the Bank uses to value individual transactions.

Authorized Signatures

67. As discussed in section 3 of the Disbursement Guidelines, before disbursements may commence under the loan, the borrower’s authorized representative (as designated in the legal agreement) must notify the Bank which official or officials may sign applications for withdrawal or applications for a special commitment and provide copies of their authenticated specimen signatures.12 The borrower sends this notification and specimen signatures to the Bank at the location specified in the disbursement letter. A sample letter for providing specimen signatures is provided in annex E. For convenience, the model authorized signatory letter is attached to the disbursement letter.

68. For an official or officials to sign applications for all loans in a country. In this case, the authorized signatory letter for each new loan refers to the original authorization and the specimen signature or signatures provided earlier. Alternatively, the borrower may

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12 For electronic delivery of applications that would fulfill this signature requirement.
choose to provide authorization for all financing associated with a specific project (e.g., project preparation advance; loan, credit, or grant; supplemental loan, credit, or grant). In this case, the first time that the authorized signatory letter is provided to the Bank, it refers to the project and to the Bank’s project number.

69. If authorized signatories change during the life of the project, the borrower must promptly notify the Bank and provide the names and specimen signatures of the newly designated officials.

**Note:**

to the Bank evidence …of the authority of the person or persons authorized to sign … applications.”
whether to provide this evidence by each loan, project, sector, or country, bearing in mind that disbursement may be delayed if the Bank does not have satisfactory evidence on hand at the time an application for withdrawal is received.

**Disbursement Conditions**

70. When the legal agreement contains disbursement conditions, the Bank will only disburse against the relevant expenditure category once it has received satisfactory evidence that the conditions have been fulfilled.

**Application Forms**

71. When the borrower wishes to request a withdrawal from the loan account or to ask the Bank to enter into a special commitment, the borrower delivers to the Bank a written application in such form and substance as the Bank reasonably requests. A different form is used for each of these purposes, but in both cases, they are provided to the Bank as signed originals.

in the following subsections are available from the World Bank’s Loan Department and on the Client Connection Web site. can be filled out on Client Connection, printed, signed, and delivered to a World Bank office.

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13 See IBRD General Conditions and IDA General Conditions (2005), section 2.03 (a).
APPLICATION FOR WITHDRAWAL

Note:
allow electronic delivery of application for withdrawal forms and supporting documentation through Client Connection and that will fulfill the signature requirements for such purposes. Available to registered Client Connection users a period, currently scheduled for November 2006.

and can be used to (a) withdraw proceeds from the loan account, and/or (b) document expenditures. A copy of form 2380, instructions for completing it, and sample completed forms are provided in annex F.14

- to request reimbursement to the borrower for a payment or payments the borrower has already made from its own resources,
- to request an advance to a designated account and/or to report on how a previous advance has been used,
- to request direct payment to a third party for services provided or goods supplied.

To supplement the application for withdrawal, forms are also available to

- request the scheduling of advance payments: form 2381, as provided in annex F.
- list payments against contracts that are subject to the Bank’s prior review: form 2382.

special commitment (see the section on "Using the Special Commitment Method" in chapter VI). commitment using form 2018. ally a commercial bank) normally sends payment claims using the Society for Worldwide Interbank Financial Telecommunication (SWIFT), but they can also be sent by mail using the special commitment request for payment, form 2015. Copies of forms 1931 and 2015 and instructions for completing them, together with a sample form 2018, are provided in annex G.

14 forms previously provided to borrowers (see appendix III).
Disbursement Processing Requirements

75. When the borrower wishes to withdraw loan proceeds or commit them under a special commitment, the borrower provides the Bank with an original application together with any supporting documents in accordance with the relevant disbursement method. For the application to be eligible for payment or commitment, it must meet the following requirements:

- be in compliance with the loan conditions;
- be an original (photocopies or facsimiles are not accepted);
- be signed in dark ink by an authorized signatory or signatories for whom the Bank has been provided with a specimen signature or signatures;\(^\text{15}\)
- indicate the amount to be paid and/or documented and provide complete instructions for payment, including SWIFT, international bank account number (IBAN) codes, and intermediary bank details;
- include supporting documentation in the form and content agreed on and specified in the disbursement letter.

76. In addition, the following requirements must also be met:

- When the amount being withdrawn includes payments against contracts subject to the Bank’s prior review, the borrower must have received the Bank’s “no objection” to the contract award and have provided a copy of the signed contract to the Bank.
- Loan proceeds allocated to the specific expenditure category must be sufficient to cover the payment or commitment.

77. To avoid delays in payment, the borrower should adhere to the foregoing requirements, follow instructions on the applicable form, and make certain that the application is complete and accurate and that supporting documentation is in accordance with the disbursement letter. annex H provides a checklist for use by project staff prior to sending applications to the Bank office specified in the disbursement letter.

Note: borrower and confirm any information on an application for withdrawal that is unclear or to obtain additional information to complete the application. If the Bank is unable to resolve issues on a pending application, it may approve the application for a reduced amount or return the application to the borrower unpaid. If the application is reduced or returned, the Bank notifies the borrower promptly with an explanation of the Bank’s decision.

\(^{15}\) electronic means to deliver applications when this functionality becomes available.
Disbursement Reports

78. Payment advices and monthly disbursement summaries provide the borrower with information about disbursement transactions on its loan and are available online through Client Connection. Payment advices are also emailed to the borrower, and monthly disbursement summaries are emailed to the borrower at the borrower’s request.

79. Disbursement summaries on a regular basis and promptly notify the Bank of any issues related to a transaction.

80. Payment Advice. A withdrawal, it either disburses to the borrower or to a specified third party. A withdrawal, it either disburses to the borrower or to a specified third party.16

81. Monthly Disbursement Summary. Promptly closing of its accounts, the Bank provides a monthly disbursement summary to all borrowers and authorized parties. The summary sets out the details of all transactions made under a given loan during the preceding month and shows the undisbursed balance of the loan account.

General Conditions specify that the Bank, acting as agent of the borrower, and on such terms and conditions as the Bank shall determine, will purchase such currencies as the borrower shall reasonably request to meet payments for eligible expenditures.18

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16 An application for withdrawal can also be used solely to document prior advances and in that case will not result in a disbursement by the Bank.

17 For IBRD loans, the currency of commitment is the loan currency; for IDA financing, it is special drawing rights. See section 2.01 of the IBRD General Conditions and IDA General Conditions (2005).

18 See IBRD General Conditions and IDA General Conditions (2005), section 2.01 (c).
For reimbursements and direct payments, the Bank normally disburses in the currency of the expenditure.\(^\text{19}\) For example, when the borrower prefines local currency expenditures from its own resources and requests a reimbursement, the Bank normally makes the payment to the borrower in that local currency (by purchasing the local currency from the borrower’s central bank or, in some cases, from the open market). When the borrower requests a direct payment to a supplier for an invoice denominated in, for example, euros, the Bank makes the payment to the supplier in euros.

83. Payments of advances to a designated account are made in the currency of the designated account. report on the use of advances deposited to the designated account in that same currency. When the borrower uses funds to finance expenditures in different currencies, for reporting purposes it uses the exchange rate in effect on the date the funds are withdrawn from the designated account.

84. In making payments, the Bank may need to purchase the requested currency (the disbursement currency) using another currency (the cost currency). In such cases, the Bank buys the disbursement currency using the exchange rate (spot rate) quoted by the selling bank.

- **IBRD loans and trust funds.** Current IBRD products (fixed spread loans and variable spread loans) and trust funds use the currency of commitment of the loan (referred to in the legal agreement as the loan currency) as the cost currency. The Bank charges the loan account with the amount required to purchase the disbursement currency.

- **IDA credits and grants.** For IDA credits and grants, the Bank may use any of the currencies available to IDA as the cost currency. It charges the loan account with the equivalent in special drawing rights, applicable exchange rate, for all transactions in a particular currency on a given date to assure all borrowers of equal treatment in their transactions.

Note: Payments made in hard currencies (e.g., U.S. dollars, euros, yen) are normally made more quickly than payments in so an additional two or three days for the Bank to settle following purchase.

\(^{19}\) of expenditure as agreed between the borrower and the Bank.
DISBURSING TO THE BORROWER

85. Bank either reimburses the borrower for the cost of prefinanced project expenditures or provides advances to the borrower for the expected cost of such expenditures. Supporting documentation the borrower must provide to the Bank when using these disbursement methods and when it is required. It also describes the Bank’s policies and procedures for ensuring that loan proceeds advanced are used for the purposes intended, including requirements for establishing and using designated accounts.

Providing Supporting Documentation for Disbursement

86. For disbursements to the borrower, the borrower must provide supporting documentation to demonstrate that loan proceeds have been used for the purposes for which the loan was granted.

87. Requests for reimbursement and reporting on the use of advances are normally accompanied by either (a) a summary report in the form of the interim unaudited financial report used for financial reporting, usually stipulated in schedule 2 of the legal agreement, or (b) a summary report in the form of a statement of expenditure, or (c) records, or (d) records required by the Bank for specific expenditures and a statement of expenditure for all other expenditures.

88. Summary reports are of two broad types: (a) interim unaudited financial reports, and (b) statements of expenditure. When summary reports are used, the level of detail required depends on the project, the expenditure categories, and the capacity of the borrower’s financial management systems.

89. To be eligible to use summary reports to support disbursement immediately upon loan effectiveness, the borrower must have an adequate financial management system. Tho continue to use sum-
mary reports or begin using them during project implementation, borrowers are expected to

- maintain satisfactory financial management ratings during project supervision,
- provide the Bank with interim unaudited financial reports consistent with the agreed form and content within 45 days (or other period specified in the legal agreement) of the end of each reporting period,
- provide the Bank with the audited financial statements specified in the legal agreement by the due date.

90. of the summary report and any supplementary forms during project appraisal and finalize this during negotiations. Whenever possible, the report format and content should be derived from the borrower’s own financial management systems. 

ages the use of borrower system-generated reports that meet the Bank’s requirements.

91. furnish the Bank with interim unaudited financial reports on a periodic basis. Interim unaudited financial reports normally encompass the entire project as described in the project appraisal document and legal agreement and not just the part financed by the Bank.

- ditures, including counterpart funds, funds from other development partners, and contributions in kind such as labor and accommodation irrespective of whether the unit of the borrower implementing the project controls the funds for all aspects of the project.

92. Interim unaudited financial reports should also be used to support withdrawals from the loan account unless otherwise agreed with the Bank. When these reports are used as supporting documentation for reimbursements and reporting on the use of advances, the Bank normally requires a cash forecast for the two subsequent reporting periods.

other supplementary information. Box 1 sets out some of the benefits of using interim unaudited financial reports.

93. A statement of expenditure summarizes eligible expenditures incurred during a stated period grouped by expenditure category, a summarized statement or a more detailed statement that lists all expen-

the project according to the expenditure categories in the legal agreement. If, exceptionally, this information has not been incorporated in the design of the interim unaudited financial report, the Bank may request this additional information as a supplement.
Box 1. Benefits of Using Interim Unaudited Financial Reports as Supporting Documentation

The benefits of using interim unaudited financial reports as supporting documentation include the following:

• They can be used with the reimbursement method. The borrower simply provides a copy of the interim unaudited financial report used for financial reporting to the Bank, as required by the legal agreement, directly to the Loan Department, together with an application for withdrawal form.

• They can be used with the advance method. The borrower requests advances as needed for project implementation and reports on the use of advances by providing a copy of the interim unaudited financial report used for financial reporting to the Bank, as required by the legal agreement, directly to the Loan Department, together with an application for withdrawal form.

• Normally no additional documentation, no records, and no bank statements are required. The borrower does not need to produce any separate summaries or statements for the Bank or to send bank statements and reconciliations to the Bank. The borrower needs to retain all original records, but the Bank requires only the interim unaudited financial report to record expenditures.

• There is only one financial report and one reporting cycle. The periodicity of providing interim unaudited financial reports as supporting documentation is the same as for reporting purposes, irrespective of whether the borrower is using the reimbursement or advance method and the length of the reporting cycle.

94. When statements of expenditure are used as supporting documentation for disbursement, the borrower is still required to provide interim unaudited financial reports to the Bank in accordance with the requirements of the legal agreement.

95. Because statements of expenditure may not always be derived directly from the borrower’s accounting records, the borrower must have a record-keeping system that allows for efficient retrieval of the corresponding original records (e.g., invoices, receipts) for inspection by auditors and Bank staff.

96. requests for reimbursement and reporting on the use of advances, either as part of the initial disbursement arrangements or during implementation, depending on the circumstances. For example, the Bank may request records

• when payments are against contracts that are subject to the Bank’s prior review and/or when the task team requires additional monitoring of a specific contract or contracts;

• when the project is financed by a loan with a new borrower, including when a gap has occurred in the Bank’s engagement with the borrower, for example, when a country had been under suspension or following a period of nonlending;

• when the project is in a country that is facing a likelihood of conflict or is in a conflict or postconflict situation;

• when the project is under warning of or under an actual suspension of disbursements;

• when warranted by other country or project situations.
97. When the borrower is using the reimbursement method or reporting on the use of advances, the Bank may request that the supporting documentation include a list of payments against contracts that are subject to the Bank's prior review. Content of this information is normally included as an attachment to the disbursement letter.

98. In the section on “Supporting Documentation” in chapter III of this handbook.

Using the Reimbursement Method

99. Eligible expenditures that the borrower has prefinanced from its own resources.

100. To reduce paperwork and the cost of doing business for both the borrower and the Bank, the Bank sets a minimum value for applications for reimbursement (see the Disbursement Guidelines, subsection 3.5). Minimum value is set during project appraisal and varies depending on the size of the loan, the nature of the project, the types of expenditures to be financed, and the circumstances of the country. Each project is documented in the disbursement letter. Expenditures under the minimum value should be aggregated until the minimum is reached (e.g., by grouping numerous, small expenditures that have been prefinanced) or financed using funds in the designated account (see the section on “Using the Advance Method”).

101. To promote good project management, requests for reimbursement should be made on a regular basis as and when expenditures are incurred or on the same frequency as interim unaudited financial reports. Regular reimbursement requests may also help mitigate against the risk of devaluation of an amount to be reimbursed because of exchange rate fluctuations. Table 4 sets out the application steps and requirements for requesting a reimbursement.

Using the Advance Method

102. It may finance expected project expenditures as they are incurred.

Eligible project expenditures, reporting requirements that apply to advances during project
### Table 4. Applying for Reimbursement

<table>
<thead>
<tr>
<th>Application step</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>What form should be used?</td>
<td>Application for withdrawal, form 2380.</td>
</tr>
<tr>
<td>What sections of the form should be completed?</td>
<td>a Sections A, B, C, and D.</td>
</tr>
<tr>
<td>Who should sign the form?</td>
<td>The signatory designated by the borrower’s authorized representative.</td>
</tr>
<tr>
<td>What supporting documentation should be provided to the Bank?</td>
<td>• Interim unaudited financial reports, statements of expenditure, records, or records required by the Bank for specific expenditures and statements of expenditure for all other expenditures, as indicated in the disbursement letter for the project.</td>
</tr>
<tr>
<td></td>
<td>• List of payments against contracts that are subject to the Bank’s prior review, if notified by the Bank in the disbursement letter that this is required.</td>
</tr>
<tr>
<td></td>
<td>• Evidence of payment if notified by the Bank that this is required, which can take the form of a bank statement, receipted invoice, commercial bank’s report of payment, etc. The disbursement letter will note this requirement and the monetary threshold, if applicable.</td>
</tr>
<tr>
<td></td>
<td>• Other supplementary information that the Bank may stipulate by means of the disbursement letter or by notice to the borrower.</td>
</tr>
<tr>
<td>Where should the reimbursement request be sent?</td>
<td>The Bank office indicated in the disbursement letter.</td>
</tr>
<tr>
<td>How often should requests be made?</td>
<td>• On a regular basis as and when expenditures are incurred, or on the same frequency as interim unaudited financial reports.</td>
</tr>
<tr>
<td></td>
<td>• When the legal agreement provides for retroactive financing, the request for reimbursement of payments made during the retroactive financing period should be sent promptly after the loan is declared effective.</td>
</tr>
</tbody>
</table>

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*a This application form replaces the earlier form 1903. The Bank will continue to accept, for a transition period, printed application forms previously provided to borrowers (see appendix III).*
convertible currency or a stable currency (see Disbursement Guidelines, subsection 5.4). In countries that have a freely convertible currency, designated accounts may be held in the currency of the borrower or any freely convertible currency. In countries that do not have a freely convertible currency, the Bank may agree to accounts denominated in local currency if, among other things, the country’s currency is stable and the expenditures to be financed are primarily in local currency.

105. In accordance with the Disbursement Guidelines, subsections 5.5 and 5.6, the financial institution used for the designated account should generally meet all the following requirements:

- be financially sound,
- be authorized to maintain the designated account in the currency agreed on by the Bank and the borrower,
- be audited regularly and receive satisfactory audit reports,
- be able to execute a large number of transactions promptly,
- be able to perform a wide range of banking services satisfactorily,
- be able to provide a detailed statement of the designated account,
- be part of a satisfactory correspondent banking network,
- charge reasonable fees for its services.

106. the opening and/or maintenance of a designated account if the 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 financial institution.

107. country’s central bank, or another institution as long as the relevant criteria for acceptability are met. tact the task team as soon as possible if it is considering using an institution that is not a commercial bank or the central bank, as some conditions may apply.

108. ceiling is the maximum amount of loan proceeds that may be on deposit in a designated account pending the provision to the Bank of supporting documentation evidencing the use of advanced funds.

109. project expenditures. It also considers the task team’s assessment of the borrower’s capacity to ensure effective use of designated accounts.

amount, or (b) an amount that is adjusted from time to time during project implementation based on periodic forecasts of cash flow needs (see subsection 6.1 of the Disbursement Guidelines).
mentation so long as the total amount for which supporting documentation has not yet been provided does not exceed the ceiling. Once the ceiling has been reached, the borrower must report on how funds previously advanced have been used before the Bank will disburse any additional advance amounts or provide evidence of immediate cash requirements that justify increasing the ceiling.

110. **Fixed Ceiling.** A ceiling that is a fixed amount may be appropriate when expenditures are expected to be incurred evenly throughout the life of the project. The life of the project and may be an average of the planned project expenditures.

111. Depending on the borrower’s capacity and performance, this type of ceiling can be modified. For example, the amount of the ceiling could be increased if the borrower has demonstrated its ability to manage the designated account within the ceiling; alternatively, it could be decreased if performance has been weak, or project implementation has slowed.

112. modified from a fixed amount to one that is based on periodic forecasts. For example, this could be appropriate for borrowers interested in using interim unaudited financial reports (which already include periodic forecasts) to support disbursement. For information regarding the process of modifying the ceiling, see the section on “Disbursement Issues during Project Implementation” in chapter VII.

113. **Ceiling Based on Periodic Forecasts.** A ceiling based on periodic forecasts may be appropriate when project expenditures are expected to vary over the life of the project in response to implementation needs (e.g., seasonal fluctuations, phasing of project components). In this case, the ceiling may be based on (a) the borrower’s forecasts as provided in its interim unaudited financial reports; or (b) the task team’s estimates of planned project expenditures, which may derive from, for example, the annual procurement plan or the annual budget. When the ceiling is based on periodic forecasts, the actual amount of the ceiling is likely to change from period to period to reflect changes in cash flow needs. The Bank assesses the reasonableness of forecasts and may adjust the amount it is willing to advance if it is not satisfied that a forecast is justified by planned project expenditures (see subsection 6.4 of the Disbursement Guidelines).

114. If the Bank determines that, based on project experience and borrower performance, periodic forecasts are not effective for setting the ceiling, the basis on which the ceiling is established may be changed to a fixed amount (see the section on “Disbursement Issues during Project Implementation” in chapter VII).
115. A request for an advance normally requires no supporting documentation at the time of the request if the amount requested is within the agreed ceiling. If payment of the amount would result in the ceiling being exceeded, the borrower would need to either (a) report to the Bank on the use of prior advances, or, exceptionally (b) provide a statement of planned project expenditures for the reporting period justifying the need to increase the ceiling.

116. When reporting on the use of advances, the supporting documentation should be in accordance with the requirements set out at the beginning of this chapter for all disbursements to borrowers.

117. When making payments from a designated account, the borrower is responsible for following all procedures specified in the legal agreement, the procurement plan, and any additional instructions provided in the disbursement letter.

118. designated account as eligible expenditures are incurred. - rouser is responsible for maintaining appropriate records including bank statements and bank reconciliations.

to review these during project supervision.

119. Transfers from Designated Accounts to Other Accounts of the Borrower. Loan proceeds on deposit in designated accounts may be transferred to another account of the borrower or the project if the need exists and if appropriate arrangements are in place to ensure that loan proceeds so advanced will only be used for the purposes intended.
other things, to

- facilitate the payment of large batches of expenditures in a currency other than the designated account currency;
- allow more control over the timing of payments by dispersed entities;
- avoid implementation bottlenecks caused by cumbersome procedures in a central entity holding the designated account.

120. account to other accounts of the borrower and reviews the arrangements for managing the transfers as part of its overall assessment of the borrower’s financial management arrangements.

121. a designated account, including amounts that may be transferred to another account of the borrower or the project. If the Bank determines that an ineligible expenditure has been financed from a designated account, it may require a refund (see the section on “Determination of Ineligible Expenditures” in chapter VII). provision applies equally to any amounts transferred from a designated account.
Designated Accounts

122. A designated account under a project preparation advance provided from the Project Preparation Facility (see the section on “Project Preparation Advances” in chapter III) may continue to be used for the follow-on loan. Any amount outstanding in the designated account at the time the project preparation advance is refinanced is treated as a partial advance of the amount agreed under the follow-on loan.

123. Advances are provided to the borrower based on project needs and planned project expenditures. The borrower is required to report regularly on the use of loan proceeds advanced to a designated account in accordance with the reporting period stipulated in the disbursement letter.

124. If the borrower does not provide any documentation of expenditures for the reporting period, this may indicate to the Bank that the advance is excessive and not required for project needs. It may also be indicative of project management problems (e.g., difficulty in preparing and/or authorizing applications, difficulty in documenting use of advances) or project implementation problems (e.g., delays in procurement). When delays in periodic reporting occur, the Bank requests the borrower to provide evidence that the amount in the designated account will be used to pay for eligible expenditures or to furnish an application within a specified period (see the Disbursement Guidelines, subsection 6.5). If a satisfactory response or application is not received within this period, the Bank will normally request a refund of the undocumented advance in the designated account (see the section on “Refunds” in chapter VII).

125. As indicated in the Disbursement Guidelines, subsection 8.1, if the borrower determines that amounts deposited in the designated account will not be required for planned project expenditures, the borrower can decide to refund the excess amount to the Bank, in which case the borrower notifies the Bank of its intent and the Bank provides instructions for payment (see the section on “Refunds” in chapter VII).

126. No new deposits or advances can be made after a threat or notice of suspension or during a full suspension of disbursements (see the section on “Suspension of Disbursements” in chapter VII). However, borrowers may continue to use any balance remaining in the designated account to meet eligible expenditures.

127. Loan proceeds advanced to the designated account regularly. Advances are treated as a designated account or a refund of the un-
documented balance before it closes the loan account. Normally, all documentation should be provided to the Bank no later than the disbursement deadline date.

remaining balance on deposit immediately after the deadline date, and the borrower must comply with the request within two months of this date or face Bank actions (see the Disbursement Guidelines, subsection 5.2).

128. Tables 5 and 6 describe the procedures for requesting an advance and reporting on the use of advances, respectively. Table 5 also explains the procedures for requesting an advance in installments.

129. Earlier advance or advances and simultaneously request an additional advance. Table 7 describes the procedure.

### Table 5. Applying for an Advance

<table>
<thead>
<tr>
<th>Application step</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>What form should be used?</td>
<td>Application for withdrawal, form 2380.</td>
</tr>
<tr>
<td>What sections of the form should be completed?</td>
<td>Section A, B, and D.</td>
</tr>
<tr>
<td>Who should sign the form?</td>
<td>The signatory designated by the borrower’s authorized representative.</td>
</tr>
<tr>
<td>What supporting documentation should be provided to the Bank?</td>
<td>None at the time of the request for an advance (see Table 6, “Reporting on the Use of Advances”).</td>
</tr>
<tr>
<td>Where should the request for an advance be sent?</td>
<td>The Bank office indicated in the disbursement letter.</td>
</tr>
<tr>
<td>How often should requests be made?</td>
<td>As required to ensure sufficient liquidity for project implementation and timely payment of suppliers.</td>
</tr>
</tbody>
</table>
| What steps should be taken to request the advance to be disbursed in installments? | • Check the appropriate field on form 2380.  
  • Fill out a requested schedule for advance payments, form 2381 and send it together with the application for withdrawal. |

  a. This application form replaces the earlier form 1903. The Bank will continue to accept, for a transition period, printed application forms previously provided to borrowers (see appendix III).
Table 6. Reporting on the Use of Advances

<table>
<thead>
<tr>
<th>Application step</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>What form should be used?</td>
<td>Application for withdrawal, form 2380.</td>
</tr>
<tr>
<td>What sections of the form should be completed?</td>
<td>a</td>
</tr>
<tr>
<td>Who should sign the form?</td>
<td>The signatory designated by the borrower’s authorized representative.</td>
</tr>
</tbody>
</table>
| What supporting documentation should be provided to the Bank? | • Interim unaudited financial reports, statements of expenditure, records, or records required by the Bank for specific expenditures and statements of expenditure for all other expenditures, as indicated in the disbursement letter for the project.  
• List of payments against contracts that are subject to the Bank’s prior review, if notified by the Bank in the disbursement letter that this is required.  
• Evidence of payment if notified by the Bank that this is required and/or other documentation, which can take the form of a bank statement and bank reconciliation for the designated account or other documentation that the Bank has indicated is appropriate. The disbursement letter will generally note this requirement.  
• Other supplementary information that the Bank may stipulate by means of the disbursement letter or by notice to the borrower. |
| Where should the reporting on use of advances be sent?  | The Bank office indicated in the disbursement letter.                        |
| How often should the reporting on use of advances be sent? | On a periodic basis as specified in the disbursement letter or more often if the borrower wishes. |

a. This application form replaces the earlier form 1903. The Bank will continue to accept, for a transition period, printed application forms previously provided to borrowers (see appendix III).
**Table 7. Reporting on the Use of a Prior Advance and Requesting an Additional Advance**

<table>
<thead>
<tr>
<th>Application step</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>What form should be used?</td>
<td>Application for withdrawal, form 2380.</td>
</tr>
<tr>
<td>What sections of the form should be completed?</td>
<td>Sections A, B, C, and D.</td>
</tr>
<tr>
<td>Who should sign the form?</td>
<td>The signatory designated by the borrower’s authorized representative.</td>
</tr>
</tbody>
</table>
| What supporting documentation should be provided to the Bank? | • Interim unaudited financial reports, statements of expenditure, records, or records required by the Bank for specific expenditures and statements of expenditure for all other expenditures, as indicated in the disbursement letter for the project.  
• List of payments against contracts that are subject to the Bank’s prior review, if notified by the Bank in the disbursement letter that this is required.  
• Evidence of payment if notified by the Bank that this is required and/or other documentation, which can take the form of a bank statement and bank reconciliation for the designated account or other documentation that the Bank has indicated is appropriate. The disbursement letter will generally note this requirement.  
• Other supplementary information that the Bank may stipulate by means of the disbursement letter or by notice to the borrower. |
| Where should the completed application form be sent? | The Bank office indicated in the disbursement letter. |
| How often should the application be sent? | On a periodic basis as specified in the disbursement letter or more often if the borrower wishes. |

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This application form replaces the earlier form 1903. The Bank will continue to accept, for a transition period, printed application forms previously provided to borrowers (see appendix III).
130. At the request of the borrower, the Bank disburses directly to third parties either by paying the supplier or consultant directly or by paying the commercial bank that handles payments to a supplier under a letter of credit. Direct payment and special commitment disbursement methods, what supporting documentation the borrower must provide to the Bank when using these methods, when it is required, and what limitations may apply.

Using the Direct Payment Method

131. Normally, direct payments are used for contracts for which the Bank’s “no objection” is required prior to signature of the contract (see annex I of the Guidelines: Procurement under IBRD Loans and IDA Credits for procurement review procedures). The method may be used when relatively large payments are required or when payments are in currencies that borrowers may have difficulty obtaining. It is also used when suppliers or contractors require it.

132. To reduce paperwork and the cost of doing business for both the borrower and the Bank, the Bank sets a minimum value for applications for direct payment (see the Disbursement Guidelines, subsection 3.5). Project appraisal and varies depending on the size of the loan, the nature of the project, the types of expenditures to be financed, and the circumstances of the country. The project is documented in the disbursement letter. Expenditures under the minimum value should be aggregated until the minimum is reached (e.g., by grouping two or more invoices from the same supplier), prefinanced by the borrower if funds are available (see the section on “Using the Reimbursement Method”) or financed using funds in the designated account (see the section on “Using the Advance Method”).

133. Because the disbursement is to a third party, copies of original records are required at the time the borrower makes the re-
quest for direct payment. Such supporting documentation is usually the supplier’s or consultant’s invoice or a summary statement of works performed signed by the supervising engineer or another authorized official.

134. Document retention is outlined in the section on “Supporting Documentation” in chapter III of this handbook.

135. Table 8 describes the procedures for requesting a direct payment to a third party.

Using the Special Commitment Method

136. To finance the purchase of imported goods under a project, the terms of the contract with the supplier may require the borrower to open a letter of credit. Letters of credit are governed by the Uniform Customs and Practices for Documentary Credits (box 2). If a commercial bank is unwilling to open, advise, or confirm the letter of credit without some reimbursement guarantee or security, the Bank, at the request of the borrower, will provide the commercial bank with a guarantee in the form of a special commitment. Normally, special commitments are used for contracts for imported goods for which the Bank’s “no objection” is required prior to signature of the contract (see annex I of the Guidelines: Procurement under IBRD Loans and IDA Credits for procurement review procedures).

137. Under its special commitment, the Bank undertakes to reserve funds in the loan account for later disbursement to a com-

<table>
<thead>
<tr>
<th>Table 8. Applying for a Direct Payment to a Third Party</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Application step</strong></td>
</tr>
<tr>
<td>What form should be used?</td>
</tr>
<tr>
<td>What sections of the form should be completed?</td>
</tr>
<tr>
<td>Who should sign the form?</td>
</tr>
<tr>
<td>What supporting documentation should be provided to the Bank?</td>
</tr>
<tr>
<td>Where should the request for a direct payment be sent?</td>
</tr>
<tr>
<td>How often should requests be made?</td>
</tr>
</tbody>
</table>

a This application form replaces the earlier form 1903. The Bank will continue to accept, for a transition period, printed application forms previously provided to borrowers (see appendix III).
Letters of credit require supporting documentation (e.g., invoices, insurance certificates, bills of lading) that negotiating banks can readily evaluate in accordance with the Uniform Customs and Practices for Documentary Credits, a universally recognized set of rules governing letters of credit. In the case of consultant services and civil works, the procedures of the Uniform Customs and Practices for Documentary Credit are not applicable and the negotiating bank may not have the means to check on the services provided. Therefore to protect the interests of both the borrower and the Bank, special commitments are typically only issued for the purchase of goods.

Special commitments are generally not issued in the borrower’s local currency, because they are meant to facilitate the procurement of foreign goods. In some instances, foreign suppliers are unwilling to export goods to the borrower’s country without the Bank’s guarantee of payment in hand.

Note: Special commitments do not cover interest, commission, and other charges or expenses in connection with the letter of credit; however, these charges are normally eligible for withdrawal from the loan account and can be claimed using another disbursement method.

139. Because the loan amount is limited, each special commitment has a limitation clause specifying the aggregate limit, in the currency of commitment of the loan, that the Bank is obligated to pay when conditions for payment have been met. In computing the limitation, the Bank uses the current exchange rate with a margin to cover normal currency fluctuations.

140. Bank routinely reviews the limitation clauses of its special commitments and increases the limits where conditions warrant if uncommitted loan funds are available. Borrowers who request special commitments agree in the application form that if, because of this limitation clause, the Bank cannot disburse the full amount needed to make payments against the letter of credit covered by the special commitment, any uncommitted portion of the loan may be disbursed to cover the deficiency. If the uncommitted portion of the loan is insufficient to cover the deficiency, the borrower must arrange to make payment to the bank holding the special commitment promptly.

141. To reduce paperwork and the cost of doing business for both the borrower and the Bank, the Bank establishes a minimum value.
for applications for special commitment (see the Disbursement Guidelines, subsection 3.5).

The total amount of the special commitment and subsequent payments against the special commitment are not subject to any minimum.

The amount varies depending on the size of the loan, the nature of the project, the types of expenditures to be financed, and the circumstances of the country.

In the disbursement letter. Letters of credit under the minimum value should be prefined by the borrower if funds are available (see the section on “Using the Reimbursement Method” in chapter V) or financed using funds in the designated account (see the section on “Using the Advance Method” in chapter V).

142. Table 9 describes the procedures for applying for a special commitment.

143. Promptly a by the commercial bank under the letter of credit, the commercial bank claims payment from the Bank. Table 10 describes the procedures followed by the commercial bank when applying for a payment under a special commitment.

144. Commercial banks that receive the Bank’s special commitments must advise the Bank’s Loan Department directly of any

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**Table 9. Applying for a Special Commitment**

<table>
<thead>
<tr>
<th>Application step</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>What form should be used?</td>
<td>Application for a special commitment, form 1931.</td>
</tr>
<tr>
<td>Who should sign the form?</td>
<td>The signatory designated by the borrower’s authorized representative.</td>
</tr>
<tr>
<td>What supporting documentation should be provided to the Bank?</td>
<td>A copy of the letter of credit (with valid expiry date) that the commercial bank, known as the opening bank, has issued.</td>
</tr>
<tr>
<td>Where should the request for a special commitment be sent?</td>
<td>Pro forma invoices, if cited in the letter of credit.</td>
</tr>
<tr>
<td>How does the Bank confirm that the special commitment has been established?</td>
<td>The Bank office indicated in the disbursement letter.</td>
</tr>
<tr>
<td>When should a request for a special commitment be made?</td>
<td>Following Bank approval of the application, the Bank sends the special commitment on form 2018 to the commercial bank that will negotiate payments, together with a copy of the proposed letter of credit. The Bank also sends a copy of the special commitment to the borrower. The commercial bank’s first request for payment under the special commitment constitutes its acceptance of the terms and conditions of the special commitment. As and when required under the terms of a contract. The borrower should ensure that a copy of the contract or purchase order has been provided to the Bank by the time the application for a special commitment is made.</td>
</tr>
</tbody>
</table>
Table 10. Applying for a Payment under a Special Commitment

<table>
<thead>
<tr>
<th>Application step</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>What form should be used?</td>
<td>The commercial bank should send a SWIFT message in the general form provided in annex G or send a request by mail using form 2015.</td>
</tr>
<tr>
<td>What supporting documentation should be provided to the Bank?</td>
<td>None.</td>
</tr>
<tr>
<td>Where should the request for a payment be sent?</td>
<td>The Bank office indicated in the special commitment letter, form 2018.</td>
</tr>
<tr>
<td>How often should requests be made?</td>
<td>After each payment or negotiation of documents by the commercial bank.</td>
</tr>
</tbody>
</table>

and all amendments to the letters of credit (borrowers should not send copies of the amendments to the Bank), amendments to letters of credit must be approved by the Bank in advance:

- amendments that change the value of the letter of credit, the description or quantity of goods, or the beneficiary;
- amendments that extend the expiry date of the letter of credit more than six months beyond the original expiry date or beyond the loan closing date specified in the commitment letter, whichever is earlier (see the paragraph on “Loan Closing Dates and Letter of Credit Expiry Dates”);
- amendments that permit an advance payment of more than 25 percent before the goods are shipped.

145. Note: date has been extended. It will only get this information by requesting the Bank’s approval of any amendment that extends the expiry date of the letter of credit beyond the loan closing date. been extended and the new expiry date of the letter of credit is before that new date, the Bank may approve the amendment.

146. credit that are valid beyond the loan closing date or for letters of credit whose validity has already lapsed. Similarly, the Bank will not approve an amendment to a letter of credit covered by a special commitment if the expiry date is later than the loan closing date. The be approved and paid under the loan, all claims must be provided to the Bank within 30 days of the closing date.
suring that project management and disbursement arrangements meet the needs of the project during implementation. Explains how project implementation issues can affect disbursement arrangements and the actions that the Bank and the borrower can take. It also discusses project completion issues and what the Bank and the borrower can do to ensure an orderly closing of the loan account.

Disbursement Issues during Project Implementation

148. General Conditions specify that the Bank has the right to make certain changes to the legal agreement by notice to the borrower. Such changes include extending the closing date to permit continued loan withdrawals, reallocating funds, or reducing disbursement percentages to meet the financing needs of the expenditures in a category. Other amendments to legal agreements including any increase in a disbursement percentage. Changes that will significantly affect a project’s design or scope may also require approval by the Bank’s executive directors.

149. Actual progress of a project during implementation may differ from the original estimates for many reasons. Frequently, the implication for disbursement is the reallocation of some funds from one expenditure category to another. Although the Bank may reallocate funds by notice to the borrower as indicated in

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21 See IBRD General Conditions and IDA General Conditions (2005), Definitions, “Closing Date.”
22 See IBRD General Conditions and IDA General Conditions (2005), section 2.08.
the previous paragraph, in most cases funds are reallocated a progress of the project is reviewed with the borrower during supervision.

**Note:** To avoid any delay in disbursements for additional expenditures under a category that has been or is about to be fully disbursed, borrowers should initiate discussions about the reallocation of funds sufficiently ahead of time for the loan proceeds to be reallocated from another expenditure category.

150. Arise because of changes in project needs, changes in financial management and procurement arrangements, or changes in the adequacy of financial management or procurement arrangements (e.g., an increase or decrease in assessed risk). When modifications to the disbursement methods and/or supporting documentation are required, the new arrangements are discussed by the borrower and the Bank. If the disbursement arrangements for the loan are governed by the disbursement letter and Disbursement Guidelines (as is the case for most loans negotiated 2005), the Loan Department issues a new disbursement letter. For other loans (i.e., those not governed by the disbursement letter and Disbursement Guidelines), an amendment to the disbursement provisions in the legal agreement may be required.

151. Ineligible expenditures include the following:

- items not covered by the project and category descriptions in the legal agreement;
- items not procured in accordance with the procurement plan and agreed procurement procedures;
- payments made before the legal agreement date or, for projects with retroactive financing provisions, before the earlier date specified in the legal agreement;
- payments made for expenditures incurred a date, except as otherwise agreed with the Bank (see the section on “Loan Account Closing”);
- expenditures for which the borrower has been unable to provide sufficient and appropriate evidence.

23 As provided in the Disbursement Guidelines, section 7, when the Bank determines that an ineligible expenditure has been financed by loan proceeds, the Bank may require the borrower to (a) refund the amount to the Bank or to the designated account; or (b) in exceptional circumstances, provide substitute documentation. The task team decides on the appropriate course of action, taking into account the size of the ineligible expenditure and the

23 For projects in countries without approved country financing parameters, see appendix I for specific ineligible items.
borrower’s previous performance. Borrower of its findings, specifying the nature of the ineligible expenditure and requesting a refund or substitute documentation within a specified period of time (see the section on “Refunds” later in this chapter).

153. If the borrower does not provide acceptable audited financial statements to the Bank as required by the legal agreement, the Bank may implement certain restrictions. A Bank may discontinue the use of summary reports (i.e., interim unaudited financial reports and statements of expenditure) as supporting documentation for applications for withdrawal until such time as the borrower provides the audited financial statements. Advances to the designated account. A may suspend all disbursements on that loan.

**Note:** When the Bank has discontinued the use of summary reports as a result of the borrower’s non-compliance with audit covenants in the legal agreement, the Bank may also decide not to accept applications for withdrawal that would ordinarily have been supported by summary reports but for which the borrower now wishes to provide records. See subsection 4.5 of the Disbursement Guidelines.

154. If the audited financial statements reveal major deficiencies in internal controls, including inadequate evidence that funds have been used for eligible expenditures, the Bank may suspend disbursements on that loan until it is satisfied that the borrower and the project implementing entities have taken adequate remedial action.

155. When a borrower fails to comply with the conditions specified in the legal agreement, the Bank may suspend disbursements. Suspension may apply to an entire loan, to a component of that loan, or to several loans. In the case of defaults related to debt service, the Bank’s policy is to suspend disbursements on all loans to, or guaranteed by, the member country.24 Borrower in writing whenever disbursements are suspended and gives details of any items that the Bank may, at its discretion, exempt from the suspension. Payments against special commitments are not subject to suspension. (See also the section on “Designated Accounts during Suspension of Disbursements.”)

156. Proceeds of a loan to the Bank.

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• excess funds in a designated account that are not needed for project implementation;
• unused funds remaining in a designated account at the end of a project;
• borrower error, for example, the same expenditure claimed more than once;
• World Bank error, for example, payment made for the wrong amount;
• expenditures deemed ineligible for financing under the loan during a subsequent Bank review or audit;
• declaration of misprocurement when payments have already been made against the misprocured contract.

157. 

Excess funds are credited to the Bank’s account at its depository bank and gives the borrower the appropriate reference (i.e., the loan number and withdrawal authorization number) to cite. To cancel the refunded amount or to recredit it to the loan account to be made available to meet future eligible expenditures incurred under the operation. For amounts refunded pursuant to a declaration of misprocurement, the amount is always cancelled. For small amounts refunded a the Bank reserves the right to apply the refunded amount to debt service.

158. Amounts refunded to the Bank are credited to the loan account on the value date of receipt of the refund when the refund is made in the currency of commitment of the loan. When a refund is made in another currency, the Bank—acting as the borrower’s agent—purchases the currency of the loan and the refund is credited to the loan account on the settlement date of such purchase. The date of withdrawal from the loan account and the date of the refund. If, however, excess withdrawal was caused by a Bank error, the refund is credited back to the loan account in the full amount charged on the date of withdrawal.

159. In accordance with the Disbursement Guidelines, subsection 8.1, the borrower also has the right to refund to the Bank all or any amount of the loan on deposit in the designated account. (See also the section on “Excess Advances” in chapter V and note that the borrower can, upon notice to the Bank, also initiate the refund of an excess amount.)

160. Under the General Conditions, borrowers may, by notice to the Bank, cancel any amount of the loan balance that has not been withdrawn.
161. In accordance with the provisions of the General Conditions for reasons related to, among others, continuing suspension of disbursements, savings in project costs, misprocurement, and expiry of the closing date, cancellation of financial commitments is possible.

162. Cancellation notices specify the date of the cancellation, that is, the date from which commitment charges stop accruing on the cancelled amount.

**Loan Account Closing**

163. The closing date is established on the basis of the anticipated project completion date, which is normally specified in the project appraisal document. All eligible expenditures required for the project must be incurred by the loan closing date. When implementation has been delayed, the Bank may extend the closing date, usually by agreement with the borrower.

164. To facilitate orderly project closing, the Bank may agree to accept applications for withdrawal of loan proceeds or supporting documentation for a period of up to four months after the closing date for eligible expenditures incurred on or before the closing date. The documentation is known as the disbursement deadline date and can be agreed at the beginning of the project or as the project approaches the closing date, indicated in the disbursement letter or other notification by the Bank.

165. Recognizing that circumstances beyond the borrower’s control may affect its ability to complete the provision of all applications and supporting documentation by the disbursement deadline date, the Bank may, on an exceptional basis, consider an extension of up to an additional two months. The borrower must notify the Bank as soon as the delay is identified, but no later than the disbursement deadline date, specifying the reason for the delay and the estimated time required to provide remaining applications for withdrawal and supporting documents. The Bank has the right not to accept requests for extension that it considers to be unreasonable or due to the borrower’s poor management of the closing process.

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26 See articles VII and VI, respectively, of the IBRD General Conditions and IDA General Conditions (2005).

27 For information about how cancellations affect debt service schedules, see the World Bank Debt Servicing Handbook.
166. When audit fees are eligible expenditures for the project, special arrangements may be required for payment from the loan account of the fee for the final audit under the project, which is normally completed and paid for only a For the final audit fee to be eligible for withdrawal from the loan account, (a) the borrower should sign a contract for the final audit prior to the closing date, and (b) the contract should be a lump sum or fixed price contract that requires completion of the final audit within six months of the end of the fiscal year in which the final disbursement was made under the loan.

167. If the audit work is completed and billed before the disbursement deadline date, the borrower can claim actual audit costs in an application for direct payment to the auditor, request reimbursement if the borrower has already made the payment, or pay for the work from any monies remaining in the designated account.

168. If the audit work cannot be completed before the disbursement deadline date, payment may be made into an escrow account prior to the disbursement deadline date. Procedures for establishing an escrow account and a sample letter of agreement are shown in annex 1. A sends an application for withdrawal together with supporting documentation, including a copy of the contract, the terms of reference for the audit, and the letter of agreement. If the Bank does not receive the audited financial statements within the time stipulated, it may request a refund of the fee.

169. If the borrower does not have access to an escrow mechanism, the task team and the Loan Department should be contacted to discuss available options as soon as possible prior to the closing date.

170. Two issues that may require attention at the time of closing are (a) retention monies on contracts that have been completed successfully on or before the closing date, but for which the warranty period goes beyond the closing date; and (b) pending payments on contracts.

171. Retention Monies. Retention monies are normally eligible for withdrawal from the loan account at the end of the contract warranty period or another specified date (e.g., one year from the date of the original invoice). When the warranty period goes beyond the closing date, the Bank will accept retention money as an eligible expenditure if (a) the contract for the works has been completed and the works have been provisionally accepted before the loan closing date; and (b) the contract provides for the option of replacing the retention money with an on-demand bank guar-
antee or other suitable performance security. An application for withdrawal together with supporting documentation that normally includes evidence of provisional acceptance and a copy of the bank guarantee. Procedures for disbursement of retention money are outlined in annex J. If the borrower needs additional time for the contractor to supply the on-demand bank guarantee, the Bank may consider extending the closing date.

172. **Pending Payments on Contracts.**

- The Bank is responsible for managing and monitoring all contracts required for the project. Payments due on contracts completed by the closing date are made, and all outstanding issues are resolved by the disbursement deadline date.

- To facilitate orderly closing of the loan account, the Bank may alert the borrower to any pending payment issues of which it is aware before the closing date. The Bank may advise the borrower not to close the loan account if it is aware of pending payment issues or any contract disputes remaining unresolved.

173. To facilitate orderly closing of the loan account, the Bank may alert the borrower to any pending payment issues of which it is aware before the closing date. The Bank may advise the borrower not to close the loan account if it is aware of pending payment issues or any contract disputes remaining unresolved. The Bank may also advance funds to a designated account or request a refund of the undocumented balance. Normally, all documentation should be provided to the Bank on or before the disbursement deadline date. The undocumented balance is to be provided immediately after the disbursement deadline, and the borrower must comply with the request within two months of this date or face Bank actions for lapsed loans. Bank actions triggered by such lapsed loans include not accepting the use of designated accounts under the borrower’s new projects until such time as the refund is received (see the Disbursement Guidelines, subsection 5.2).
175. Development policy lending is quick-disbursing financing to support policy and institutional reforms. Operational Policy/Bank Procedure 8.60, Development Policy Lending, provides the Bank’s policies and procedures that govern this lending instrument.

Overview

176. Under a development policy loan, the borrower usually commits not to use the funds for ineligible purposes specified in a standard list of ineligible expenditures. Development policy loans normally do not link loan proceeds to pre-identified expenditures of the borrower.

177. or more stages (tranches). Tranches are disbursed against satisfactory implementation of the development policy lending program, including compliance with tranche release conditions and maintenance of a satisfactory macroeconomic policy framework.

Fiduciary Arrangements

178. During preparation and appraisal, the task team determines the account into which loan proceeds will be disbursed. normally disburses the loan proceeds into an account that is part of the country’s official foreign exchange reserves, usually held by the central bank, and requires the borrower to credit an amount

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28 See annex B for a comparative summary of the project documents, key dates, and disbursement arrangements relevant to investment loans and development policy loans.

29 If available, the Bank’s task team draws on the International Monetary Fund’s most recent safeguards assessment of the country’s central bank.
equivalent to the loan proceeds to an account of the government available to finance budgeted expenditures (e.g., consolidated fund, single treasury account).

the borrower that an equivalent amount of the loan proceeds has reached the country’s foreign exchange reserves and the budget. (For additional information, see the Development Policy Lending Good Practice Notes, prepared for Bank staff but also available for clients.)

179. In some circumstances (e.g., when the Bank has inadequate knowledge of the central bank’s control environment or budget management system or when an acceptable plan to deal with identified financial management weaknesses is not in place), the task team considers additional fiduciary arrangements.

- disbursing the loan proceeds into a dedicated account or accounts to ensure that the amount disbursed by the Bank reaches a specific deposit account or accounts used exclusively for the intended operation,
- requiring the dedicated account or accounts to be audited,
- agreeing on specified purposes and/or expenditures for which loan proceeds may be used.

Key Documents


Articles of Agreement of IBRD and of IDA, signed by all member countries of the respective institutions, are the institutions’ governing charters. The institutions make arrangements to ensure that loan proceeds are used only for the purposes for which the loan was granted and that the borrower may only withdraw loan proceeds to meet expenses in connection with the project as they are actually incurred (IBRD Articles, Article III, Section 5; IDA Articles, Article V, Section 1) projects, except in special circumstances. For development policy operations, the executive directors approve each operation after considering whether it meets the special circumstances provision of the Articles.

182. General Conditions for Loans and the General Conditions for Credits and Grants set forth certain terms and conditions generally applicable to loan agreements and credit and grant

30 See IBRD Articles, article III, section 4 (vii), and IDA Articles, article V, section 1 (b).
agreements. **General Conditions** include, among other things, provisions relating to the following topics:

- introductory provisions;
- withdrawals;
- IBRD loan or IDA financing terms;
- project execution;
- financial and economic data, negative pledge (for IBRD loans);
- **cancellation**: suspension; **acceleration**: grant refund (for IDA credits and grants);
- enforceability; arbitration;
- effectiveness; termination;
- miscellaneous provisions on matters such as notices and authority;
- definitions.

183. all **legal agreements**. For development policy operations, certain terms and definitions of the General Conditions will usually be modified or deleted as set out in the appendix to the operation’s legal agreement.

184. For each loan, the Bank and the borrower enter into a legal agreement that includes the terms and conditions under which loan proceeds may be withdrawn, the provisions for disbursing loan proceeds, and the borrower’s undertaking not to use loan proceeds to finance excluded expenditures as defined therein.

185. A **disbursement letter** is normally not prepared for development policy operations. A disbursement letter in circumstances when such additional instructions would clarify or expand on the proposed procedures for withdrawal from the **loan account**, For example, a disbursement letter might be appropriate if the operation

- includes the clearance of arrears;
- involves subnational entities;
- involves a borrower with little or no experience with the Bank’s development policy procedures;
- requires that loan proceeds be used for specified purposes.

186. If the Bank and the borrower agree that a disbursement letter is appropriate, a dra package and discussed and finalized during negotiations. Bank issues the disbursement letter together with the signed legal agreement.

187. For each development policy operation proposed for Bank financing, the Bank prepares a program document that describes and appraises the operation.
Other Useful Documents

188. Users of this handbook may also be interested in the *World Bank Debt Servicing Handbook*, which provides detailed information about the World Bank’s lending instruments, the *Project Preparation Facility*, the Bank’s financial products and terms, the policy on overdue payments and sanctions, the partial waiver of loan charges policy, and the Bank’s billing procedures.

Key Dates

189. Table 11 shows the key dates for a development policy operation.

Withdrawal of Loan Proceeds

190. Following loan effectiveness, Loan Department staff process disbursements under development policy loans upon receipt of an application for withdrawal from the borrower and a copy of the Bank’s notification to the borrower that the conditions of the tranche release have been met. When the loan has multiple tranches, each tranche is subject to fulfillment of the related tranche release conditions and maintenance of an appropriate macroeconomic policy framework. Table 12 describes the procedures for withdrawing loan proceeds.

Table 11. Key Dates for a Development Policy Operation

<table>
<thead>
<tr>
<th>Event</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan approval date</td>
<td>The date the Bank approves the loan for the project.</td>
</tr>
<tr>
<td>Legal agreement date</td>
<td>In most cases, the date the borrower and the Bank sign the legal agreement.</td>
</tr>
<tr>
<td>Effective date</td>
<td>The date on which the Bank provides notice to the borrower of the Bank’s acceptance of the evidence required to show conditions of effectiveness under the legal agreement have been met, and on which the legal agreement enters into effect. Disbursements may be made from the loan account as of this date, as long as the borrower has met the tranche release conditions.</td>
</tr>
<tr>
<td>Closing date</td>
<td>The date specified in the legal agreement (or later date established by the Bank by notice to the borrower) after which the Bank may, by notice to the borrower, terminate the borrower’s right to make withdrawals from the loan account and cancel any undisbursed balances of a loan.</td>
</tr>
<tr>
<td>Disbursement deadline date</td>
<td>Same as the closing date.</td>
</tr>
</tbody>
</table>
### Table 12. Applying for a Tranche Payment

<table>
<thead>
<tr>
<th>Application step</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>What form should be used?</td>
<td>Application for withdrawal, form 2380.</td>
</tr>
<tr>
<td>What sections of the form should be completed?</td>
<td>A Section A, B, and D.</td>
</tr>
<tr>
<td>Who should sign the form?</td>
<td>The authorized representative of the borrower or the official delegated for this purpose.</td>
</tr>
<tr>
<td>What supporting documentation should be provided to the Bank?</td>
<td>Usually none; however, the Bank may require supporting documentation in cases where the Bank and the borrower have agreed that the loan proceeds will be used for specified purposes as defined in the legal agreement. In such cases a disbursement letter is prepared and specifies the supporting documentation.</td>
</tr>
<tr>
<td>Where should the application be sent?</td>
<td>In most cases, when paper forms are used, the application for withdrawal is delivered to the World Bank’s country office for electronic transmission to the Loan Department. To expedite payment to the borrower, the Loan Department will accept a faxed or scanned copy of the original application for withdrawal provided it is sent by the Bank’s country manager (or other senior designated official), who confirms the details of the application and that the original application is being sent to the Loan Department by courier.</td>
</tr>
<tr>
<td>When is the disbursement made?</td>
<td>The disbursement is made immediately on approval of the application by the Loan Department.</td>
</tr>
</tbody>
</table>

---

**Note:**
allow electronic delivery of application forms and supporting documentation through Client Connection and that will fulfill the signature requirements for such purposes. Electronic features will be made available to registered Client Connection users a scheduled for November 2006.

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### Other Disbursement Issues

191. IBRD loan terms allow for front-end fees to be paid by the borrower or to be financed under the loan. When they are financed under the loan, the Bank withdraws the amount of the front-end fee payable to the Bank from the loan account on the effective date of the loan or, in the case of a loan with a deferred drawdown option, on the date of the withdrawal from the loan account. Amount is credited to the Bank as payment of the front-end fee due.

31 In the case of a deferred drawdown option, the amount of the front-end fee credited is in proportion to each withdrawal from the loan account.
192. When the Bank and the borrower have agreed that other loan charges will be financed under the loan (e.g., conversion fees for IBRD loans), the Bank withdraws the amount of the charge payable to the Bank from the loan account on the transaction settlement date.

193. A deferred drawdown option allows IBRD-eligible borrowers to postpone the drawdown of development policy loan proceeds. Loans with this option have a drawdown period of three years, beginning from the date of the legal agreement, during which the borrower may elect to draw down the loan in one or more tranches when a financing need arises provided that (a) the macroeconomic policy framework remains satisfactory, and (b) the borrower continues to adhere to the agreed development policy program. The Bank may extend the drawdown period for up to an additional three years provided that implementation of the reform program and the macroeconomic policy framework remain satisfactory.

194. For loans with deferred drawdown options, the borrower must have met tranche release conditions prior to loan approval. When the borrower requests a disbursement, the Bank must reconfirm that the drawdown conditions continue to be met before loan proceeds can be disbursed. If the Bank has not previously had to advise the borrower of the need for a subsequent review to confirm that both conditions are met as a prerequisite for a drawdown, the task team would quickly reconfirm whether the two conditions remain satisfied. If the Bank had previously advised the borrower of the need for a subsequent review, the task team conducts a full review of the macroeconomic policy framework and overall program implementation as soon as possible following receipt of the borrower’s drawdown request. If Bank staff determine that the borrower does not meet one or both drawdown conditions, the borrower is promptly advised of the reasons for this determination.

195. Normally, no withdrawals may be made from the loan account until the closing date. The disbursement deadline date is always the same as the closing date.
Acceleration: Refers to the events specified in the General Conditions the occurrence of which may lead the Bank to declare all or part of the withdrawn loan balance (and other loan payments) to be immediately due and payable.

Advance: Loan proceeds the World Bank has deposited into the borrower’s designated account to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date.

Applicable exchange rate: An exchange rate established by the World Bank for each currency for the valuation of all transactions in that currency on a particular value date.

Application for a special commitment: A form used by the borrower for the commitment of loan proceeds in accordance with the provisions of a loan.

Application for withdrawal: A form used by the borrower to request the withdrawal of loan proceeds from the loan account and/or to document expenditures paid from a designated account in accordance with the provisions of a legal agreement.

Audited financial statements: Statements reflecting the project’s operations, resources, and expenditures required to be prepared pursuant to the legal agreement as audited by independent auditors in accordance with consistently applied auditing standards acceptable to the Bank.

Authorized signature: An authenticated signature or signatures of the officials authorized pursuant to the legal agreement to sign applications for withdrawal and for a special commitment. Borrower must provide these to the World Bank before loan proceeds may be withdrawn or committed

Bank: IBRD, or, where the context requires, IDA. In this handbook, the term Bank and World Bank are o

Borrower: Agreement to which the World Bank extends a loan, credit or grant.

Borrower systems: Institutions, laws, regulations, rules, and procedures used to record transactions and periodically summarize and report on them.

Cancellation: Legal agreement, of the borrower’s right to withdraw all or part of the undisbursed balance of a loan.

Ceiling: Proceeds that may be on deposit in a designated account at any given time. An amount or an amount that is adjusted from time to time based on periodic forecasts of project cash flow needs.

Closing date: Agreement (or later date established by the Bank by notice to the borrower) a Bank may terminate the right of a borrower to make withdrawals from the loan account and cancel any undisbursed balance of the loan.

Cofinancing: Financing, besides the loan, that is referred to in the legal agreement and is provided or to be provided for the project.

Contract: An agreement between the borrower and a supplier and/or consultant to provide goods or services for an agreed fee.

Cost currency: Uses to purchase the currency to be paid to or on the order of the borrower as requested in the application for withdrawal.

1 This handbook and are not meant to supersede the formal definition of any of such terms provided in the General Conditions and/or legal agreements relevant to specific operations, or in Bank policy.
Cost sharing: be financed by the World Bank, the borrower, and any cofinancers. For countries with country financing parameters, the Bank’s maximum cost-sharing percentage for a project is specified in the country financing parameters.

Country financing parameters: parameters for World Bank financing for projects in each country.

of recurrent costs, (c) financing of local costs, and (d) financing of taxes and duties.

Currency of commitment: which the loan is denominated. For IBRD borrowers, this is the loan currency or currencies set forth in the legal agreement. For IDA borrowers, this is special drawing rights.

Currency of expenditure: which the borrower pays for an eligible expenditure.

Dedicated account: accounts established for holding loan proceeds or counterpart funds under a development policy loan. Normally used only when the Bank requires additional steps to secure acceptable fiduciary arrangements.

Deferred drawdown option: An option available under development policy loans for IBRD-eligible borrowers to postpone the drawdown of loan proceeds.

Designated account: an advance of the loan proceeds is deposited and from which the borrower may pay contractors, suppliers, and others to cover eligible project expenditures as they are incurred. Previously called a special account and limited to holding World Bank loan proceeds.

Development policy lending: Quick-disbursing World Bank financing to support policy and institutional reforms.

Direct payment: Disbursement by the World Bank from the loan account, at the borrower’s request, directly to a third party (e.g., supplier, contractor, consultant) for eligible expenditures.

Disbursement: proceeds by the World Bank from the loan account upon the borrower’s provision of an application for withdrawal and the Bank’s clearance of the application.

Disbursement arrangements: Arrangements for secure, efficient, and cost-effective delivery of loan proceeds that include the methods used for payment to the borrower or to third parties and the supporting documentation to be provided to the Bank as evidence of the use of loan proceeds. Disbursement arrangements are sometimes more broadly defined to include the expenditures eligible for financing from the loan and the expenditure categories and disbursement percentages for a loan.

Disbursement condition: A condition specified in the legal agreement that needs to be met before the borrower may withdraw an amount of a loan. Normally, the condition applies to the first disbursement under a specific expenditure category. In the legal agreement, this condition is referred to as a withdrawal condition.

Disbursement currency: which the borrower has requested a withdrawal.

Disbursement deadline date: on which the World Bank will accept applications for withdrawal from the borrower or documentation on the use of loan proceeds already advanced by the Bank, which is usually up to four months after the loan closing date. Expenditures incurred between the closing date and the disbursement deadline dates are not eligible for disbursement except as otherwise agreed with the Bank.

Disbursement Guidelines: World Bank

Disbursement Guidelines for Projects, issued on September 30, 2005, and revised May 1, 2006, and applicable to investment projects.

Disbursement letter: Additional instructions, as referenced in the legal agreement, that the World Bank issues to the borrower describing the disbursement arrangements for withdrawing proceeds from the loan account under the particular investment operation.

Disbursement methods: Methods that the World Bank uses to disburse loan proceeds from the loan account (i.e., reimbursement, advance, direct payment, special commitment).

Disbursement percentage: of eligible expenditures to be financed under a project.

Documentation: A general term used to indicate the supporting evidence for a decision or action taken or to be taken. In an accounting context, documentation generally refers to supporting documents such as records (vendor invoices, payment acknowledgement, shipping advice, etc.) or summary reports of expenditures to support a payment, refund, accounting entry, or other accounting event (see the definitions for records, supporting documentation, and summary reports).
Effective date: Provides notice to the borrower of the Bank’s acceptance of the evidence required to show the conditions of effectiveness under the legal agreement have been met, and on which the legal agreement enters into effect. Withdrawals may be made from the loan account as of this date, i.e., disbursements may begin.

Eligible expenditures: Expenditures which are eligible, pursuant to the legal agreement, to be financed out of the proceeds of the loan.

Excess advance/excess amount: Amount deposited in the designated account that is not required in the near future to cover payments for eligible expenditures.

Expenditure category: A category of eligible expenditures that may be financed out of the proceeds of the loan.

Financial institution: Central bank, or other institution that meets the criteria in the Disbursement Guidelines for holding a designated account.

Force account: Civil works executed by a local government agency of the borrower using its own labor force.

Front-end fee: Fee paid by borrowers for a loan, which is payable on the effective date of the loan, and at the borrower’s discretion and as specified in the legal agreement may be financed out of the loan proceeds.

General Conditions for Credits and Grants:

General Conditions for Loans:

Interim unaudited financial reports: Financial reports that the borrower periodically provides to the World Bank in accordance with the legal agreement, and that reflect all project activities, financing, and expenditures, including counterpart funds, funds from other donors, and contributions in kind.

Intermediary bank:

Interim unaudited financial reports:

Loan disbursing period:

Minimum value: An amount established by the World Bank below which applications for reimbursement, direct payment and/or special commitment must be submitted. The Bank may decline to allow the use of designated accounts for new loans.

Legal agreement:

Letter of credit:

Loan account:

Loan currency:

Loan Department:

Lapsed loan date: Date occurring two months after the end of the loan account period disbursement requests.

Intermediary bank:

Interim unaudited financial reports:

Loan disbursing period:

Minimum value: An amount established by the World Bank below which applications for reimbursement, direct payment and/or special commitment.
ment will not be accepted.

for each method in each operation and is stated in the disbursement letter.

Misprocurement: A declaration by the Bank that goods, works, or services have not been procured in accordance with the agreed provisions in the legal agreement and as further elaborated in the procurement plan.

Negotiating bank: Annullally in the supplier’s country, that issues, advises, or confirms a letter of credit and claims payment against the Bank’s special commitment.

Opening bank: Anually in the borrower’s country, that opens a letter of credit and acts for the borrower in dealing with a supplier’s bank.

Prior review: Procurement documents, bid evaluations, award recommendations, and contracts to ensure that the procurement process is carried out in accordance with the procedures referred to in the legal agreement.

Project agreement: Agreement between the Bank and a project implementing entity which is responsible for implementing all or part of a project.

Project appraisal document: For each investment project proposed for Bank financing, the document that sets forth the World Bank staff’s appraisal and assessment of the feasibility of, and justification for, the project.

Project cycle: Bank financed project from identification through evaluation.

Project implementing entity: A legal entity (other than the borrower or the guarantor) which is responsible for implementing all or part of the project and which has entered into a project agreement with the Bank for the purpose.

Project preparation advance: Loan proceeds advanced to a borrower by the World Bank to support (a) preparatory activities for investment operations, including preliminary and detailed designs and limited initial implementation activities; and (b) preparation of programs to be supported by development policy lending operations.

Project Preparation Facility: Established by the Bank for providing project preparation advances.

Recipient: an IDA grant or a grant financed out of trust funds provided by other financing sources and administered by the Bank.

Records: the payment of eligible expenditures for a project (e.g., contracts, orders, invoices, bills, receipts).

Reimbursement: Disbursement by the World Bank from the loan account upon receipt of documentation to reimburse the borrower for eligible expenditures prefianced by the borrower out of its own resources.

Remedy: An action which the Bank may take, pursuant to the legal agreement, upon the occurrence of a particular event.

failure by the borrower to comply with its obligations under the legal agreement, or it may involve other events.

suspension or cancellation of unwithdrawn amounts of the loan, acceleration or refund of withdrawn amounts of the loan.

Reporting period: An interval specified by the Bank in the legal agreement (e.g., quarterly, trimester) for the borrower to provide interim unaudited financial reports to the Bank. Also, the interval specified in the disbursement letter for reporting on the use of loan proceeds advanced to a designated account.

Retention monies: Funds withheld from a supplier by the borrower pending successful completion of the contract warranty period or until another specified date (e.g., one year from the date of the original invoice).

Retroactive financing: Financing of eligible expenditures paid by the borrower prior to the date of the legal agreement but on or a financing date specified in the legal agreement.

Special commitment: An irrevocable commitment by the World Bank and/or cofinancier made at the request of the borrower that undertakes to reimburse a commercial bank for payments it makes to a supplier against a letter of credit (see the entry on letter of credit).

Special drawing rights: Currency that the International Monetary Fund uses as an accounting currency and that IDA has used as the currency of commitment for credits since 1980 and thereafter.

Statement of expenditure: An itemized statement summarizing eligible expenditures incurred during a stated period based on individual transactions, expenditure category.

Substitute documentation: Documentation evidencing payment of eligible expenditures provided to the Bank to replace previously presented
supporting documentation that was found, in whole or in part, to be for ineligible expenditures.

**Summary report:** An interim unaudited financial report or statement of expenditure used as supporting documentation for disbursement.

**Supporting documentation:** Documentation required by the legal agreement and provided to the World Bank to show that loan proceeds previously withdrawn (for advances) or being withdrawn (for reimbursements or direct payments) from the loan account have been or are being used to finance eligible expenditures.

**Suspension of disbursements:** A remedy exercised by the Bank pursuant to the legal agreement, consisting of a suspension of the borrower’s right to make withdrawals from the loan account upon the occurrence of an event referred to in the legal agreement. Suspension may apply to all or a portion of the unwithdrawn amount of the loan, or of several loans.

**Task team:**
with the borrower throughout the project cycle. The team includes the team leader (the Bank’s principal point of contact for the borrower for the project), the financial management specialist, the procurement specialist, the finance officer, the country lawyer and other technical specialists, as required.

**Trust fund:** A fund administered by the Bank in accordance with the terms of an agreement with a donor.

**Value date:**
determine the amount to be charged to the loan account, e.g., the date a payment is made to a beneficiary.
### ANNEX B

**SUMMARY TABLE OF DOCUMENTS, KEY DATES, AND DISBURSEMENT ARRANGEMENTS RELEVANT TO INVESTMENT LOANS AND DEVELOPMENT POLICY LOANS**

<table>
<thead>
<tr>
<th>Item</th>
<th>Investment loans</th>
<th>Development policy loans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Documents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Articles of Agreement of IBRD and IDA</td>
<td>The governing charters of IBRD and IDA are the respective Articles of Agreement of each institution, signed by all member countries. The respective Articles require that IBRD and IDA make arrangements to ensure that loan proceeds are used only for the purposes for which the loan was granted.</td>
<td></td>
</tr>
<tr>
<td>General Conditions for Loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Conditions for Credits and Grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursement Guidelines</td>
<td>The World Bank Disbursement Guidelines for Projects, issued in September 2005, and revised May 1, 2006, set out the standard provisions governing the withdrawal of loan proceeds from the loan account.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>Project/program documentation (note, there may be other project and program documents)</td>
<td>The project appraisal document sets out, among other things, the standard considerations, design provisions, fiduciary arrangements, and specific outcomes expected for each operation.</td>
<td>The program document sets out, among other things, the standard considerations, design provisions, fiduciary arrangements, and specific outcomes expected for each operation.</td>
</tr>
<tr>
<td>Legal agreement</td>
<td>The agreement between the Bank and the borrower that sets forth the terms and conditions of the loan made by the Bank.</td>
<td></td>
</tr>
<tr>
<td>Disbursement letter</td>
<td>The disbursement letter is a notification from the Bank to the borrower that provides additional instructions on the disbursement arrangements to be used for a specific operation.</td>
<td>Normally not required.</td>
</tr>
</tbody>
</table>

(continued on next page)
## Item | Investment loans | Development policy loans
--- | --- | ---
### Key dates
**Loan approval date**  
The date the Bank approves the loan for the operation.
**Legal agreement date**  
In most cases, the date the borrower and the Bank sign the legal agreement.
All eligible project expenditures paid by the borrower from this date on may be reimbursed as soon as the legal agreement is declared effective by the Bank.  
In most cases, the date the borrower and the Bank sign the legal agreement.
For loans where the legal agreement provides a list of eligible expenditures for financing by the loan, see the entry in the investment loans column.
**Retroactive financing date**  
For projects that permit retroactive financing, the date specified in the legal agreement for determining payments eligible for reimbursement.
Generally not applicable.
For loans where the legal agreement provides a list of eligible expenditures for financing by the loan, see the entry in the investment loans column.
**Effective date**  
The date on which the Bank provides notice to the borrower of the Bank’s acceptance of the evidence required to show the conditions of effectiveness under the legal agreement have been met, and on which the legal agreement enters into effect. Disbursements from the loan account may be made as of this date.
**Loan disbursing period**  
The period during which expenditures must have been paid or incurred in order to be eligible for disbursement. The expenditures must be:
- paid on or after the legal agreement date (or for those projects that permit retroactive financing, paid on or after the retroactive financing date);
- incurred not later than the loan closing date.
The period during which tranche release conditions must be met (i.e., after the effective date and before the closing date).
For loans where the legal agreement provides a list of eligible expenditures for financing by the loan, see the entry in the investment loans column.
**Closing date**  
The date specified in the legal agreement (or later date established by the Bank by notice to the borrower) after which the Bank may, by notice to the borrower, terminate the borrower’s right to make withdrawals from the loan account and cancel any undisbursed balances of a loan.
**Disbursement deadline date**  
The final date on which the Bank will accept applications for withdrawal from the borrower or documentation on the use of loan proceeds already advanced by the Bank, which is usually up to four months after the loan closing date.
The same as the closing date.

(continued on next page)
<table>
<thead>
<tr>
<th>Item</th>
<th>Investment loans</th>
<th>Development policy loans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Disbursement arrangements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized signatory of applications for withdrawal</td>
<td>Legal agreements indicate the name of the borrower agency whose official representative is authorized to sign applications for withdrawal and applications for special commitments. The disbursement letter specifies the manner in which a delegation of authority must be communicated to the Bank in the event that the borrower’s representative authorizes another party or parties to sign applications.</td>
<td>Legal agreements indicate the name of the borrower agency whose official representative is authorized to sign applications for withdrawal. In the event that the borrower’s representative authorizes another party or parties to sign applications, the delegation of authority is communicated by sending an authorized signatory letter together with authenticated specimen signature(s) to the Bank.</td>
</tr>
<tr>
<td>Retroactive financing</td>
<td>For projects in countries for which the Bank has established country financing parameters, retroactive financing may be agreed for up to 20 percent of the loan amount. For projects where country financing parameters are not applicable, retroactive financing may be agreed for up to 10 percent of the loan amount.</td>
<td>Generally not applicable. For loans where the legal agreement provides a list of eligible expenditures for financing by the loan, retroactive financing may be agreed for up to 20 percent of the loan amount.</td>
</tr>
<tr>
<td>Basis for disbursements</td>
<td>Loan proceeds are disbursed for the eligible expenditures for the project.</td>
<td>Loan proceeds are disbursed against satisfactory implementation of the development policy lending program, including compliance with tranche release conditions and maintenance of a satisfactory macroeconomic policy framework. For loans where the legal agreement provides a list of eligible expenditures for financing by the loan, funds are disbursed for such eligible expenditures.</td>
</tr>
<tr>
<td>Deferred drawdown option</td>
<td>Not applicable.</td>
<td>This option permits the borrower to draw down the loan at any time during the drawdown period, provided drawdown conditions continue to be met. The initial drawdown period (normally three years) may be extended (for up to three years) if the Bank agrees.</td>
</tr>
<tr>
<td>Where the Bank disburses loan proceeds</td>
<td>• Reimbursements are made to the borrower at the borrower’s bank. • Advances are made into a designated account for the project. Where the borrower’s financial management system is assessed to be adequate for the purpose and there is a project need, the advances may be pooled with the borrower’s funds or funds from development partners in an account for the operation.</td>
<td>Disbursements of loan proceeds are normally made into an account that forms part of the country’s official foreign exchange reserves (normally held by the central bank). An amount equivalent to the loan proceeds is credited to an account of the government available to finance budgeted expenditures. Where the Bank has identified weaknesses in the borrower’s central bank control environment or budget management system, or when an acceptable action plan to deal with</td>
</tr>
<tr>
<td>Item</td>
<td>Investment loans</td>
<td>Development policy loans</td>
</tr>
<tr>
<td>----------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Disbursement arrangements</td>
<td>• Direct payments are made to the supplier at the supplier’s bank.</td>
<td>identified weaknesses is not in place, the Bank may require additional steps to secure acceptable fiduciary arrangements, e.g., requiring dedicated accounts for loan proceeds or counterpart funds.</td>
</tr>
<tr>
<td></td>
<td>• Payments under special commitments are made to the negotiating bank for the special commitment.</td>
<td></td>
</tr>
</tbody>
</table>
ANNEX C

CLIENT CONNECTION WEB SITE

Client Connection is a secure Web site that offers governments, project implementing entities, and development partners for projects administered by the World Bank quick access to public and private information related to their lending activities as well as to the Bank’s country analytic work. Objectives of the Client Connection Web site are to support informed decision-making and to simplify the process of doing business with the Bank.

Client Connection provides up-to-date information related to the disbursement of funds and to procurement in World Bank projects. For example, by logging in, users can track the status of withdrawal applications they have delivered to the World Bank. In relation to procurement, users can provide documents to the World Bank requiring a “no objection” and track the status of each step in the procurement process.

What Can I Access on Client Connection?

You can access confidential information about your projects and loan portfolio, including the following:

- status of individual loans, credits, grants, and trust funds;
- details of disbursements, loan charges, debt service, and bills;
- related legal agreements and project documents;
- details of procurement transactions.

You can also access reference data such as current and historic currency exchange rates and application for withdrawal forms. Application for withdrawal includes online guidance to support borrowers and project implementing entities.

How Do I Register for Client Connection?

You can register using either of the following methods:

- You can contact the Client Connection champion—a World Bank staff member responsible for assisting borrowers with Client Connection and training them in its use—for your country at your local Bank office and ask for the registration forms. To find out who the country champion for your country is, please contact your local Bank office or send an email to clientconnection@worldbank.org.
- You can log on to the home page of Client Connection at http://clientconnection.worldbank.org and click on the “Request Registration Information” link in the lower left home page to request registration forms.

Would like to use Client Connection to name two liaisons who will be responsible for establishing individual accounts for its staff. Once the registration of the organization has been completed, the liaisons can click the “Account Management” link that appears on the top right of all Client Connection screens to update information about staff in their organization. A “Pending Thasks” screen will be displayed. Click the “Help” option shown on the left side and then the “Liaison User Guide” for detailed instructions on how to use this feature.
**How Can I Provide Feedback?**

Web page has a feedback button. Please use this button to note issues and send comments and suggestions for improvement. We will respond as soon as possible.

New features are added regularly to Client Connection in response to requests from registered users. Be sure to click the “My Portfolio” page’s “What’s New?” icon for updates.

**Where Do I Look in Client Connection?**

You can use Client Connection to monitor the status of loans and your country’s portfolio.

**A. How do I monitor my loan status?** The access information about a specific loan, from the opening screen—the “My Portfolio” page—select a loan from the list of loans in your portfolio or, in the “Select” box, enter the “Financier” and “Loan” fields and click “Go.” Either method will take you to the “Loan Overview” page for your loan, which provides key summary information on the loan, including financial data and important dates. Click on the tabs available on this page to obtain the following information:

- **Status of applications for withdrawal.** Click on the “Applications” subtab under the “Disbursements” tab then click on the “Borrower Reference Number” for an individual application to view the following transaction details:
  - Payment type (direct payment, advance, etc.);
  - Amount requested by the borrower;
  - Amount deducted by the Bank (if any);
  - Amount approved by the Bank;
  - Amount paid by the Bank;
  - Date the Bank’s Loan Department received the application for withdrawal;
  - Date the Loan Department approved the application for withdrawal;
  - Value date of the payment transaction;
  - Name of the beneficiary, the bank receiving payment, and the bank account number;
  - Copy of the payment advice sent to the borrower when the payment was executed.

If the Bank reduced the requested amount or returned the application for withdrawal unpaid, the reason for the reduction or return is explained at the bottom of the transaction details box. To contact the Loan Department, click on “Contact Us” under “Help on New features are added regularly to Client Connection in response to requests from registered users. Be sure to click the “My Portfolio” page’s “What’s New?” icon for updates.

- **Status of expenditure categories.** Click on the “Category Schedule” subtab under the “Disbursements” tab. Categorized amounts, and disbursed and undisbursed amounts are displayed.

- **Status of contracts subject to the Bank’s prior review.** Click on the “Contracts” subtab under the “Disbursements” tab. The signing date, and the name of the supplier are shown.

- **Monthly disbursement summary.** Click on the “Monthly Disbursement Summary” subtab under the “Disbursements” tab.

- **Alerts.** Client Connection provides alerts to help borrowers manage their loans. Alerts appear on the “My Portfolio” page and on the “Loan Overview” page for each loan. The borrower of the following events:
  - Approaching closing dates,
  - Approaching disbursement deadline dates,
  - Suspension of disbursement,
  - Excess amounts in designated accounts.

- **Debt service information.** The review the amortization schedule and individual bills click on the “Amortization Schedule” and “Bills” subtabs under the “Repayments” tab.

**B. How do I monitor my country’s portfolio?**

Portfolio,” provides key details of the country’s approved loan portfolio. The access additional information for all loans for a country, click on the “Country Analytics” button in the header. The page opens to the default subtab “Portfolio Management.” Click the tabs in the le
tion pane to obtain the following information. To view most of these reports, a user is required to have "country view" authorization for Client Connection.

- **IBRD/IDA lending summary.** Click on the “IBRD/IDA Lending Summary” link in the left-hand navigation pane.

- **Net flows.** Click on the “IBRD/IDA Net Flows” link in the le

- **Statement of loans by country** (available to all Client Connection users). Click on the “SOL by Country” link in the le

- **Monthly disbursement summary.** Click on the “Monthly Disbursement Summary” link in the left-hand navigation pane.

- **Status of applications for withdrawal.** Click on the “Applications” link in the left-hand navigation pane then click on the “Borrower Reference Number” of an individual application to view further details.
Bank staff prepare a disbursement letter for each investment operation. **Disbursement arrangements** for the specific project and describes how the provisions of the **Disbursement Guidelines** apply. A dra
the negotiations package for the project, and the letter is discussed and finalized during negotiations. A model form of a disbursement letter for an investment operation with an IBRD borrower is provided in this annex, together with the instructions provided to Bank staff to facilitate preparation of the letter. One of the attachments to the disbursement letter is an authorized signatory letter, and the model form for this is provided in **annex E**.
MODEL FORM OF DISBURSEMENT LETTER FOR AN INVESTMENT OPERATION
(IBRD Borrower)

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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

(202) 473-1000
Cable Address: INTBAFRAD

Cable Address: INDEVAS

[DATE]
[Minister of Finance]
[Ministry of Finance]
[Street address]
[City], [Country]

[Excellency]:

Re: IBRD Loan ____-____ (_______ Project) Additional Instructions: Disbursement

I refer to the Loan Agreement between the International Bank for Reconstruction and Development (the
“Bank”) and [name of borrower] (the “Borrower”) for the above-referenced project, dated _______. As in-
dicated in Section IV of Schedule 2 to the Loan Agreement, the Bank may specify by notice to the Borrower
additional instructions regarding the withdrawal of the proceeds of Loan ____-____ (“Loan”).
(“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter.
provisions in the Disbursement Guidelines apply to the Loan is specified below. Sections and subsections in
parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, un-
less 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)

2/
Reimbursement
Advance
Direct Payment
Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7).

3/ specified in the Loan Agreement. Any changes to this date will
be notified by the Bank.

(iv) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in the
Loan Agreement.
II. Withdrawal of Loan Proceeds

(i) Authorized Signatures (subsection 3.1).

A 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:

[Street address]
[City], [Country]
Attention: [Country Director’s Name]

Applications for this Loan will be signed by the official(s) authorized to sign Applications as indicated in [your letter of <insert date>] [the letter dated <insert date> signed by <insert name, title>].

(ii) Applications (subsections 3.2–3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents, [and (b) applications for special commitments, together with a copy of the commercial bank letter of credit,] to the address indicated below:

[Street address / P.O. Box No. _____]
[City], [Country]
Attention: Loan Department

(iii) Minimum Value of Applications (subsection 3.5).

10/ (iv) Advances (sections 5 and 6).

11/ Type of Designated Account[s] (subsection 5.3): [Segregated/Pooled]

12/ Currency of Designated Account[s] (subsection 5.4): [currency]

13/ Financial Institution at which the Designated Account[s] Will Be Opened (subsection 5.5): [commercial bank / central bank / other financial institution]

14/ Ceiling (subsection 6.1): [five year forecast for 2 [quarters] as provided in the [quarterly] Interim Financial Report] [50] per cent of the [annual] project forecast agreed with the borrower] [currency and amount]

III. Reporting on Use of Loan Proceeds

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

For requests for reimbursement:

15/ [Interim Financial Report in the form attached (Attachment [3]); and

16/ List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment [4])]

17/ [Statement of Expenditure in the form attached (Attachment [3])

18/ List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment [4])]
For reporting eligible expenditures paid from the Designated Account:

- Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices)
- [21/Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments
- [22/] for <insert type of expenditure(s)>) [against contracts valued at
- [23/] or more];
- Statement of Expenditure in the form attached (Attachment [3]) for all other [expenditures / contracts]; and
- List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment [4])

For requests for direct payment:

Records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3):

- the period set out in the Loan Agreement for provision of Interim Financial Reports
- monthly/quarterly

(iii) Other Supporting Documentation Instructions

[IV.] Other Disbursement Instructions
[V.] Other Important Information


30/
From the Client Connection Web site, you will be able to download Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information.

31/
If you have not already done so, the Bank recommends that you register as a user of the Client Connection Web site (http://clientconnection.worldbank.org). From this Web site you will be able to download Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. For more information about the Web site and registration arrangements, please contact the Bank at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact [name], [Lead/Senior] Finance Officer at [LOA service account email address] using the above reference.

Yours sincerely,

[Name]
[RVP / CD]
[Region]

Attachments 32/

1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
3. [Form of [insert “Interim Financial Report” or “Statement of Expenditure”]]
4. [Form of Payments Against Contracts Subject to the Bank’s Prior Review]

Cleared with and cc: [Name of FO as the author of the letter]
[Country Lawyer]
[Thask Theam Leader]

Cc with copies: [Project Implementing Entity 1]
[street address]
[city], [country]
[email address]
[Project Implementing Entity 2]
[street address]
[city], [country]
[email address]
Endnotes—Instructions for Bank Staff Preparing Disbursement Letters

1. in the loan agreement as the Borrower’s Representative authorized to take any action and sign any document under the agreement, at the address specified in the agreement. Where it is customary to add the email address following the mailing address, please insert the Borrower’s email address on a line below the “[City], [Country]” line.

2. Delete the method(s) that will not be used.

3. Use the first bracketed phrase if a period of up to 4 months and insert the agreed number of months; otherwise, use the second phrase.

4. Delete this section if there are no disbursement conditions.

5. Use this bracketed section if the Borrower’s Representative will authorize others to sign applications.

6. Use this bracketed section if a blanket authorization letter exists.

7. Include this section if special commitments will be used; otherwise remove the bracketed text and the “(a)” in front of the word “applications”.

8. Delete this section if all disbursements will be through advances.

9. If a separate minimum value is designated for different disbursement methods, list the methods and indicate the value for each.

10. Delete the entire section on Advances if this method is not going to be used.

11. If more than one Designated Account will be used, number and list the accounts under this and each subsequent bullet, identifying the requirements for each Designated Account.

12. Insert the name of the institution if it is known.

13. Use this bracketed text if the name of the financial institution is unknown.

14. Use this text if the ceiling is based on periodic forecasts of project cash flow needs. Insert the number of periods for which forecasts are expected; use the same period (e.g., quarter, semester, trimester) referred to in the legal agreement for provision of Interim Financial Reports.

15. Use and adapt this text (including the percentage) if the ceiling is based on forecasts linked to the project’s annual budget submissions, procurement plan, or other such document.

16. Use this text if the ceiling is a fixed amount and fill in the currency and amount.

17. Delete the sections related to disbursement methods that are not going to be used.

18. Use the following two bullets in this bracketed text when Interim Financial Reports will be used for disbursement.

19. Use the following two bullets in this bracketed text when Statements of Expenditure will be used for disbursement.

20. Use this bracketed text when Records must accompany all applications for disbursement.

21. Use the following three bullets in this bracketed text when Records are required for certain expenditures or contracts, and all other expenditures or contracts are covered by Statements of Expenditure.

22. Use and adapt the first bracketed text when records are required for certain types of expenditure; use the second bracketed text when records are required for payments against contracts of a specific value.

23. Insert the amount agreed with the borrower. If different amounts apply to different types of expenditure, specify each of these together with a sufficient description of the expenditure type.

24. Delete this bullet if the information provided in such a list would be the same as that being provided in the first bullet.

25. Delete this section if advances are not going to be used as a disbursement method.

26. Use the exact text in this bracketed section if Interim Financial Reports will be used for disbursement and delete the second bracketed section.

27. Use this bracketed section (and delete the first) if supporting documentation is in the form of Records and/or statements of expenditure, selecting the appropriate periodicity.

28. Use this section if other instructions regarding supporting documentation are needed (e.g., please submit bills of lading, please submit bank reconciliations). Rerun number of bullets as needed.

29. Use this section for any other instructions related to disbursement arrangements or methods that are not related to supporting documentation. If there are no such instructions, delete this section.

30. Insert this paragraph for Borrowers who are already registered with Client Connection.

31. Insert this paragraph for Borrowers who are not yet registered with Client Connection.
32. Delete those attachments in brackets which are not applicable. Attach those that are applicable to this letter and ensure corresponding numbering of attachments in body of letter is the same.
ANNEX E

MODEL FORM OF AUTHORIZED SIGNATORY LETTER
FOR AN INVESTMENT OPERATION

1

[Letterhead]
Ministry of Finance
[Street address]
[City] [Country]

[DATE]

1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Attention: [Country Director]

Dear [Country Director]:

Re: Loan/Financing No. ____-___ (____________  Project)

I refer to the [Loan/Financing] Agreement (“Agreement”) between the [International Bank for Reconstruction and Development/International Development Association] (the “Bank”/ the “Association”) and [name of borrower/recipient] (the “Borrower” / the “Recipient), dated _______, providing the above [Loan/Financing]. For the purposes of Section 2.03 of the General Conditions, as defined in the Agreement, any

[one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the [Borrower/Recipient] to sign applications for withdrawal [and applications for a special commitment] under this [Loan/Financing]:

[Name], [position] Specimen Signature:____________________________

[Name], [position] Specimen Signature:____________________________

[Name], [position] Specimen Signature:____________________________

Yours truly,

/ signed /

[Position]

1 Instruction to the borrower when sending this letter to the Bank: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply.
ANNEX F

FORMS USED FOR WITHDRAWAL AND TO DOCUMENT EXPENDITURES

Application for Withdrawal Form

Borrowers may use the Application for Withdrawal Form 2380 to

- request an advance and/or document use of prior advances,
- request reimbursement of documented expenditures,
- request a direct payment to a third party for documented expenditures,
- request disbursement of a development policy loan tranche.

When borrowers are required to provide a list of payments against contracts above the prior review threshold as part of their supporting documentation for disbursement, they may use the List of Payments Against Contracts Subject to the Bank’s Prior Review Form 2382 to provide this information.

Illustrative Examples

Reference copies of forms 2380, 2381, and 2382 are contained in this annex together with instructions for completing them. To help borrowers understand the new functionality of the forms, examples of completed forms illustrating their varied uses are provided at the end of this annex.

Paper forms are available from the World Bank, upon request. Beginning July 2006, borrowers should go to the Client Connection Web site (http://clientconnection.worldbank.org) to access eForms with “smart” functionality designed to assist users in filling out the forms online. Once these are filled out, they may be printed out, signed and presented to the Bank, together with any supporting documentation. Beginning in early 2007, borrowers will be able to deliver eForms, with any attached supporting documentation, to the Bank online.

Related Forms

When requesting to receive advance payments in installments, the borrower selects this option on the application for withdrawal form and attaches the Requested Schedule for Advance Payments Form 2381 setting out the installment amounts and requested value dates for each.

1903B, although the Bank will continue to accept these forms while supplies last.

- ability to borrowers that use the advance method of disbursement. Borrowers may present an application for withdrawal form to the Bank to

- request an advance,
- document use of prior advances (without requesting a new advance),
- document use of prior advances and request a new advance,
- advise the Bank that they wish to receive advance payments in installments.
The World Bank

PAYMENTS MADE DURING REPORTING PERIOD AGAINST CONTRACTS SUBJECT TO THE WORLD BANK’S PRIOR REVIEW

<table>
<thead>
<tr>
<th>Contract Number</th>
<th>Supplier</th>
<th>Contract Date</th>
<th>Contract Amount</th>
<th>Bank’s Share Date of Bank’s No Objection to Contract</th>
<th>Amount Paid to Supplier during Period</th>
<th>of Amount Paid to Supplier during Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Examples of Completed Forms: Application for Withdrawal (Form 2380) and Requested Schedule for Advance Payments (Form 2381)

**Advances**

*Example 1:* Request for an advance to a designated account  
*Example 2:* Request for an advance to and documentation of a designated account  
*Example 3:* Documentation of a prior advance to a designated account  
*Example 4:* Request for an advance to a designated account in installments  
*Example 5:* Request for an advance to and documentation of a designated account under a project financed by both an IBRD loan and an IDA credit

**Reimbursement**

*Example 6:* Request for a reimbursement

**Direct Payment**

*Example 7:* Request for a direct payment  
*Example 8:* Request for a direct payment in a different currency than the currency of the related expenditure

**Development Policy Loan**

*Example 9:* Request for a tranche payment under a development policy loan
Example 1 – Request for an Advance to a Designated Account

1. dollars 8,000,000 in designated account DA-A to fund expenditures for the forthcoming quarter (July – September 2006). It had a balance of US Dollars 670,000 in the account on June 30, 2006. On July 6, 2006, Ramakoj Bruuna, Director of the Dept. of Agr., IIA (tel. no. 797-22-34, facsimile 797-22-35, email rbruuna@ael.gov) sends application for withdrawal no. 11 under loan IBRD 9999-0 RUR for an advance of the difference of US Dollars 7,330,000 to the Bank.

2. Payment is to be made to account 590877-A of the Ministry of Agriculture, Capital City, Ruritania at the Bank of Ruritania (Head Office), Capital City, Ruritania.

Bank of Ruritania is BORZ2K. Receiving bank is the International Bank, New York, N.Y., U.S.A., 10001. International Bank is INTLNY. the Bank of Ruritania at the International Bank is 662230.

3. for the designated account will be equivalent to the total of the cash forecasts for two quarters: US Dollars 17,000,000.

Supporting Documents

- None are required (the amount requested is within the agreed ceiling).

See the completed example 1. Note that only sections A, B and D of form 2380 must be completed for a request for an advance to a designated account (section C has therefore been greyed out in the example).
Example 2 – Request for an Advance to and Documentation of a Designated Account

1. - L 8,000,000 in designated account DA-A to fund expenditures for the forthcoming quarter (July–September 2006). It had a balance of US Dollars 670,000 in the account on June 30, 2006. On July 6, 2006, Ramakoj Bruuna, Director of the Dept. of Agr., IIA (tel. no. 797-22-34, facsimile 797-22-35, email rbruuna@ael.gov) sends application for withdrawal no. 12 under loan IBRD 9999-0 RUR for an advance of the difference of US Dollars 7,330,000 to the Bank.

2. Payment is to be made to account 590877-A of the Ministry of Agriculture, Capital City, Ruritania at the Bank of Ruritania (Head Office), Capital City, Ruritania. The Bank of Ruritania is BORZ2K. The International Bank, New York, N.Y., U.S.A., 10001. International Bank is INTLNY. The Bank of Ruritania at the International Bank is 662230.

3. In the same application, the Government of Ruritania reports to the Bank on the use of the US Dollars 7,800,000 from designated account DA-A during the previous period (April - June 2006). See the completed example 2. Note that all sections (A, B, C and D) of form 2380 must be completed for an application for a request for an advance to and documentation of a designated account.

4. - Rower’s interim financial reports will be used to document the use of funds from the designated account.

Supporting Documents

Furnished to the Bank’s task team in advance of the application for withdrawal:

- Any contract and procurement documents required by the Procurement Guidelines

Provided to the Loan Department together with the application for withdrawal:

- Interim financial report (see attachment 1)
Example 2
Attachment 1

**SOURCES AND USE OF FUNDS STATEMENT FROM THE PROJECT’S INTERIM FINANCIAL REPORT**

<table>
<thead>
<tr>
<th>Government of Ruritania: Health and Population Reform Project</th>
<th>Current period</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sources of funds</strong></td>
<td>1,630,000</td>
<td>—</td>
</tr>
<tr>
<td>Project bank account</td>
<td>550,000</td>
<td>—</td>
</tr>
<tr>
<td>IBRD designated account</td>
<td>1,080,000</td>
<td>—</td>
</tr>
<tr>
<td><strong>Add: Sources of funds</strong></td>
<td>9,510,000</td>
<td>44,060,000</td>
</tr>
<tr>
<td>IBRD funds</td>
<td>7,390,000</td>
<td>31,620,000</td>
</tr>
<tr>
<td>Government funds</td>
<td>2,090,000</td>
<td>12,300,000</td>
</tr>
<tr>
<td>CIDA grant</td>
<td>30,000</td>
<td>140,000</td>
</tr>
<tr>
<td><strong>Cash available</strong></td>
<td>11,140,000</td>
<td>44,060,000</td>
</tr>
<tr>
<td><strong>Less: Uses of funds, by project component</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Grants (cash transfers)</td>
<td>8,240,000</td>
<td>31,500,000</td>
</tr>
<tr>
<td>II. Institutional development</td>
<td>2,195,000</td>
<td>10,960,000</td>
</tr>
<tr>
<td>III. Loan fee</td>
<td></td>
<td>920,000</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>10,435,000</td>
<td>43,380,000</td>
</tr>
<tr>
<td><strong>Cash available less expenditures</strong></td>
<td>705,000</td>
<td>680,000</td>
</tr>
<tr>
<td>Foreign exchange difference</td>
<td>0</td>
<td>25,000</td>
</tr>
<tr>
<td><strong>Net cash available</strong></td>
<td>705,000</td>
<td>705,000</td>
</tr>
<tr>
<td><strong>Closing cash balances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project bank account</td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td>IBRD designated account</td>
<td>670,000</td>
<td>670,000</td>
</tr>
<tr>
<td><strong>Total closing cash balances</strong></td>
<td>705,000</td>
<td>705,000</td>
</tr>
<tr>
<td><strong>Next Period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forecast of funds needed for next quarter</td>
<td>12,000,000</td>
<td></td>
</tr>
<tr>
<td>Project bank account</td>
<td>4,000,000</td>
<td></td>
</tr>
<tr>
<td>IBRD designated account</td>
<td>8,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Funding requested</strong></td>
<td>11,295,000</td>
<td></td>
</tr>
<tr>
<td>Project bank account</td>
<td>3,965,000</td>
<td></td>
</tr>
<tr>
<td>IBRD designated account</td>
<td>7,330,000</td>
<td></td>
</tr>
</tbody>
</table>
Example 3 – Documentation of a Prior Advance to a Designated Account

1. report on the use of funds from the designated account during the previous period. On July 6, 2006, Ramakoj Bruuna, Director of the Dept. of Agr., IIA (tel. no. 797-22-34, facsimile 797-22-35, email rbruuna@ael.gov) sends application no. 13 under loan IBRD 9999-0 RUR to report to the Bank on the use of the US Dollars 7,800,000 from designated account DA-A during the previous period (April – June 2006). [See the interim financial report – the amount to be reported is the beginning balance in the designated account plus the amount paid in during the period minus the balance at the end of the period: $1,080,000 plus $7,390,000 minus $670,000 equals $7,800,000.]

2. rower’s interim financial reports will be used to document the use of funds from the designated account.

Supporting Documents

Furnished to the Bank’s task team in advance of the application for withdrawal:

- Any contract and procurement documents required by the Procurement Guidelines

Provided to the Loan Department together with the application for withdrawal:

- Interim financial report (see example 2, attachment 1)

See the completed example 3. Note that only sections A, C and D of form 2380 must be completed for the documentation of a prior advance to a designated account (section B has therefore been greyed out in the example).
Example 4 – Request for an Advance to a Designated Account in Installments

1. In dollars $8,000,000 in designated account DA-A to fund expenditures for the forthcoming quarter (July – September 2006). It had a balance of US Dollars 670,000 in the account on June 30, 2006. On July 6, 2006, Ramakoj Bruuna, Director of the Dept. of Agr., IIA (tel. no. 797-22-34, facsimile 797-22-35, email rbruuna@ael.gov) sends application for withdrawal no. 14 under loan IBRD 9999-0 RUR for an advance of the difference of US Dollars 7,330,000 to the Bank.

2. Payment is to be made to account 590877-A of the Ministry of Agriculture, Capital City, Ruritania at the Bank of Ruritania (Head Office), Capital City, Ruritania.

   Bank of Ruritania is BORZ2K.

3. The first for US Dollars 3,500,000 is to be paid on August 1, 2006; the second for US Dollars 3,830,000 is to be paid on September 1, 2006.

Supporting Documents

- None are required (the amount requested is within the agreed ceiling).

See the completed example 4. Note that only sections A, B and D of form 2380 must be completed for a request for an advance to a designated account (section C has therefore been greyed out in the example), and that form 2381 must be completed and attached to receive the advance in installments.
<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1, 2006</td>
<td>US dollars 3,500,000</td>
</tr>
<tr>
<td>September 1, 2006</td>
<td>US dollars 3,830,000</td>
</tr>
<tr>
<td></td>
<td>US dollars 7,330,000</td>
</tr>
</tbody>
</table>
Example 5 – Request for an Advance to and Documentation of a Designated Account under a Project Financed by Both an IBRD Loan and an IDA Credit

1. - 10,000,000 in designated account DA-A to fund expenditures for the forthcoming quarter (July-September 2006). It had a balance of US Dollars 670,000 in the account on June 30, 2006. On July 6, 2006, Ramakoj Bruuna, Director of the Dept. of Agr., IIA (tel. no. 797-22-34, facsimile 797-22-35, email rbruuna@ael.gov) sends application for withdrawal no. 15 under loan IBRD 9999-0 RUR and credit IDA 2222-0 for an advance of the difference of US Dollars 7,330,000 (40% to be paid from the IBRD loan and 60% from the IDA credit).

2. Payment is to be made to account 590877-A of the Ministry of Agriculture, Capital City, Ruritania at the Bank of Ruritania (Head Office), Capital City, Ruritania. Bank of Ruritania is BORZ2K. Bankal Bank is INTLNY. Ruritania at International Bank is 662230.

3. In the same application, the Government of Ruritania reports to the Bank on the use of the US Dollars 7,800,000 from designated account DA-A during the previous period (April-June 2006). See the interim financial report—the amount to be reported is the beginning balance in the designated account plus the amount paid in during the period minus the balance at the end of the period: $1,080,000 plus $7,390,000 minus $670,000 equals $7,800,000.

4. The rower’s interim financial reports will be used to document the use of funds from the designated account. will be equivalent to the total of the cash forecasts for two quarters: US Dollars 17,000,000

Supporting Documents

Furnished to the Bank’s task team in advance of the application for withdrawal:

- Any contract and procurement documents required by the Procurement Guidelines

Provided to the Loan Department together with the application for withdrawal:

- Interim financial report (see example 2, attachment 1)

See the completed example 5. Note that all sections (A, B, C and D) of form 2380 must be completed for an application for a request for an advance to and documentation of a designated account.
Example 6 – Request for a Reimbursement

1. On July 6, 2006, Ramakoj Bruuna, Director of the Dept. of Agr., IIA (tel. no. 797-22-34, facsimile 797-22-35, email rbruuna@ael.gov) sends application no. 16 under loan IBRD 9999-0 RUR to request reimbursement of Ruritanian dollars 290,000 covering civil works expenditures of Ruritanian dollars 580,000.00 for three construction contracts eligible for financing under category 2 at 50%.

2. Payment is to be made to account 543661-SL of the Ministry of Agriculture, Capital City, Ruritania at the Bank of Ruritania (Head Office), Capital City, Ruritania. The Bank of Ruritania is BORZ2K.

3. Reimbursement to be accompanied by statements of expenditure.

Supporting Documents

Furnished to the Bank’s task team in advance of the application for withdrawal:

- Any contract and procurement documents required by the Procurement Guidelines

Provided to the Loan Department together with the application for withdrawal:

- Statement of expenditure (see attachment 1)

See the completed example 6. Note that all sections (A, B, C and D) of form 2380 must be completed for a request for a reimbursement.
# Example 6
## Attachment 1

## STATEMENT OF EXPENDITURE

**Government of Ruritania: Health and Population Reform Project**  
**Statement of Expenditure for the three months ending June 30, 2006 (in Ruritanian Dollars)**  
**World Bank (IBRD) Loan No. 9999 RUR**

<table>
<thead>
<tr>
<th>Ref</th>
<th>Category</th>
<th>Type of Expenditures</th>
<th>Amount Paid</th>
<th>Disbursement Percentage</th>
<th>Amount Financed by the Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>Civil Works</td>
<td>580,000</td>
<td>50%</td>
<td>290,000</td>
</tr>
</tbody>
</table>
Example 7 – Request for a Direct Payment

1. On July 6, 2006, Ramakoj Bruuna, Director of the Dept. of Agr., IIA (tel. no. 797-22-34, facsimile 797-22-35, email rbruuna@ael.gov) sends application for withdrawal no. 17 under loan IBRD 9999-0 RUR to request the Bank to pay US Dollars 185,000 for the consultancy services of Smith Consulting Firm of Chelmsford, Essex, United Kingdom. 

   a. Payment is to be made to account 33-000-33-000 of Smith Consulting Firm, 15 Green Street, Chelmsford, Essex, England at Midland Bank PLC, Chelmsford, Essex, England for payment of its invoice no. 93366A under contract 123.


   INT'LNY.

   the International Bank is 22231.

   b. Provided to the Loan Department together with the application for withdrawal:

   • Records: supplier’s invoice(s) (see attachment 1)

   c. Furnished to the Bank’s task team in advance of the application for withdrawal:

   • Any contract and procurement documents required by the Procurement Guidelines

3. direct payment to be accompanied by records (e.g., invoices, shipping documents).

Supporting Documents

See the completed example 7. Note that all sections (A, B, C and D) of form 2380 must be completed for a request for a direct payment.
Example 7
Attachment 1

Smith Consulting Firm
15 Green Street
Chelmsford, Essex, England


INVOICE 93366A

To:
Department of Agriculture, IIA
Attention: Ramakoj Bruuna, Director

Your Reference:
Contract 123

Please Pay:
US Dollars 185,000

Banking Instructions:
Account 33-000-33-000
of Smith Consulting Firm, Chelmsford, Essex, England
at the Midland Bank PLC, Chelmsford, Essex, England  (SWIFTCode is MUK123)

Intermediary Bank: Account 22231 of Midland Bank PLC
at the International Bank, New York, N.Y., U.S.A., 10001 (SWIFTCode is INTLNY)
Example 8 – Request for a Direct Payment in a Different Currency than the Currency of the Related Expenditure

1. On July 6, 2006, Ramakoj Bruuna, Director of the Dept. of Agr., IIA (tel. no. 797-22-34, facsimile 797-22-35, email rbruuna@ael.gov) sends application for withdrawal no. 18 under loan IBRD 9999-0 RUR to request the Bank to pay the British Pounds Sterling equivalent of Ruritanian Dollars 185,000 for the consultancy services of Smith Consulting Firm of Chelmsford, Essex, United Kingdom, eligible for financing under category 3 at 100%.

2. Payment is to be made to account 33-000-33-001 of Smith Consulting Firm, 15 Green Street, Chelmsford, Essex, England at the Midland Bank PLC, Chelmsford, England for its invoice no. 93366B under contract 123.

3. Direct payment to be accompanied by records (e.g., invoices, shipping documents).

Supporting Documents

Furnished to the Bank’s task team in advance of the application for withdrawal:

- Any contract and procurement documents required by the Procurement Guidelines

Provided to the Loan Department together with the application for withdrawal:

- Records: supplier’s invoice(s) (see attachment 1)

See the completed example 8. Note that all sections (A, B, C and D) of form 2380 must be completed for a request for a direct payment, and that field 6c should be filled.
Example 8
Attachment

Smith Consulting Firm
15 Green Street
Chelmsford, Essex, England

Tel. 123-123-123/24          http://www.smithconsulting.com          Facsimile 123-123-125/26

INVOICE 93366B

To:
Department of Agriculture, IIA
Attention: Ramakoj Bruuna, Director

Your Reference:
Contract 123

Please Pay:
British Pounds Sterling equivalent of Ruritanian Dollars 185,000

Banking Instructions:
Account 33-000-33-001
of Smith Consulting Firm, Chelmsford, Essex, England
at the Midland Bank PLC, Chelmsford, Essex, England
(SWIFTCode is MUK123)
Example 9 – Request for a Tranche Payment under a Development Policy Loan

1. Having met all of the conditions in the legal agreement, on July 6, 2006, His Excellency Kalil Bali, Minister of Finance (contact Hassouna Amal, tel. no. 797-22-88, facsimile 797-22-89, email hamal@ael.gov) sends application for withdrawal no. 19 under loan IBRD 1234-0 RUR to request payment of the first tranche of US Dollars 50,000,000.

2. Payment is to be made to account 441113 of the Ministry of Finance, Capital City, Ruritania at the Central Bank of Ruritania, Capital City, Ruritania. Bank of Ruritania is CBRURB.

Supporting documents

- None are required.

See the completed example 9. Note that only sections (A, B and D) of form 2380 must be completed for a request for a tranche payment under a development policy lending loan (section C has therefore been greyed out in the example).
ANNEX G
FORMS USED FOR SPECIAL COMMITMENTS

Application for A Special Commitment Form

Borrowers may use the Application for A Special Commitment Form 1931 to request the Bank to issue a guarantee in the form of a special commitment to cover a letter of credit from a commercial bank for the purchase of goods for the project.

Special Commitment Letter

When an application for a special commitment is approved, the Bank issues a Special Commitment Form 2018 to the commercial bank that will negotiate payments.

Request for Payment

Promptly a -documents by the commercial bank under the letter of credit, the commercial bank claims payment from the Bank generally by a SWIFTmessage. Alternatively, the commercial bank may send a request for payment by mail using Special Commitment Request For Payment Form 2015.

Illustrative Examples

Reference copies of forms 1931 and 2015 are contained in this annex together with instructions. Examples of completed forms are provided at the end of this annex.

Paper forms are available from the World Bank, upon request and from the Client Connection Web site (http://clientconnection.worldbank.org). Form 1931 can be downloaded from Client Connection, completed, signed, and delivered to a World Bank office, or it can be filled out online and then printed, signed, and delivered.
APPLICATION FOR A SPECIAL COMMITMENT

1. IBRD Loan No.:
   or IDA Credit No.:
2. Cofinanciers Ref. No.:
   IBRD/IDA Ref. No.:
3. Application No.:

Attention Disbursement Division:
We apply for a Special Commitment and subsequent withdrawal from the Account(s) opened under the Loan, Development Credit or Cofinancing Agreement(s), and certify and agree as follows:

A. The undersigned requests that a Special Commitment be issued to the negotiating bank in accordance with the terms of the Agreement(s) in order to make payment to the negotiating bank from the Account(s). The undersigned irrevocably authorizes such withdrawal on the basis of any statement by the negotiating bank that payment has been made or is due, and will be promptly made under and in accordance with the terms of the letter of credit.

B. Amendments to the letter of credit beyond the original expiry date of the letter of credit (whichever is earlier), a change in the value of the letter of credit, the description or quantity of goods, or the beneficiary, or advance payment of more than 25% of the value of the letter of credit prior to shipment of goods, are subject to your prior approval. The undersigned will only agree to amendments that are in accordance with the terms of the Agreement(s), and further agrees that all proposed amendments will be copied to you by the negotiating bank for your information or approval as appropriate.

C. You may limit your total obligation to make payments under the Special Commitment by inserting a limitation clause denominated in the currency of the Account(s). The undersigned agrees that if, because of the limitation clause, you cannot disburse the full amount needed to pay the negotiating bank, any uncommitted portion of the Account may be disbursed to cover the deficiency. In the event that the uncommitted portion of the Account is insufficient to cover the deficiency, you will notify the undersigned who will arrange to make such payment promptly to the negotiating bank.

D. Your obligation under the Special Commitment shall terminate:
   (a) except as the World Bank shall otherwise agree, 30 days after the expiry date of the letter of credit or at the closing date of the Loan or Development Credit Agreement (whichever is earlier);
   (b) upon payment by the World Bank to the negotiating bank of the full value of the letter of credit, in accordance with the terms and conditions of the Special Commitment.
   (c) upon receipt by the World Bank of written notice from the negotiating bank specifying the Special Commitment may be cancelled.

E. The undersigned has not previously withdrawn from the Account(s) to meet these expenditures. The undersigned has not and does not intend to obtain funds for this purpose out of the proceeds of any other loan, credit or grant.

F. The expenditures are being made only for goods or services from eligible sources.

G. In the event that all or part of the funds withdrawn from the Account pursuant to this application are returned to the World Bank, the undersigned hereby authorizes the World Bank to apply the current value of such funds as a credit to the Account; or, if the amount is small, apply such funds to the borrower’s next payment due for interest, commitment charges, service charges or principal.

<table>
<thead>
<tr>
<th>DETAILS OF LETTER OF CREDIT</th>
<th>DETAILS OF EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAME AND ADDRESS OF NEGOTIATING BANK</td>
<td>NAME AND ADDRESS OF CONTRACTOR OR SUPPLIER</td>
</tr>
<tr>
<td>SWIFT CODE: CRLYFR</td>
<td>(letter of credit beneficiary)</td>
</tr>
<tr>
<td>NAME AND ADDRESS OF OPENING (BORROWER’S) BANK</td>
<td>PROCUREMENT DETAILS</td>
</tr>
<tr>
<td>CONTRACT OF PURCHASE ORDER NUMBER AND DATE</td>
<td></td>
</tr>
<tr>
<td>DATE OF PROCUREMENT NO-OBJECTION NOTICE</td>
<td></td>
</tr>
<tr>
<td>NAME OF L/C OPENER (BORROWER OR EXECUTING AGENCY)</td>
<td>(complete for contracts above prior review limit)</td>
</tr>
<tr>
<td>DETAILS OF LETTER OF CREDIT</td>
<td>DETAILS OF EXPENDITURE</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td><strong>7. LETTER OF CREDIT DETAILS</strong></td>
<td><strong>c) BRIEF DESCRIPTION OF GOOD, WORKS OR SERVICES</strong></td>
</tr>
<tr>
<td>a) OPENING BANK’S L/C NO.</td>
<td></td>
</tr>
<tr>
<td>b) CURRENCY NAME</td>
<td></td>
</tr>
<tr>
<td>c) CURRENCY</td>
<td></td>
</tr>
<tr>
<td>AMOUNT</td>
<td></td>
</tr>
<tr>
<td>d) L/C EXPIRY DATE</td>
<td></td>
</tr>
</tbody>
</table>

| **10. WITHDRAWAL DETAILS** | |
| a) CATEGORY OR SUB-PROJECT NO. | |
| b) PERCENTAGE OF EXPENDITURES TO BE FINANCED: | |
| BY THE WORLD BANK | |
| BY JOINT FINANCIER (if any) | |

| **11. SPECIAL INSTRUCTIONS AND REMARKS** | |
| **12.** | Name of Borrower |
| **13.** | Date |
| **14.** By | Signature(s) of Authorized Representative(s) |
| **15.** By | Name(s) and Title(s) of Authorized Representative(s) |

**SUBMIT APPLICATION IN DUPLICATE TO ADDRESS SHOWN ABOVE**
For World Bank Use Only

SC No._________________________ Approved_________________________
W/A No._________________________
Instructions for Completing Application for a Special Commitment
(Form 1931)

Notes: Submit applications to the Bank in duplicate.
Complete all the numbered lines of paras. 1 through 15.
When completed, check the application to ensure that the references, amounts, and other details are correct before passing to the Authorized Representative(s) for signature.
Mistakes and omissions lead to delays in payment.

Instructions: Numbers correspond to numbers on Application for Special Commitment

1. IBRD Loan/IDA Credit No.: Insert the full reference (number and letters) as it appears on the Loan/Credit Agreement.
2. Cofinancier’s Ref. No.: Insert Cofinancier’s name and loan/credit/grant reference (if any) on the first line. In the second line, show the associated World Bank reference number (05- followed by 5 digits for Trust Funds, and 14- followed by 5 digits for other
3. Application No.: Number applications consecutively, beginning with number one (irrespective of application type). Where there is more than one implementing agency, use a prefix to identify applications from each agency (for example, MF 1 = Ministry of Finance No. 1).

4. Details of Letter of Credit
   a. Name and Address of Negotiating Bank: To be obtained from L/C. Give full mailing address. Indicate SWIFT code if the bank is a member of SWIFT.
   b. Name and Address of Opening Bank: Usually the borrower’s bank in the borrowing country.
   c. Name of L/C Opener: Name of borrower or executing agency.

5. L/C Details: To be obtained for L/C.

6. Details of Expenditure
   a. Name and Address of Contractor or Supplier: The beneficiary of the L/C. Give name, city, state (for U.S. suppliers) and country.

7. Procurement Details:
   a. Contract or Purchase Order Number and Date: To be obtained from relevant documents.
   b. Date of Procurement No-Objection Notice: Give date of the Bank’s no-objection notice if award of the contract against which payment is being made was subject to the Bank’s prior review.
   c. Brief Description of Goods, Works, or Services: For example: agricultural machinery or fertilizer.

8. Withdrawal Details:
   a. Category or Subproject No.: Obtain category reference taken from Schedule 1 of the Loan/Credit Agreement. The subproject number for financial intermediary loans is the number advised by the Bank when it approved the subproject.
   b. Percentage of Expenditures to be Financed:
      i. By the Bank: Obtain from the appropriate category of Schedule 1 of Article II of the Loan/Credit Agreement.
      ii. By Cofinancier (if any): When there is cofinancing, give the Bank/Cofinancier disbursement ration (for example, WB 60%, CF 40%); otherwise “NIL.”

Special Instructions

11. Special Instructions and Remarks: Provide any special instructions, invoice numbers, or other references that would facilitate issuance of the Special Commitment.

12. Name of Borrower: Fill in name as it appears on the Loan/Credit Agreement.

13. Date: Give the date on which the Authorized Representative(s) signs the application.

14. Authorization: Obtain the signature(s) of the Authorized Representative(s).

15. Name and Title of Representative(s): Provide both the name and title of the signatory(ies).

Supporting Documents

The following documents should accompany the application:
One copy of the contract or purchase order (unless this document has already been submitted to the Bank)
Two copies of the letter of credit (with valid expiry date) that the commercial bank proposes to issue.

Note: If the letter of credit refers to other documents such as proforma invoices, two copies of these documents should accompany the application.
THE WORLD BANK

SPECIAL COMMITMENT REQUEST FOR PAYMENT

- These instructions apply to commercial banks that have received a Special Commitment issued by the Bank on Form 2018.
- The appropriate text for Special Commitment requests for payment is shown in the box below.
- SWIFT, telex, or cable requests are the preferred mechanism to request payment.
- Separate requests for payment must be prepared for each Special Commitment.
  Mailed confirmation of the SWIFT/telex/cable request on Form 2015 is NOT required.

TO: INTBAFRAD or INDEVAS, WASHINGTON, D. C.

DISBURSEMENT DIVISION [insert the Disbursement Division indicated in the signature block of the Special Commitment letter]

RE: IBRD LOAN or IDA CREDIT or COFINANCIER NUMBER [insert the 4 or 5 digit number, followed by 2 or 3 character abbreviation for the borrowing country indicated in the upper left corner of the Special Commitment letter]

SPECIAL COMMITMENT NUMBER [insert the 1 to 5 digit number indicated in the upper left corner of the Special Commitment letter]

LETTER OF CREDIT NUMBER [insert opening bank’s L/C number cited in the Special Commitment letter]

REQUEST FOR PAYMENT NUMBER [number requests for payment sequentially beginning with number 1]

WE HAVE NEGOTIATED DOCUMENTS FOR [insert currency name] [insert amount in figures]

PLEASE PAY [insert bank name], [insert branch name and address] CITING OUR REFERENCE [insert reference number which is needed for correct identification of payment by negotiating bank]

BALANCE OF LETTER OF CREDIT [insert currency name] [insert amount in figures] HAS BEEN CANCELLED or WILL BE UTILIZED

DOCUMENTARY CREDITS DEPARTMENT, [insert bank name], [insert address]
THE WORLD BANK
SPECIAL COMMITMENT REQUEST FOR PAYMENT

While the Bank prefers to receive payment requests by SWIFT, telex or cable, it will also accept requests for payment by facsimile or by mail in the following form. This form should NOT be sent if payment has already been requested by SWIFT, telex, or cable.

Date: 
IBRD Loan/IDA Credit No.: 
Cofinanciers Ref. No.: 
IBRD/IDA Special Commitment No.: 
Letter of Credit No.: 
Request for Payment No.: 
Our Ref: 

TO: ______ Disbursement Division 
The World Bank 
1818 H Street, N.W 
Washington, DC 20433 
U.S.A. 

SPECIAL COMMITMENT REQUEST FOR PAYMENT

We have paid or will pay ____________________________________________to or on the order of: _____________
(currency and amount) 
__________________________________________________________________________________________
(name and address of beneficiary)

under the Letter of Credit, Special Commitment and Loan/Credit/Cofinancier agreement(s) mentioned above. Such payment has been made, or is due and will be promptly made to the beneficiary under and in accordance with the terms and conditions of the said Letter of Credit and 

Name and Address of Commercial Bank

Validity of the letter of credit has been extended to _________________________________________

Payment routing instructions: 

Very truly yours,

______________________________________________
(Authorized Signature)

______________________________________________
(Name)

______________________________________________
(Name and Address of Commercial Bank)

Instructions for Completing Payment Requests sent by Facsimile or by Mail

1. Disbursement Division [insert the Disbursement Division indicated in the signature block of the Special Commitment letter]
2. Date [insert date of request]
3. IBRD Loan/IDA Credit/Cofinancier No. [insert the 4 or 5 digit number, followed by 2 or 3 character abbreviation for the borrowing country indicated in the upper left corner of the Special Commitment letter]
4. IBRD/IDA Special Commitment No. [insert the 1 to 5 digit number indicated in the upper left corner of the Special Commitment letter]
5. Our Ref. [insert negotiating bank’s own reference]
6. Letter of Credit No. [insert opening bank’s L/C number cited in the Special Commitment letter]
7. Request for Payment No. [number requests for payment sequentially, beginning with number one]
8. Name and Address of Beneficiary [insert name and address of beneficiary as shown in Special Commitment]
9. Balance of L/C [insert currency name and amount in figures]
10. Validity of L/C [insert date]
11. Payment Routing Instructions [insert payment routing or identification, or name of correspondent bank in the country of currency payable, or other information if appropriate]
12. Authorized Signature [insert signature of authorized person in the negotiating bank]
13. Name [insert typewritten name of signatory]
14. Name and Address of Commercial Bank [insert name and address of bank making the request]
Example 1 - Form 1931
Application for Special Commitment

1. of a special commitment to cover letter of credit no. 5555 opened by Anybank, Ruritania, in favor of Motors Inc., Paris for the purchase of 5 vehicles costing EUR 675,000.


3. category 2 – goods, of IDA Credit 3000-RUR at 100% of foreign expenditures.

4. -

Supporting Documents

Furnished to the Bank’s task team in advance of the application for special commitment:

- Any contract and procurement documents required by the Procurement Guidelines

Provided to the Loan Department together with the application for special commitment:

- Two copies of proposed letter of credit
- Pro forma invoices, if these are cited in the letter of credit

See the completed example 1. Note that all sections (1 through 15) of form 1931 must be completed for an application for a special commitment to be processed.

See the special commitment that the Bank issues on form 2018 based on the application received from the Government of Ruritania.
Attention Disbursement Division:

We apply for a Special Commitment and subsequent withdrawal from the Account(s) opened under the Loan, Development Credit or Cofinancing Agreement(s) and request that such a Special Commitment be issued to the negotiating bank in accordance with the terms of the Agreement(s) in order to make payment to the negotiating bank from the Account(s). The undersigned irrevocably authorizes such withdrawal on the basis of any statement by the negotiating bank that payment has been made or is due, and will be promptly made under and in accordance with the terms of the letter of credit.

B. Amendments to the letter of credit.

Amendments involving an extension of the letter of credit expiry date beyond the closing date of the Agreement(s) or more than six months from the original expiry date of the letter of credit (whichever is earlier), a change in the value of the letter of credit, the description or quantity of goods, or the beneficiary, or advance payment of more than 25% of the value of the letter of credit prior to shipment of goods, are subject to your prior approval. You may limit your total obligation to make payments under the Special Commitment by inserting a limitation clause denominated in the currency of the Account(s) sufficient to cover exchange rate fluctuations. If, because of the limitation clause, you cannot disburse the full amount needed to pay the negotiating bank, any uncommitted portion of the Account may be disbursed to cover the deficiency. In the event that the uncommitted portion of the Account is insufficient to cover the deficiency, you will notify the undersigned who will arrange to make such payment promptly to the negotiating bank.

D. Your obligation under the Special Commitment shall terminate:

(a) except as the World Bank shall otherwise agree, 30 days after the expiry date of the letter of credit or at the closing date of the Loan or Development Credit Agreement (whichever is earlier);
(b) upon payment by the World Bank to the negotiating bank of the full value of the letter of credit, in accordance with the terms and conditions of the Special Commitment.
(c) upon receipt by the World Bank of written notice from the negotiating bank specifying the Special Commitment may be cancelled.

E. The undersigned has not previously withdrawn from the Account to meet these expenditures. The undersigned has not and does not intend to obtain funds for this purpose out of the proceeds of any other loan, credit or grant.

F. The goods or services covered by this application are being purchased in accordance with the terms of the Agreement(s).

G. The undersigned hereby authorizes the World Bank to apply the current value of such funds as a credit to the Account; or, if the amount is small, apply such funds to the borrower’s next payment due for interest, commitment charges, service charges or principal.

**DETAILS OF LETTER OF CREDIT**

4. NAME AND ADDRESS OF NEGOTIATING BANK
   International Bank
   Main Branch, Champs Elysee
   Paris, France
   
   SWIFT CODE: CRLYFR

5. NAME AND ADDRESS OF OPENING (BORROWER’S) BANK
   Anybank
   Main Street
   Capital City
   Ruritania

6. NAME OF L/C OPENER (BORROWER OR EXECUTING AGENCY)
   Ministry of Agriculture

**DETAILS OF EXPENDITURE**

8. NAME AND ADDRESS OF CONTRACTOR OR SUPPLIER
   (letter of credit beneficiary)
   Motors Inc.
   Paris, France

9. PROCUREMENT DETAILS
   a) CONTRACT OF PURCHASE ORDER NUMBER AND DATE
      (or other reference to contract document)
      3579 of June 30, 2006
   b) DATE OF PROCUREMENT NO-OBJECTION NOTICE
      (complete for contracts above prior review limit)
      June 11, 2006
### DETAILS OF LETTER OF CREDIT

<table>
<thead>
<tr>
<th>7. LETTER OF CREDIT DETAILS</th>
<th>DETAILS OF EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) OPENING BANK’S L/C NO.</td>
<td>c) BRIEF DESCRIPTION OF GOOD, WORKS OR SERVICES</td>
</tr>
<tr>
<td>b) CURRENCY NAME</td>
<td>Euros</td>
</tr>
<tr>
<td>c) CURRENCY</td>
<td>675,000.00</td>
</tr>
<tr>
<td>AMOUNT</td>
<td>December 15, 2006</td>
</tr>
<tr>
<td>d) L/C EXPIRY DATE</td>
<td></td>
</tr>
</tbody>
</table>

### DETAILS OF EXPENDITURE

<table>
<thead>
<tr>
<th>10. WITHDRAWAL DETAILS</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) CATEGORY OR SUB-PROJECT NO.</td>
</tr>
<tr>
<td>b) PERCENTAGE OF EXPENDITURES TO BE FINANCED:</td>
</tr>
<tr>
<td>BY THE WORLD BANK</td>
</tr>
<tr>
<td>BY JOINT FINANCIER (if any)</td>
</tr>
</tbody>
</table>

### SPECIAL INSTRUCTIONS AND REMARKS

12. Government of Ruritania
Name of Borrower
Date

14. By (sgd) Harold R. Brown
Signature(s) of Authorized Representative(s)

15. By Harold R. Brown, Proj. Coord., Min. of Agriculture
Name(s) and Title(s) of Authorized Representative(s)

SUBMIT APPLICATION IN DUPLICATE TO ADDRESS SHOWN ABOVE
For World Bank Use Only

SC No. ____________________________ Approved ____________________________

W/A No. __________________________
International Bank
Main Branch, Champs Elysee
Paris, France

Date  July 26, 2006

Your Correspondent  Anybank, Ruritania
Your Correspondent’s L/C No.  5555
Application No.  20

Ladies and Gentlemen:
We transmit herewith a copy of a letter of credit which we understand you are prepared to issue, advise or confirm in favor of Motors Inc. in the amount of EUR 675,000.00 expiring on December 15, 2006.

In consideration of your acceptance hereof as provided below, we irrevocably agree to:
(a) reimburse you (or the negotiating bank) for any payment made to or on the order of the beneficiary under and in accordance with the terms of the letter of credit.
(b) pay to you (or the negotiating bank) amounts that have become due the beneficiary under and in accordance with the terms of the letter of credit in which case you agree to make payment to or on the order of the beneficiary upon receipt of our payments. Subject to the terms and conditions described below, payment shall be made by us promptly but not later than 30 days after receipt by us of a written request therefor provided that such written request should have been specifically addressed to the Division and Department of the International Bank for Reconstruction and Development (“IBRD”)/International Development Association (“IDA”) indicated in the signature block below. All communications in connection with this Special Commitment should be sent to that address.

This Special Commitment is subject to the following terms and conditions: 1. You will issue, advise or confirm the letter of credit and promptly advise us of any change in the negotiating bank.
2. You undertake to promptly furnish us with copies of all amendments to the letter of credit. Such amendments are subject to the following additional conditions:
(a) any amendment involving a change in the value of the letter of credit, the description or quantity of goods, or the beneficiary, or advance payment of more than 25 percent of the value of the letter of credit, will not be operative until we receive our written approval;
(b) any amendment extending the expiry date of the letter of credit more than six months beyond the original expiry date or beyond June 30, 2009 (whichever is earlier) will not be operative until we receive our approval.
3. If the letter of credit is not denominated in the currency of your country you will notify us of the name and address of your correspondent bank in the country of such currency which will receive funds for your account.
4. We shall not be obligated to pay you unless a SWIFT/telex/cable or written request for payment shall have been received by us at our above stated address within 30 days of your negotiation of documents. Our obligation under this Special Commitment may be terminated 30 days after the date in paragraph 2(b) above or six months after the letter of credit expiry date (whichever is earlier). We shall not be obligated under this Special Commitment to any person (including the beneficiary under the letter of credit) other than you.
5. We shall not be obligated to pay you in respect of interest, commission, other charges or expenses in connection with the letter of credit.
6. You agree that you will advise us promptly upon cancellation, expiration or final payment of the letter of credit including the amount of any cancellation.
7. (a) This Special Commitment may be issued under a Loan Agreement or Credit Agreement by IBRD or IDA, as the case may be, acting alone, jointly with another financier, or as agent for another financier. Since such financing is limited, we shall not be obligated to make payments to the extent that they would in the aggregate exceed the equivalent, as determined by us when payments are made, of:

XDR 608,993.700 (IDA)

In addition, the other financier(s) obligation (if any) is limited to
(b) Our borrower has agreed that if the amount due to be paid to you by it exceeds the maximum amount we and/or other financier(s) have undertaken to pay under (a) above, we may at our discretion disburse any uncommitted portion of the loan/credit that may exist to cover the deficiency. If no such disbursement is made or if any such disbursement proves insufficient to cover the deficiency, we will notify the borrower of the amount of the deficiency remaining. Upon receipt of our notification, it will be our borrower's responsibility to arrange to make prompt payment to you to cover any such deficiency.
(c) We shall have no liability to you for the failure of any other financier for whom we are acting as agent to make any payment required of such financier under this Special Commitment. You understand and agree that such payments may be made to you either by us or directly by the financier.

8. The Special Commitment is allocated as follows:

<table>
<thead>
<tr>
<th>Financier</th>
<th>Loan Num</th>
<th>Tranche</th>
<th>Ccy</th>
<th>Letter of Credit Amount</th>
<th>Category No.</th>
<th>Category Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA</td>
<td>3000</td>
<td>EUR</td>
<td>675,000.00</td>
<td>2</td>
<td>Goods</td>
<td></td>
</tr>
</tbody>
</table>

All requests for payment should specify the amount pertaining to each above-listed categories.

9. This Special Commitment is governed by the laws of England and the courts of England shall have non-exclusive jurisdiction to resolve any dispute arising out of it.

Your first request for payment shall constitute your acceptance of this Special Commitment including all the terms and conditions set forth above as evidenced by the copy of this agreement on our files.

Very truly yours,

Disbursement Management Group
Loan Department
International Development Association

FORM 2018 (10-95)
REFERENCE SHEET AND CHECKLIST FOR PROJECT STAFF WHO PREPARE APPLICATIONS FOR WITHDRAWAL

Reference Sheet

Project staff can download this reference sheet from the Client Connection Web site (http://clientconnection.worldbank.org) and use it to ensure that all the information they need to prepare applications for withdrawal is available.

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Entry</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dates</td>
<td>Legal agreement date</td>
<td></td>
<td>Legal agreement (cover)</td>
</tr>
<tr>
<td>1.*</td>
<td>Date of legal agreement amendment(s), if any</td>
<td></td>
<td>Legal agreement amendment(s)</td>
</tr>
<tr>
<td>2.</td>
<td>Date of disbursement letter</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td>3.</td>
<td>Date of revision(s) to the disbursement letter, if any</td>
<td></td>
<td>Disbursement letter revision(s)</td>
</tr>
<tr>
<td>4.</td>
<td>Loan effective date</td>
<td></td>
<td>World Bank notice</td>
</tr>
<tr>
<td>5.*</td>
<td>Loan closing date</td>
<td></td>
<td>Legal agreement</td>
</tr>
<tr>
<td>7.*</td>
<td>Loan disbursement deadline date</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td>8.*</td>
<td>Lapsed loan date</td>
<td></td>
<td>Disbursement deadline date +2 months</td>
</tr>
</tbody>
</table>

Application authorized signatories

<table>
<thead>
<tr>
<th>Item</th>
<th>Name(s)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.</td>
<td></td>
<td>Authorized signatory letter</td>
</tr>
</tbody>
</table>

Retroactive financing

<table>
<thead>
<tr>
<th>Item</th>
<th>Eligibility date</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.</td>
<td></td>
<td>Legal agreement</td>
</tr>
<tr>
<td>11.</td>
<td>Eligible categories</td>
<td>Legal agreement</td>
</tr>
<tr>
<td>12.</td>
<td>Limits</td>
<td>Legal agreement</td>
</tr>
</tbody>
</table>

Disbursement conditions, if any

<table>
<thead>
<tr>
<th>Item</th>
<th>Condition, related category</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.</td>
<td></td>
<td>Legal agreement</td>
</tr>
<tr>
<td>14.</td>
<td>Date condition satisfied</td>
<td>World Bank notice</td>
</tr>
</tbody>
</table>

(continued)
<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Entry</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Disbursement methods and type of supporting documentation (if a disbursement method is applicable, enter the type of supporting documentation required)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Advance</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td>16.</td>
<td>Reimbursement</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td>17.</td>
<td>Direct payment</td>
<td>Records</td>
<td>Disbursement letter</td>
</tr>
<tr>
<td>18.</td>
<td>Special commitment</td>
<td>Letter of credit</td>
<td>Disbursement letter</td>
</tr>
<tr>
<td></td>
<td><strong>Minimum application size</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Reimbursement</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td>20.</td>
<td>Direct payment</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td>21.</td>
<td>Special commitment</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td></td>
<td><strong>Designated Account</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>Type (pooled or segregated)</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td>23.</td>
<td>Currency</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td>24.</td>
<td>Ceiling</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td>25.</td>
<td>Beneficiary’s name and account number, or IBAN for euro payments</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>26.</td>
<td>Beneficiary’s bank name and address, and SWIFT code, if available</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>27.</td>
<td>Special payment instructions, if any (e.g., ABA fedwire number, branch/sort code)</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>28.</td>
<td>Reporting period</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td></td>
<td><strong>Application forms</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29.</td>
<td>Address where applications and supporting documentation should be sent (in paper form)</td>
<td></td>
<td>Disbursement letter</td>
</tr>
<tr>
<td>30.</td>
<td>Other disbursement instructions, if any</td>
<td></td>
<td>Disbursement letter</td>
</tr>
</tbody>
</table>

_Note: n.a. = not applicable._

* Available on Client Connection.
## Application Preparation Checklist

Project staff can download this checklist from the “Forms” screen on the Client Connection Web site ([https://clientconnection.worldbank.org](https://clientconnection.worldbank.org)) and use it to ensure that an application for withdrawal has been prepared properly. Forwarding the application to the authorized signature for his or her signature.

An online functionality that will allow electronic delivery of application forms and supporting documentation through Client Connection. In the meantime, project staff can use Client Connection’s eForm and fill out the form online using “smart” help.

### Loan number:  
**Borrower reference number:**  
**Date:**  
**Application type:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Requirement</th>
<th>Note if done</th>
<th>Client Connection and “smart” eForm Help</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Do I have the latest versions of the legal agreement and disbursement letter and have I used them to fill out the application form?</td>
<td></td>
<td>You can check Client Connection for a copy of the United Nations conformed legal agreement. If this is available, it will appear on the right side of the “Loan Overview” screen in the “Loan Documents” box.</td>
</tr>
<tr>
<td>2.</td>
<td>Have I filled in the application form correctly taking into account the purpose of the form (requesting a payment and/or documenting expenditures)? Are all entries on the form legible?</td>
<td></td>
<td>eForm guides you in filling in the application form correctly based on the “Application Type” you choose. eForm requires that you select a loan that you are authorized to view.</td>
</tr>
<tr>
<td>3.</td>
<td>Have I checked that the loan number is correct?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Have I correctly entered the application number into the “Borrower Reference Number” field?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Has the Bank been notified of who is authorized to sign applications? Are the signature name(s) and date on the application correct?</td>
<td></td>
<td>Electronic signature capability will be made available in a later version of eForm.</td>
</tr>
<tr>
<td>6.</td>
<td>Have related disbursement conditions or tranche conditions been met?</td>
<td></td>
<td>You can check relevant Client Connection “Loan Overview” or “Category Detail” screens. eForm checks that a designated account has been set up in the Bank’s system.</td>
</tr>
<tr>
<td>7.</td>
<td>Has the designated account been opened in a financial institution acceptable to the Bank?</td>
<td></td>
<td>You can check relevant “Category Detail” screens for disbursement percentages. You can check relevant “Policies and Procedures” under “Disbursements.”</td>
</tr>
<tr>
<td>8.</td>
<td>Have appropriate disbursement percentages been applied?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Have advances been used for eligible purposes and in accordance with the appropriate policies and procedures?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Have disbursements been suspended for the related part of the loan?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(continued)
### Payment

<table>
<thead>
<tr>
<th>Item</th>
<th>Requirement</th>
<th>Note if done</th>
<th>Client Connection and “smart” eForm Help</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.</td>
<td>Are the application currency and amount clearly shown and are they correct?</td>
<td></td>
<td>eForm prefills the currency field with the currency of the designated account for application types referencing a designated account. For other application types, eForm provides a pick list of disbursable currencies. eForm displays numeric amounts in words so you can validate what you have entered.</td>
</tr>
<tr>
<td>12.</td>
<td>Are the payment instructions clear and consistent with any supporting documentation? Are all bank references (SWIFT code, branch/sort code, ABA fedwire number) and account references (account number, IBAN) included?</td>
<td></td>
<td>eForm prefills payment information for application types referencing a designated account. For other application types, eForm provides a bank lookup list containing relevant SWIFT codes.</td>
</tr>
</tbody>
</table>

### Expenditures

<table>
<thead>
<tr>
<th>Item</th>
<th>Requirement</th>
<th>Note if done</th>
<th>Client Connection and “smart” eForm Help</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.</td>
<td>Are funds available in the related expenditure category or categories, or do funds need to be reallocated?</td>
<td></td>
<td>You can check relevant “Category Detail” screens for fund allocations.</td>
</tr>
<tr>
<td>14.</td>
<td>Are the expenditures reported on the application consistent with the legal agreement?</td>
<td></td>
<td>You can check Client Connection for a copy of the UN conformed legal agreement.</td>
</tr>
<tr>
<td>15.</td>
<td>Were eligible expenditures paid on or after the signing date or retroactive financing date? Were eligible expenditures incurred prior to the closing date? Has the closing date and/or disbursement deadline date passed?</td>
<td></td>
<td>You can check the “Loan Overview” for key dates. eForm entry requires that the entry date is not past the disbursement deadline date.</td>
</tr>
</tbody>
</table>

### Schedule for Advance Payments

<table>
<thead>
<tr>
<th>Item</th>
<th>Requirement</th>
<th>Note if done</th>
<th>Client Connection and “smart” eForm Help</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.</td>
<td>Is the total amount allocated to installments equal to the application amount?</td>
<td></td>
<td>eForm computes the total and compares it to the application amount.</td>
</tr>
<tr>
<td>17.</td>
<td>Are the requested value dates at least 10 days away from the current date? If there is more than one value date, are they at least 30 days apart?</td>
<td></td>
<td>eForm checks that the dates are within the appropriate limits.</td>
</tr>
</tbody>
</table>

(continued)
(continued)

<table>
<thead>
<tr>
<th>Item</th>
<th>Requirement</th>
<th>Note if done</th>
<th>Client Connection and “smart” eForm Help</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.</td>
<td>Are the documented currency and amount clearly shown and is this amount consistent with the supporting documentation provided?</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Is the documentation appropriate for the type of application?</td>
<td>eForm provides a list of appropriate documentation types.</td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Have I checked that the documentation is complete?</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>21.</td>
<td>Have I attached only one copy of the supporting documentation as required?</td>
<td>n.a.</td>
<td></td>
</tr>
</tbody>
</table>

Note: n.a. = not applicable.
ANNEX I

SPECIAL PROCEDURES FOR PAYING AUDIT FEES THROUGH AN ESCROW ACCOUNT

Definition

An escrow account is an account into which funds are deposited and held to pay for specific contracts, fees, or expenditures. Establishment of an escrow account ensures that expenditures are paid in a timely fashion: it is a guarantee that funds are available to pay the bills when they come due. Normally, the account owner initiates the establishment of an escrow account into which the funds will be deposited and subsequently paid to a third party with an escrow agent. The account owner and the escrow agent are specified in a letter of agreement or other binding document.

Procedures

A World Bank borrower can finance the final audit fee through an escrow account as follows:

- A letter of agreement for setting up an escrow account is signed between the account owner, in this case the borrower, and the escrow agent, normally the commercial bank that will maintain the escrow account. In most cases, the bank maintaining the project’s designated account would be selected, but another commercial bank could also be considered if it is acceptable to the Bank.

- The agreed lump sum needed to pay for the audit or the remaining portion thereof if an advance has been paid, in accordance with the contract for the final audit, and should define the respective responsibilities of the commercial bank and the borrower. A sample letter of agreement follows.

- A letter of agreement for setting up an escrow account is signed between the account owner, in this case the borrower, and the escrow agent, normally the commercial bank that will maintain the escrow account. Normally, the bank that will maintain the escrow account is selected, but another commercial bank could also be considered if it is acceptable to the Bank.

- A letter of agreement for setting up an escrow account is signed between the account owner, in this case the borrower, and the escrow agent, normally the commercial bank that will maintain the escrow account. In most cases, the bank maintaining the project’s designated account would be selected, but another commercial bank could also be considered if it is acceptable to the Bank.

- The agreed lump sum needed to pay for the audit or the remaining portion thereof if an advance has been paid, in accordance with the contract for the final audit, and should define the respective responsibilities of the commercial bank and the borrower. A sample letter of agreement follows.

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- The agreed lump sum needed to pay for the audit or the remaining portion thereof if an advance has been paid, in accordance with the contract for the final audit, and should define the respective responsibilities of the commercial bank and the borrower. A sample letter of agreement follows.
Sample Letter of Agreement between the Borrower and the Commercial Bank

Tho:  [Commercial bank]
       [Address]

of the attached final audit contract with [name of auditor] (the “Auditor”).

for this purpose.
amounts on deposit in the escrow account.

Account Set-Up

count number

Account Notification

payment from the Auditor, the Escrow Agent will notify the Account Holder immediately. Holder will authorize the Escrow Agent to make payment within 5 working days.

Account Closure

contract. Any unutilized amount will be refunded to the Account Holder.

Signed by Account Holder: _______________________________________________________
[Name of the Account Holder] __________________________________________________
[Address] _____________________________________________________________________
Date: _________________________________________________________________________

Agreed:

Account approved date: _________________________________________________________

Account number assigned: ______________________________________________________

Signed by Escrow Agent: _________________________________________________________
[Name of the Escrow Agent] ______________________________________________________
[Address] _____________________________________________________________________
Eligibility

Retention money is an eligible expenditure if the contract for the works is completed, the works are provisionally accepted before the loan closing date, and if the contract provides for the option of replacing the retention money with an on-demand bank guarantee or other suitable performance security.

Procedures

To obtain disbursement against an expenditure for retention money, the borrower provides an application for withdrawal to the Bank and (a) if records are required for expenditures under the contract, also provides evidence of provisional acceptance and a copy of the bank guarantee in addition to the required records; or (b) if the contract is disbursed on the basis of statements of expenditure or interim financial reports, retains such documentation and makes it available for review by auditors and the Bank upon request. Upon completion of the defects liability period, the borrower retains a copy of the project manager’s certification that the contractor has corrected all defects about which it was notified; in accordance with standard policy, the borrower refunds to the Bank any amount withdrawn that exceeds the amount of eligible expenditure.

Prompt Action

For effective project and procurement planning it is important that the borrower (a) take timely action for the release of retention money based upon an on-demand bank guarantee or other suitable performance security; (b) monitor the contractor’s correction of all defects notified to it by the project; and (c) prepare a copy of the project manager’s certification regarding the correction of all defects during the defects liability period as soon as the project manager makes the certification.
APPENDIX I

POLICIES AND PROCEDURES FOR INVESTMENT PROJECTS
APPRaised PRIOR TO THE ESTABLISHMENT
OF COUNTRY FINANCING PARAMETERS

The following table are applicable to projects that were appraised before country financing parameters were established for the country, unless, following the subsequent establishment of country financing parameters, the legal agreement for the project was amended to apply the new policy to projects in countries without country financing parameters.

<table>
<thead>
<tr>
<th>Item</th>
<th>Policy or Procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure eligibility</td>
<td>The following items are not eligible for Bank financing:</td>
</tr>
<tr>
<td></td>
<td>• customs duties or taxes levied by the borrowing country;</td>
</tr>
<tr>
<td></td>
<td>• cost of land unless otherwise approved by the Bank’s Land Acquisition Committee in the context of community-based land reform;</td>
</tr>
<tr>
<td></td>
<td>• late payment penalties imposed by suppliers unless these penalties are incurred in connection with a disputed payment that has been the subject of arbitration;</td>
</tr>
<tr>
<td></td>
<td>• local expenditures (defined in the General Conditions, July 2005) for transportation and insurance (except as part of foreign shipments to the project destination), unless the project legal agreement provides for the financing of local costs.</td>
</tr>
<tr>
<td>Retroactive financing</td>
<td>Limited to 10 percent of the loan amount for investment projects.</td>
</tr>
<tr>
<td>Disbursement percentages</td>
<td>Declining disbursement percentages must be used for incremental recurrent expenditures.</td>
</tr>
<tr>
<td></td>
<td>Standard disbursement percentages, established on a country-basis, are used for consultant services and staff in project implementation units.</td>
</tr>
</tbody>
</table>
**APPENDIX II**

**WHAT’S NEW SINCE 1992?**

Disbursement Handbook for World Bank Borrowers was issued in 1992. During 2002–6, the Bank introduced a number of reforms to modernize and simplify its policies and procedures for investment lending. This book reflects these recent changes, which are summarized in the following table.

<table>
<thead>
<tr>
<th>What happened to</th>
<th>New procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special accounts?</td>
<td>The term now used to refer to the account holding advances disbursed by the Bank is designated account. Designated accounts can be segregated, i.e., used exclusively for advances from the World Bank for the project (similar to the former special account), or pooled, i.e., with World Bank funds commingled with the borrower’s resources and/or with resources from other development partners. See the section on “Using the Advance Method” in chapter V.</td>
</tr>
<tr>
<td>Comfort letters?</td>
<td>Previously the Bank required a letter of comfort from commercial banks to assure the Bank that amounts deposited in a designated account would not be set off or otherwise seized or attached to satisfy amounts due to the commercial bank by the borrower. The Bank no longer requires such letters; however, it reserves the right not to accept a financial institution for the opening and/or maintenance of a designated account if the institution has taken or takes such action(s) against the proceeds of any Bank loan on deposit in a designated account maintained by it (see subsection 5.6 of the Disbursement Guidelines). The borrower is responsible for choosing the financial institution to hold a designated account and should ensure the terms and conditions are acceptable to the Bank (see the section on “Using the Advance Method” in chapter V).</td>
</tr>
<tr>
<td>Replenishment and recovery?</td>
<td>The former special account was established and used in the same way as a revolving fund, i.e., after the Bank had disbursed the authorized allocation to the special account, the borrower normally requested and the Bank normally made subsequent disbursements for the exact amount of the Bank’s share of the attached supporting documentation. This was referred to as replenishment. As the closing date of the project approached, the borrower was required to provide documentation for the final funds used from the special account. No disbursement was made, but a transaction was processed to recover the special account. Now disbursements of advances to the designated account and reporting on the use of these advances may be done separately. Advances may be requested as often as required to provide sufficient liquidity and to minimize interest charges, as long as they remain within the ceiling for advances. Reporting on the use of these advances should be periodic (as set out in the disbursement letter), but does not need to be accompanied by a request for additional disbursements. See the section on “Using the Advance Method” in chapter V.</td>
</tr>
</tbody>
</table>
What happened to

<table>
<thead>
<tr>
<th>What happened to</th>
<th>New procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limits for using statements of expenditure?</td>
<td>Limits for using statements of expenditure were based on the type of expenditure (goods, works, or services) and were generally linked to the procurement prior review threshold. Because of changes to the Bank’s procurement guidelines in 2004, linking the statement of expenditure limit with the procurement prior review threshold may no longer be appropriate. Instead, the Bank’s task team will determine on a project-by-project basis when additional documentation (i.e., copies of invoices, bills) must be provided to support disbursements made on a reimbursement basis or using the advance method. When the borrower has adequate financial management arrangements in place, the Bank will encourage the use of summary reports (specifically, interim unaudited financial reports) to support all requests for reimbursement and to report on the use of advances. See the section on “Supporting Documentation” in chapter III.</td>
</tr>
<tr>
<td>Form 1903?</td>
<td>The old application for withdrawal form 1903 has been retired, together with forms 1903A (previously used for development policy loans) and 1903B (previously used with project management reports and/or financial monitoring reports). Form 1903 has been replaced by a new application for withdrawal form, form 2380, which can be used to request an advance and/or document use of prior advances, request reimbursement and direct payment for documented expenditures, and request disbursement of a development policy loan tranche. A supplement to this form, form 2381, has been introduced to give borrowers the flexibility of requesting the Bank to schedule payments of advance amounts on an installment basis. This form, the Requested Schedule for Advance Payments, enables borrowers to send one withdrawal application to the Bank for multiple payments, thereby facilitating cash management planning and reducing financial costs while providing liquidity. See the section on “Application Forms” in chapter IV.</td>
</tr>
<tr>
<td>Application summary sheets?</td>
<td>In the past, the borrower was required to attach summary sheets to an application that summarized the eligible expenditures covered by the application. Summary sheets may no longer be necessary if the information the Bank requires can be derived from the application form itself or from the supporting documentation. A simpler new form has been introduced, form 2832, List of Contract Payments Against Contracts Subject to the Bank’s Prior Review, which may be sufficient in many cases. See the section on “Supporting Documentation” in chapter III.</td>
</tr>
<tr>
<td>Financial monitoring reports and report-based disbursements?</td>
<td>The Bank introduced the concept of using financial reports (in a form determined by the Bank) to support disbursements in 1998. It is not discussed in the 1992 handbook, but was presented to borrowers in other documents, most recently in Financial Monitoring Reports for World Bank-Financed Projects: Guidelines for Borrowers (November 2002). Based on the Bank’s experience with financial monitoring reports (and their predecessor, the project management report) and significant borrower feedback, the form and content of the financial reports required by the Bank has been simplified. The form and content of the report must be acceptable to the Bank, but the Bank no longer mandates a specific format. If the borrower is able to generate periodic financial reports that reflect all sources and uses of funds for the project from its own systems in a timely and accurate manner, it can use these same reports to support disbursement. If the borrower needs to develop a separate system, the form and content of the reports should be appropriate for the project and the borrower’s capacity to produce them.</td>
</tr>
</tbody>
</table>
(continued)

<table>
<thead>
<tr>
<th>What happened to</th>
<th>New procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using financial reports to support disbursement is not a separate disbursement methodology, but an alternative form of summary supporting documentation. It is available to all borrowers with acceptable financial management arrangements. See the section on “Providing Supporting Documentation for Disbursement” in chapter V.</td>
<td></td>
</tr>
<tr>
<td>Disbursement details in the legal agreement?</td>
<td>Until July 1, 2005, disbursement arrangements for new projects were set out in the legal agreement. Statement of expenditure limits were in schedule 1 and terms and conditions for special accounts were in schedule 5. Disbursement arrangements are now set out in the Disbursement Guidelines and the disbursement letter. The standard disbursement provisions applicable to all projects are contained in the guidelines, while the specific provisions for the project (and the manner in which they apply) are provided to the borrower in the disbursement letter. The disbursement letter is part of the negotiations package and is finalized during negotiations. It is also part of the signing package and is binding. This change should make it easier to modify disbursement arrangements as may be needed during project implementation. When changes to disbursement arrangements are needed, the Bank issues a new disbursement letter following consultation with the borrower. See the section on “Key Documents” in chapter II.</td>
</tr>
<tr>
<td>Taxes and standard disbursement percentages?</td>
<td>In the past, the Bank specified items that were never eligible for Bank financing. One of these items was taxes, and the Bank developed standard disbursement percentages for each country and applied them to consultants’ services for each project to ensure that the Bank did not finance the estimated amount of these taxes. Other items were also ineligible, such as customs duties, cost of land, late payment penalties imposed by suppliers, and local expenditures for transportation. As a result of the April 2004 expenditure eligibility reform, for projects in countries with approved country financing parameters, Bank loan proceeds can now finance all the expenditures necessary to meet the development objectives of the operation supported by the loan, including the foregoing items, in accordance with the parameters and project needs. See appendix I for additional information on the restrictions that may apply to projects appraised prior to the establishment of country financing parameters. See also Operational Policy 6.00, Bank Financing.</td>
</tr>
<tr>
<td>Integrated controller’s system?</td>
<td>In the past, borrowers accessed disbursement information from the Bank’s integrated controller’s system Web site. In November 2004, this Web site was replaced with the Bank’s Client Connection Web site (<a href="http://client-connection.worldbank.org">http://client-connection.worldbank.org</a>). Client Connection offers much more information and many new features. See annex C.</td>
</tr>
</tbody>
</table>

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1 interim unaudited financial reports.
APPENDIX III

OLD APPLICATION FORMS

drawal form, and new supplementary forms. New forms are available from the Client Connection Web site and in annex F of this handbook.

In addition to the new forms, old printed application forms previously provided to borrower include:

- Form 1903 1E Application for Withdrawal
- Form 1903 2E Application for Withdrawal Summary Sheet
- Form 1903 3E Application for Withdrawal Statement of Expenses (SOE) Contract Detail
- Form 1903 4E Application for Withdrawal Statement of Expenditures (SOE) Free Format
- Form 1903A Application for Withdrawal under the Loan or Development Credit Agreement
- Form 1903B Application for Withdrawal using Project Management Reports (PMR)