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مركز مشاريع ودراسات القطاع العام

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Office of the Minister of State for Administrative Reform

Center for Public Sector Projects and Studies

(C.P.S.P.S.)

Disbursement Handbook

Disbursement Handbook

The World Bank
Washington, D.C., U.S.A.

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Preface

**What does the
*Disbursement
Handbook* cover?**

Aside from covering disbursement operations for World Bank loans and credits, this handbook also applies to cofinancing trust funds administered by the World Bank, and cofinancing operations for which the donor has asked the Bank to assume responsibility for review of withdrawal applications.

**What has
changed since the
1986 edition of
the handbook?**

More detailed text has been added, including expanded coverage of:

- Statements of Expenditure (SOEs)
- Special Accounts (SAs)

**Who uses the
*Disbursement
Handbook*?**

The primary users of this handbook are the staff of project-implementing agencies in member countries who handle day-to-day disbursement affairs. To carry out their daily responsibilities more efficiently, these staff should have ready access to the appropriate loan documents and disbursement letter for the project. They should also have the following:

- *Disbursement Handbook*
- *Guidelines: Procurement under IBRD Loans and IDA Credits*
- *Guidelines: Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency*
- *Guidelines: Financial Reporting and Auditing of Projects Financed by the World Bank*

The *Disbursement Handbook* also serves as a useful guide for suppliers of goods and services, for banks holding Special Accounts, and for commercial banks receiving World Bank Special Commitments.

**How can one get
copies of these
publications?**

The Bank distributes this handbook and other publications widely among officials in member countries dealing with disbursements for World Bank-financed projects. If you need any of these publications, contact the World Bank's Publications Office at the address shown on the inside cover, or your local Resident Mission.

Who manages the loans?

The **Loan Department** handles all loan administration. Its Disbursement Divisions serve specific geographic regions:

- Africa
- East Asia and Pacific
South Asia
- Europe and Central Asia
Middle East and North Africa
Latin American and the Caribbean

Within these divisions, specially assigned staff handle disbursements for specific countries, which includes:

- Reviewing and approving applications for withdrawal of loan proceeds
- Responding to any problems or queries on disbursement issues referred to them

The Loan Accounting and Borrower Services Division of the Loan Department handles billing and loan repayment matters, and provides borrowers with services related to loan accounting.

Comments and suggestions

The aim of this handbook is to aid the efficient and speedy disbursement of Bank loans for projects in many countries. Your suggestions for improving the handbook are welcome. Please send them to:

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Note: "The Bank" in this handbook refers to the International Bank for Reconstruction and Development (IBRD) and its affiliate, the International Development Association (IDA).

"Loan" refers to either an IBRD loan or an IDA credit, unless otherwise explained in the text.

"Schedule 1" as mentioned through this handbook refers to the "Schedule for Withdrawal of Loan Proceeds" which normally appears as the first annex to each loan agreement.

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Chapter 1

The World Bank

Background

- 1.1 The central purpose of the World Bank—which includes the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA)—is to promote economic and social progress in developing member countries. To carry out its purpose, the Bank:
- lends funds
 - provides advice
 - stimulates investments by others
- 1.2 IBRD is owned by the governments of its member countries, all of which are also members of the International Monetary Fund (IMF). As members, the countries contribute to the capital of both the Bank and the IMF. Subscriptions to IBRD's capital vary according to each member's quota in the IMF. Most of IBRD's funds come from
- borrowing on the capital markets of the world
 - repayments on loans
 - earnings
- 1.3 IDA provides assistance to developing countries with very low per capita income through credits on much more favorable terms than IBRD loans. IDA funds come mainly in the form of contributions from developed member countries, though some developing member countries also contribute. Although IDA is legally and financially distinct from IBRD, it shares the same staff, and its projects must meet the same high standards as for IBRD loans.

World Bank Lending

- 1.4 The Bank has helped to develop agriculture, improve education and health, protect the environment, increase energy output, expand industry, create better urban facilities, extend telecommunications networks, modernize transportation systems, improve water supply and sewerage facilities, and support structural adjustment. In short, the Bank has provided assistance to developing countries in many different sectors where adequate capital from other sources was not available on reasonable terms.
- 1.5 The Bank's funds are intended primarily to help meet foreign exchange costs since most developing countries have an acute shortage of foreign currencies. The developing country provides part of the financing for

each project from its own resources. In many cases, other lenders and donors also provide assistance. Each project is designed in close collaboration with the national government and local agencies, and often as well with other organizations pursuing objectives similar to the Bank's.

The Project Cycle

Identification, Preparation, and Appraisal

- 1.6 Once a project has been identified and is considered feasible, it is formulated by examining the economic, financial, and technical requirements and the likelihood of their being realized, and by determining what features and conditions will be necessary to ensure the project's success. The borrower is primarily responsible for preparing the project, although the Bank, United Nations agencies, and outside consultants frequently assist, particularly when the necessary expertise is unavailable locally. The Bank carries out an appraisal with the assistance of the borrower and, on occasion, other donors, to provide a basis for the decision to support the project with a loan.

Negotiation and Approval

- 1.7 Formal negotiations with the borrower follow appraisal. These result in a legal agreement (or agreements) between the borrower and the Bank that precisely defines the project and specifies the program to meet its objectives. The agreement contains:
- financial terms and conditions
 - schedule of items to be financed by the Bank (normally Schedule 1)
 - procurement methods to be used
 - covenants on audit, revenue levels, organizational changes, project monitoring, and any other points requiring special attention
- 1.8 At this stage, the arrangements for disbursing the loan are worked out in detail between the borrower and the Bank. These arrangements are particularly important to both parties, since they establish the basic principles and practices for disbursement that will be followed throughout the project's implementation period. At negotiations, the Loan Department's representative distributes to the borrower's negotiating team copies of the *Disbursement Handbook* and samples of the withdrawal forms to be used. The Loan Department representative is on hand throughout the negotiations to advise and assist the borrower's team on disbursement matters, and to discuss with them the procedures for claiming withdrawals from the loan.
- 1.9 After negotiations are completed, Bank management submits a report on the proposed loan to the Bank's executive directors for their approval. After approval, the loan documents are signed. Before withdrawals can

begin, the borrower *must* fulfill the conditions of effectiveness, and the Bank *must* declare the loan effective.

Implementation and Supervision

- 1.10 The borrower is responsible for implementing the project, and for satisfying the Bank that the project is being carried out properly and will likely achieve the objectives of the loan. The borrower reports to the Bank periodically on the project's progress. The Bank, in turn, supervises the project and reviews its progress regularly to ensure that the funds are spent as agreed.

Evaluation

- 1.11 After the loan is closed and the project completed, the Operations Evaluation Department—a separate and independent unit reporting to the Bank's executive directors—evaluates the results of the project. Evaluation is an essential part of the Bank's process of learning how to make development assistance more effective.

Types of Loans

Investment Projects

- 1.12 Most Bank lending goes for investment projects which require specific goods and services to meet their objectives. Examples are loans to finance agricultural development, transportation, education, health and nutrition projects, and industrial development.

Adjustment Operations

- 1.13 Adjustment loans are linked to programs of reform, and are usually disbursed in a series of tranches (portions of the total loan amount) as structural reforms are implemented. Adjustment operations usually finance imports procured through simplified rules (see para. 8.19). In some cases, all imports within a specific period may be eligible except for a limited list of items on a "negative list." In others, disbursements may be limited to imports for a specified sector - a "positive list." Since adjustment lending usually finances a large volume of imports over a short period, the Bank prefers that the borrower prefinance all procurement and claim reimbursement later from the Bank.

- 1.14 Some loans (called hybrid loans) involve a blend of investment and adjustment activities.

Project Preparation Facility Advances

- 1.15 Project Preparation Facility (PPF) advances are made by the Bank to provide financial and technical assistance to borrowers for the preparation of new projects. PPF funding is provided only when the borrower cannot prefinance these costs or find other sources of funds.
- If the Bank agrees to finance a project as a result of the preparation, the advance is refinanced out of loan funds earmarked for this purpose as soon as the loan becomes effective.

- If a new project does not materialize by the date specified in the agreement covering the advance, the borrower repays the principal and accrued charges.

Cofinancing

1.16 About 40 percent of all Bank-assisted projects receive financial support from other lenders and donors under various cofinancing arrangements. For certain projects the Bank acts as administrator for these donors. In these operations, the Bank has the same responsibilities for documentation review and payment approval as for its own loans. (See paras. 3.15-3.19 for details.)

1.17 The Bank's three main types of cofinancing partners are:

- official sources, including governments, their agencies, and other multilateral financial institutions
- export credit institutions which are directly associated with financing certain goods and services from a particular country
- commercial banks and other private financial institutions

Chapter 2

Legal Provisions

General Conditions

- 2.1 Standard conditions governing IBRD loans are contained in the Bank's *General Conditions Applicable to Loan and Guarantee Agreements*, and IDA credits in the *General Conditions Applicable to Development Credit Agreements*. The General Conditions, which are an integral part of the loan agreements, cover the following:
- repayment provisions, interest, and other charges
 - currency provisions, including valuation of currencies
 - withdrawal of proceeds
 - standard conditions of effectiveness
 - arbitration clauses
 - cancellation and suspension
 - termination
 - various other legal provisions

One of the conditions stipulates that the Bank open a loan account in its books in the name of the borrower, to which the amount of the loan is credited. Funds are then disbursed from this account **as expenditures are incurred**. Certain sections of the General Conditions are incorporated in most trust fund agreements (see para. 3.17).

- 2.2 Article V of the General Conditions sets out the basic requirements for withdrawing the proceeds of a loan. Its main provisions are:
- **Withdrawal from the Loan Account.** The borrower is entitled to withdraw amounts spent on the project subject to compliance with the provisions of the loan agreement and the General Conditions. Withdrawals can only be made for:
 - expenditures in the territories of member countries of the Bank
 - for goods produced in, or services supplied from, these territories.

Note: Suppliers and contractors in Taiwan, China are eligible to compete in providing goods and services financed under Bank loans.

- **Applications for Withdrawal or Special Commitment.** When the borrower wants to withdraw any amount, or wishes the Bank to issue a Special Commitment, it must apply in writing to the Bank in such form and containing such information as the Bank requires.

- **Special Commitment by the Bank.** Upon the borrower's request, and by mutual agreement, the Bank can enter into a Special Commitment in writing to pay for expenditures to be financed out of the loan, even though the Bank may subsequently suspend or cancel the loan. Special Commitments are usually issued to cover letters of credit.
- **Evidence of Authority to Sign.** The borrower must provide the Bank with evidence of the authority of the persons authorized to sign applications together with their authenticated specimen signatures.
- **Supporting Evidence.** The borrower must provide the Bank with any other documents and evidence in support of the application that the Bank may reasonably request, before or after disbursement.
- **Sufficiency of Documentation.** Each application, with its accompanying documentation, must be properly completed, so as to satisfy the Bank that the borrower is entitled to withdraw the amount applied for, and that this amount is used for the purposes specified in the loan agreement.
- **Reallocation of Proceeds.** If there are insufficient funds in a specific category (see para. 2.6), the Bank—by notice to the borrower—may reallocate funds from one category to another or reduce the percentage for withdrawal applicable to expenditures in that category (see paras. 2.16-17).

Legal Agreements

- 2.3 The main legal document for a project is an agreement signed by the borrower and the Bank, which sets out the terms and conditions of the loan.

Note: Different names are assigned to these agreements:

- **Loan Agreement** for IBRD loans
 - **Development Credit Agreement** for IDA credits
 - **Letter Agreement** for Project Preparation Facility Advances
 - **Grant Agreement** for most trust funds administered by the Bank
- In this handbook, "loan agreement" or "agreement" refers to any of the above, unless otherwise specified in the text.

When the Bank lends directly to a party other than a member country, the Bank also enters into a **Guarantee Agreement** with the member country. When the Bank lends to the member country, but implementation will be the responsibility of another entity, the Bank may also enter into a **Project Agreement** with that entity. In this case, key provisions related to procurement, maintenance of project accounts,

and operation of a Special Account may be specified in the Project Agreement rather than the Loan Agreement.

Note: For some loans, such as those that involve onlending of funds to financial intermediaries, the borrower may also enter into a Subsidiary Loan Agreement with the financial intermediary.

Amending Legal Agreements

- 2.4 The General Conditions specify that the Bank has the right to make certain changes by notice to the borrower. Such changes include extending the closing date to permit continued loan withdrawals (see para. 2.13), reallocating funds or reducing disbursement percentages (see paras. 2.16-17).
- 2.5 Other amendments to loan agreements are subject to agreement between the borrower and the Bank. Changes that will significantly affect the design or scope of the project may also require approval of the executive directors. To amend a loan agreement, the Bank normally signs a letter with the proposed amendments and asks the borrower to countersign it to confirm acceptance of the changes.

Schedule of Withdrawal of Proceeds

- 2.6 The Schedule of Withdrawal of Proceeds—usually Schedule 1 to the loan agreement (see example in Annex 1)—is drawn up by agreement between the borrower and the Bank. The schedule contains a list of the categories of items to be financed (such as civil works, goods, consulting services, and training). Separate headings under each category show the estimated amounts to be disbursed and the percentages of expenditures that will be financed from the loan. A portion of the loan is usually set aside as "unallocated" to cover physical and price contingencies.

Note: In some cases the category description refers to a specific part of the project which is fully described in the description of the project (normally Schedule 2 to the loan agreement).

- 2.7 If a Schedule of Withdrawal of Proceeds is not included (as is the case in some loans to financial intermediaries), withdrawal instructions may be found in the body of the loan agreement (usually Article II).

Disbursement Letter

- 2.8 After the loan agreement is signed, the disbursement officer in the Loan Department sends a letter—the disbursement letter—outlining the disbursement procedures to be followed for the loan. A draft version of this letter is usually discussed at negotiations. This letter (see example in Annex 2) provides the borrower and executing agencies with clear instructions on withdrawals for the particular project. It also further defines some of the provisions in Article V of the General Conditions and in this handbook.
- 2.9 The disbursement letter provides sample withdrawal forms to be used and includes special instructions, where applicable, on the following:
- retroactive financing (see para. 4.4)
 - items eligible for disbursement under the Statement of Expenditure (SOE) procedure (see Chapter 5)
 - unique requirements for the operation of a Special Account (see Chapter 6)
 - data requirements for the Bank to capture statistics on the origin of goods and services (see para. 3.8)
 - disbursement conditions, if any (see para. 2.12)
 - minimum value of applications (see para. 4.9)
 - audit requirements (see Chapter 9)
 - disbursement arrangements for any cofinancing administered by the Bank (see paras. 3.15-3.18)
- 2.10 In many projects, several agencies as well as the borrower may be involved in project implementation and therefore would be entitled to send withdrawal applications to the Bank. The borrower is responsible for providing the Bank (preferably during loan negotiations) with addresses of all the project entities that should receive copies of the disbursement letter, and disbursement reports (see Chapter 7). The borrower is also responsible for providing access to all necessary instructions for all staff who handle disbursement issues.

Significant Dates

- 2.11 The following are important for each project:
- **Board Approval Date:** The date the executive directors approve the loan for the project. This date determines the schedule of repayments from beginning to end.
 - **Loan Signing Date:** The date the borrower and the Bank sign the loan agreement. Commitment fees start to accrue 60 days later. All eligible payments made by the borrower from this date onwards may be reimbursed upon loan effectiveness.

- **Effective Date:** The date the Bank notifies the borrower that it accepts the evidence of compliance with the conditions of effectiveness, and the date from which disbursements from the loan account may be made.
- **Closing Date:** The date specified in the loan agreement after which the Bank may, by notice to the borrower, terminate the right to make withdrawals from the loan account.

Disbursement Conditions

- 2.12 The Bank may make withdrawal of a portion of a loan conditional on the fulfillment of certain actions which are unlikely to be completed before effectiveness. Any such condition must not have the effect, in case it is not satisfied, of delaying the project as a whole or prejudicing its successful implementation. Conditions of disbursement, which appear in Schedule 1 to the loan agreement, restrict disbursement for a specified category (or categories) of the loan until particular actions have been taken. (See Annex 1 for an example.)

Closing Dates

- 2.13 Loan closing dates are established on the basis of the anticipated project completion date, with an additional margin of about six months to allow for submission of final withdrawal claims. The Bank may notify the borrower that the closing date of a loan has been extended. This action is usually taken after consultation with the borrower. Borrowers may also provide the necessary justification and request an extension of the closing date. When implementation has been delayed, timely action to extend the closing date will help to assure project entities that funds will continue to be available to meet future project expenditures. The Bank may terminate the right to make further withdrawals after the closing date has lapsed.
- 2.14 In some cases, subject to specific notification from the Bank to the borrower, the Bank may permit withdrawals for a limited period (not exceeding four months) after the closing date to cover payments made or payments due for goods, works, and services that have been provided on or before the closing date.
- 2.15 Retention payments become due only on fulfillment of certain conditions (for example, performance tests or expiry of warranty period). If these conditions have been met before the closing date, these payments would fall within the list of payments which the Bank may agree to make after the closing date. Otherwise, closing date extensions may be justified.

**Reallocating
Loan Proceeds**

2.16 While the project is being implemented, actual progress of the project can differ from the original estimates for many reasons. On the disbursement side, this frequently means reallocating some funds from one category to another, in particular from the "unallocated" category. No disbursements can be made directly from the "unallocated" category; these funds must first be reallocated to another category listed in Schedule 1 to the loan agreement. The General Conditions specify that under certain circumstances the Bank may reallocate funds from one category to another by notice to the borrower. In most cases, however, funds are reallocated after progress of the project is reviewed with the borrower during a supervision mission (see para. 1.10). In order to avoid any delay in disbursements for expenditures under a category which has been or is about to be fully disbursed, borrowers should initiate discussions leading toward reallocation of funds at the appropriate time.

**Changing
Disbursement
Percentages**

2.17 The General Conditions also specify that the Bank may reduce the disbursement percentage applicable to a category in those cases where the amount allocated will be insufficient to meet all expenditures in that category if reallocation of funds between categories cannot meet this shortfall. While disbursement percentages may be reduced in such cases by notice from the Bank, any other changes in disbursement percentages are subject to the amendment procedure set out in para. 2.5.

Chapter 3

Disbursement Operations

Introduction

- 3.1 Disbursement arrangements and procedures have evolved over the years to meet changing needs. General withdrawal procedures are described in Chapter 4. Two widely used procedures with special requirements—Statements of Expenditure (SOEs), and Special Accounts (sometimes called Revolving Funds)—are described in Chapters 5 and 6. For withdrawals against SOEs, the supporting documentation remains with the borrower in the field, for subsequent examination by independent auditors and Bank supervision missions at any time. When a Special Account is used, the Bank makes an initial advance to cover anticipated eligible expenditures. Thus, both procedures transfer to the borrower greater responsibility for verification and control of documentation supporting withdrawal applications. Before the Bank can approve these methods for each individual project, it must be satisfied that expenditure controls and auditing arrangements are adequate.
- 3.2 All payments for goods and services should be made in accordance with the contract provisions, which specify the currencies and mode of payment. Prompt payment is of considerable importance since suppliers may have to borrow to continue operations, and since these extra costs are usually reflected in current or future contract prices.

First Steps for Withdrawal

- 3.3 Before withdrawals can begin, the following must occur:
- The loan must be declared effective by the Bank, following compliance with all conditions specified in the loan agreement and the General Conditions.
 - The Bank must receive evidence of authority to sign withdrawal applications (see para. 3.4).
 - Disbursement conditions (if any) related to the specific disbursement category must be met.

For all withdrawals, the Bank must receive a withdrawal application in an acceptable form confirming compliance with procurement procedures, and accompanied by acceptable supporting documents.

Authorized Signatures

- 3.4 The General Conditions require that the authorized representative of the borrower designate which officials may sign withdrawal applications, and provide copies of their authenticated specimen signatures. The authorized representative (usually the Minister of Finance for loans to the borrowing country or the chief executive officer of an entity which

borrowers directly from the Bank) is specified in the loan agreement. For an example of a letter to designate signatories, see Annex 3. The borrower has the discretion to determine the number of signatures required on each application. The letter should state clearly where more than one signature is required. The need for control should be balanced against the need for prompt signature to ensure efficient withdrawals. The borrower should notify the Bank promptly whenever reassignments or other changes require new authorized signatures. To avoid any delays in signing applications, the list of designated officials should preferably include several signatories.

Internal World Bank Procedures

Processing Applications within the Bank

- 3.5 Within the Bank, the Loan Department is responsible for reviewing applications, authorizing payments, and accounting for both disbursements and repayments of loans. All withdrawal applications should be sent directly to the appropriate disbursement division at the address that appears at the head of each application form, unless special instructions have been provided in the disbursement letter (see para. 2.8).
- 3.6 When applications are received by the disbursement division, they are stamped with the date and time of receipt and logged into the Bank's computerized system for monitoring disbursements—the Loan Disbursement System (LDS). Staff check each application to verify
- that the application has been signed by an authorized official
 - that the expenditures are eligible and properly documented
 - that there are sufficient undisbursed funds at the loan and category level.

At the same time, the origin of goods and services and the type of application are recorded. After the Loan Department has approved the application for payment, the Cash Management Department makes arrangements to execute the payment. Banking channels offer the fastest and most secure means of executing payments.

- 3.7 On average, the processing time from receipt of the application until execution of the payment is about two weeks. If the applications are incorrectly or incompletely prepared, the processing will take longer. If problems are serious, applications may be returned, or payment may be made in a reduced amount to cover those items found eligible for financing. In all such cases, the Bank informs the borrower of the reason for rejection or reduced payment.

**Codes Used by
the Bank**

- 3.8 The Bank is required to classify disbursements in order to report the data to member governments. The Bank classifies disbursements primarily according to origin of goods and services, and the type of item being financed. See Annex 4 for current member countries of the Bank, currency names, codes used by the International Standards Organization (ISO) for these currencies, and the numeric codes used by the World Bank for each of these currencies. See Annex 5 for state codes for the United States of America. The Bank also uses codes to describe broad classes of goods and services. Borrowers are sometimes asked to include these codes in summary sheets attached to their withdrawal applications.

Note: Additional countries may have become members since this handbook was issued. Contact the Bank if you need to verify current membership.

**Refinancing
Project
Preparation
Facility
(PPF) Advances**

- 3.9 When a loan includes provision for refinancing principal amounts withdrawn from a PPF advance and any accrued charges, Schedule 1 to the loan agreement includes an allocation to cover the estimated amount needed for this purpose. Article II of the loan agreement, which covers Financial Provisions, also specifies that the Bank will arrange for refinancing the amounts due promptly after effectiveness of the loan. The Bank handles this process automatically. Payment advices (see para. 7.2) provide borrowers with details of the amounts withdrawn to cover refinancing of the PPF. After the PPF has been refinanced, any balance of the PPF advance is cancelled. Any unused amount allocated in the loan to cover refinancing of the PPF remains available, and may be reallocated to other disbursement categories to cover activities eligible for financing under the loan. Normally activities eligible for financing under the PPF will also be eligible under one or more of the disbursement categories of the refinancing loan.

**Capitalizing
Loan
Charges**

- 3.10 If IBRD loans are made for projects that can generate the revenues needed to repay the loan only after project completion, the Bank may agree to capitalize interest and other charges on the loan for a specified period. In these cases, the loan agreement includes an allocation of the estimated amount needed to cover interest and other charges. Article II, which covers Financial Provisions, specifies that the Bank has the right to withdraw from the loan account and pay to itself amounts due on each semiannual repayment date.

Refunds

- 3.11 The borrower must ensure that the Bank receives a refund of any amount withdrawn that exceeds the amount of eligible expenditures. All refunds should be paid to the Bank's account at its depository bank, citing appropriate references—the loan number and withdrawal authorization number, in most cases—with advice to the Cash Management Department.
- **If the refund is small**, the Bank reserves the right (as specified in each application) to apply the amount refunded to debt service.
 - **If the amount is significant**, it is refunded to the loan account and becomes available to meet future eligible expenditures.

Amounts refunded to the Bank are normally credited with effect from the date of receipt of the refund. In some cases, the currency amount refunded may have to be converted to another currency acceptable to the Bank (for example, a currency outstanding in the Currency Pool for IBRD loans [see paras. 7.16-7.19], or the currency of the trust fund from which payment was made). Any difference between the amount charged to the loan when the original payment was made and the equivalent amount at the time of refund is absorbed by the account of the borrower. If a Bank error caused the excess withdrawal, the refund is credited back to the loan account in the full amount charged on the date of withdrawal.

Suspending Disbursements

- 3.12 When a borrower fails to comply with the conditions specified in a loan 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 debt-service related defaults, the Bank's policy is to suspend disbursements on all loans to, or guaranteed by, the member country. The Bank notifies the borrower in writing whenever disbursements are suspended, and gives details of any items which the Bank may (at its discretion) exempt from the suspension. Payments against Special Commitments issued before the date of suspension are not subject to suspension or cancellation.

Cancellations

- 3.13 Under the General Conditions, borrowers may request cancellation of any undisbursed loan balances unless they have been reserved already for Special Commitments issued by the Bank. The Bank may cancel loan balances, in full or in part, under the following circumstances:
- if the right to make withdrawals has been suspended for a continuous period of 30 days
 - if, in consultation with the borrower, the Bank determines that an amount is not required to finance the costs that were to have been financed from the loan

- in certain instances of noncompliance with procurement provisions
- if an undisbursed loan balance remains in the loan account after the closing date has lapsed

Cancellation notices specify the effective date of the cancellation (that is, the date from which commitment charges [see paras. 7.11-7.15] will no longer accrue on the cancelled amount).

Cofinancing

3.14 Cofinancing arrangements may be made in different ways. For purposes of this handbook, "cofinancing" covers projects implemented by a developing member country with financial assistance from external donors. In most cases, this term is used to describe projects receiving assistance from the Bank and other donors. For convenience, the term is also used to describe "free-standing" operations, or those receiving support from other donors, but whose disbursements are administered by the Bank (see para. 3.17).

3.15 Cofinancing includes the following:

- **Joint financing**, an operation with a common list of goods and services, for which the Bank and cofinancier share the financing and disbursement for certain items in agreed proportions. The Bank's procurement guidelines apply to all jointly financed goods and services.
- **Parallel financing**, an operation in which the Bank and the cofinancier finance different goods and services or part(s) of a project. In parallel financing, the procurement arrangements may follow each donor's requirements. The Bank ensures that parallel-financed items are procured economically, in a timely fashion, and are compatible with the rest of the project.

The Bank sometimes works with other donors to coordinate and streamline donor requirements in order to simplify the disbursement and procurement process.

3.16 Some multilateral aid agencies or bilateral donors ask the Bank to administer disbursements on their behalf. Normally the Bank requires that these donors agree that the Bank's procurement and disbursement procedures will apply to their funds. Exceptions, however, are sometimes granted. In general, the Bank will agree to administer funds only if the procurement rules meet the Bank's general requirements of economy and efficiency.

3.17 Two major types of cofinancing are administered by the Bank:

- **Trust Funds held by the Bank.** The Bank may hold the donors' funds pending disbursement. Many bilateral donors use this arrangement. Payments are then executed by the Bank on receipt and approval of withdrawal applications. Many donors agree to deposit the full amount of their contribution upon approval of the trust fund. Payment may sometimes be delayed, however, if a donor has stipulated that funds will be paid into the trust fund on a periodic basis.
- **Funds held by the donor.** In these cases, donors request the Bank's assistance in reviewing applications and determining eligibility for financing, but they execute their own payments. In these cases, the Bank sends telex payment instructions or SWIFT messages (see para. 4.13) to the donor advising that payment may be made. In cases where donors require copies of withdrawal applications and summary sheets, the loan agreement will normally specify the requirement.

Note: If a donor has not agreed to use the Bank's standard withdrawal forms, special requirements are outlined in the disbursement letter.

3.18 Individual donors may follow slightly different practices than the Bank with respect to postponement of closing dates, suspension of disbursements, and cancellation of loan balances.

3.19 This handbook does not cover disbursement procedures for trust funds where the Bank acts as executing agency on behalf of the beneficiary and enters directly into contracts with the suppliers of goods and services. Questions regarding these trust funds (for example, trust funds for United Nations Development Programme projects) should be directed to the Bank's Trust Fund Administrator.

Taxes and Other Ineligible Expenditures

Taxes

3.20 The Bank does not finance customs duties and other taxes imposed by the borrowing (or guaranteeing) member country. This policy is applied by selecting items to be financed and setting eligible disbursement percentages so that the overall level of Bank financing excludes taxes. In the case of imported goods bought locally, the Bank usually disburses a percentage of the purchase price (generally stipulated in Schedule 1 to the loan agreement) in order to avoid disbursing against duties or taxes. Similarly, the local cost component of contracts for works is usually financed at less than 100 percent to exclude taxes. For locally

manufactured goods purchased directly from the factory, no adjustment to the disbursement percentage is made in order to exclude financing of customs duties or taxes on imported components entering into the cost of a final product.

Other Ineligible Items

3.21 The Bank does not normally finance the following:

- goods and services from nonmember countries
- items not within the project and category description defined in the loan agreement
- items not procured in accordance with *Guidelines: Procurement under IBRD Loans and IDA Credits* and consultancy services not contracted in accordance with *Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency* and with the specific provisions in individual loan agreements
- payments made or due for goods, works, and services provided after the closing date
- land acquisitions (although, in very rare cases, an exception may be approved by Bank management)
- late payment penalties imposed by suppliers, unless the penalties were incurred in connection with a disputed payment which was under arbitration
- excessive advance payments (see para. 8.13)
- self insurance (see para. 3.26)

Freight and Insurance

Freight

3.22 Freight charges paid in foreign exchange for imported goods are eligible for financing when goods are carried in vessels of member countries (subject to restrictions outlined in para. 3.24 in the case of the borrower's national lines). The Bank also finances freight charges on goods procured in a member country and shipped on a vessel chartered to a firm in a member country, regardless of ownership or registry of the vessel, so long as the freight was paid to that firm. In case of doubt about eligibility, consult the Bank before incurring significant charges.

Conference Lines

3.23 Freight charges on vessels from non-member countries may be eligible for Bank financing when the owners are full or associate members of a conference line, participate in the conference's revenue-sharing arrangements, and member country shipping lines hold the major share in the conference. For example, these freight charges are eligible when the goods are carried by vessels of the following three Conferences:

- India/Pakistan Conference
- India/Burma/Bangladesh/Sri Lanka Conference
- East Africa Conference.

- National Lines** 3.24 A borrower who wants to arrange transportation and/or insurance exclusively by a national line or firm should invite bids on both CIF (cost, insurance, and freight) terms, permitting shipping and insurance by any eligible source, and on FOB (free on board) terms. CIF prices are used to evaluate bids. The borrower can choose to contract on FOB terms and arrange freight and insurance with a national company. Disbursements would then be limited to the CIF price quoted by the winning bidder. If the cost of transportation and/or insurance is greater than that of the winning bidder by more than 15 percent, the entire transportation and/or insurance cost must be borne by the borrower.
- Local Freight Charges** 3.25 Local freight charges for imported goods are not eligible for Bank financing, unless provided for in Schedule 1 to the loan agreement.
- Insurance** 3.26 The borrower, not the Bank, must be the beneficiary of insurance policies. Premiums paid in foreign exchange are eligible for Bank financing. Self insurance and premiums in local currency are ineligible, unless explicitly provided for in the loan agreement.

Chapter 4

General Withdrawal Arrangements

General Information

- 4.1 The Bank's *Articles of Agreement* require it to ensure that loan proceeds are used only for the purposes set out in the loan documents and that the financed goods and services are procured with due regard to economy and efficiency and are suitable and satisfactory for the project. The Articles further stipulate that funds may be withdrawn only to meet project expenses as they fall due. The disbursement procedures described below have been designed to ensure compliance with the Articles.
- 4.2 Borrowers normally send applications for withdrawal or for special commitments directly to the Loan Department in the Bank's headquarters. Applications should not be sent to other Bank departments. Sometimes the Bank arranges for borrowers to send applications to World Bank resident or regional missions for partial processing. This may be agreed to help borrowers comply with disbursement requirements, follow up on problems, and answer routine queries. Disbursement letters specify any such special arrangements.

Types of Expenditure

- 4.3 The loan agreement (normally in Schedule 1) specifies the percentages of expenditures to be financed and provides the legal definitions of those expenditures.
- **Foreign expenditures** are expenditures in the currency of any country other than that of the borrower (or guarantor) for goods or services supplied from the territory of any country other than that of the borrower.
 - **Local expenditures** are expenditures in the currency of the borrower (or guarantor) OR expenditures for goods or services supplied from the territory of the borrower (or guarantor). Under this definition, previously imported goods purchased from a local supplier or the services of a local consultant are considered local expenditures even if invoiced in a foreign currency.
 - **Ex-factory expenditures** are expenditures for goods manufactured in the borrower's country which represent the price at the factory gate excluding any transportation costs and excise or manufacturing taxes.

The percentage of expenditures eligible for financing from the loan is applied to each invoiced expenditure as payments become due.

Retroactive Financing

- 4.4 The date the supplier was paid for goods or services determines the eligibility for payment from the loan account. Normally, payments made before the loan agreement was signed are not eligible for financing. In some cases, however, Schedule 1 to the loan agreement contains a retroactive financing provision—a specific authorization to finance eligible expenditures for which payments have been made before the loan signing date. This authorization identifies the amount, category (if the provision does not apply to all categories), and date from which expenditures are considered eligible. A separate withdrawal application claiming reimbursement for any such expenditures should be submitted to the Bank promptly after loan effectiveness.

Disbursement Procedures

- 4.5 Two disbursement procedures may be used for withdrawing funds from a loan account:
- Withdrawal Procedure (Form 1903)
 - Special Commitment Procedure (Form 1931)

Payment may be made to the borrower or directly to a third party (usually to a supplier or consultant) for goods, works, and services, using an Application for Withdrawal (Form 1903) (see para. 4.11 and Annex 6). Alternatively, payment may be made to a commercial bank for expenditures against a World Bank Special Commitment covering a commercial bank's letter of credit, using an Application for a Special Commitment (Form 1931) (see para. 4.18 and Annex 7). Both procedures require supporting evidence that the funds are used properly according to the loan agreement. Borrowers frequently use a combination of both procedures for disbursements from a loan account.

Obtaining Application Forms

- 4.6 A supply of printed application forms and summary sheets is sent to the borrower with the disbursement letter. Forms are available in English, French, Spanish and Portuguese. Contact the disbursement officer in the Loan Department when additional supplies are needed.

Note: In countries where the Bank has a Resident Mission, supplies are normally available through this office.

The Process of Withdrawing Funds

- 4.7 To be eligible for payment, all applications for disbursement require the following:
- compliance with the loan conditions
 - submission of the specimen signature of the person(s) the borrower authorized to sign the application

Requirements

- submission of an original application (photocopy or facsimile not accepted) plus one copy signed by an authorized representative, which indicates the amount to be paid along with full instructions for payment
- documentation (including evidence of procurement) showing the eligibility of the goods, works, or services
- sufficient funds in the specific disbursement category of the loan account to cover the payment or commitment

Alterations on application forms should be kept to a minimum, and any material alterations should be initialled by authorized officials.

- 4.8 After the Bank approves each withdrawal application, based on the borrower's request it will either:
- disburse to the borrower or a specified third party, or
 - issue a Special Commitment to a commercial bank.

Note: If for any reason an application or part of it is not approved, the Bank promptly notifies the borrower and gives the reason for rejection.

**Minimum
Application Size**

- 4.9 For each loan, the Bank stipulates a minimum application value in the disbursement letter. This value varies among loans depending on the size of the loan and the nature of the project. Borrowers should aggregate eligible expenditures until they reach the minimum value for application. The absolute minimum for any loan is normally US\$20,000 equivalent. Where there is a Special Account (see Chapter 6), the minimum value is generally between 10 and 33 percent of the total advanced to the account. Special Account replenishment applications should be submitted at intervals specified in the disbursement letter even if less than the minimum application value has been used.

**Numbering
System
for Applications**

- 4.10 All applications should be numbered sequentially beginning with the number one. If more than one agency is authorized to submit applications, each should identify its applications with a short alphabetic code (for example, MF-1 = Ministry of Finance No. 1).

Application for Withdrawal (Form 1903)

- 4.11 The Application for Withdrawal—Form 1903 is used for the following:
- reimbursement of payment(s) already made by the borrower from its own resources
 - advance to a Special Account
 - replenishment to a Special Account
 - direct payment to a third party for amounts due

If a withdrawal is required for payments already made, reimbursement goes to the borrower or the project entity (or to the Special Account) depending on the source from which the payment was made. Supporting documentation provides evidence of payment. For direct payment, the payment goes to a third party, and supporting documentation shows evidence of amounts due. Annex 6 gives examples of such applications.

- 4.12 When only one or two items are covered by an application—typically the case for direct payments to suppliers—the Application for Withdrawal and supporting documents are submitted to the Bank without summary sheets. Usually, however, requests for reimbursement involve several items from one or more categories. In these cases, summary sheets are used.

- 4.13 Applications for Withdrawal should be submitted to the Bank in **duplicate** (that is, the original plus one copy). See Annex 6 for instructions on completing the form. Payment instructions must show the complete name and address of the payee's bank, the SWIFT code (for banks that belong to this system), the account number and name as they appear on the account, as well as any references (such as invoice, purchase order, or contract numbers) to ensure proper identification of the payment. In addition, if the payee's bank is not located in the country of the currency of payment, the name and address of the bank's correspondent in that country should be provided. Separate applications are required for each currency requested. Normally disbursements are made by electronic transfer to banks. Only under exceptional circumstances will the Bank approve payment by check.

SWIFT: A financial messaging system used by the Society for Worldwide Interbank Financial Telecommunications. The Bank is a member of SWIFT, as are many major commercial banks and financial institutions.

Summary Sheet

- 4.14 Summary sheets should be attached to the application if the space provided on the Application for Withdrawal is insufficient to accommodate contractor/supplier data. Separate summary sheets are normally used if expenditures cover more than one category or

subproject. Alternatively, one summary sheet may be used provided items are grouped by category and subtotals provided for each category. See Annex 6 for a sample summary sheet along with instructions for completing it. Special forms must be used when applications are submitted without documentation under the Statement of Expenditure (SOE) procedure. (See Chapter 5 and examples in Annex 8.) These SOE forms are tailored to the project expenditures they are to cover, and instructions for their use are included in the disbursement letter.

Note: When contracts include price adjustment provisions (see para. 8.12), to the extent possible summary sheets should differentiate between payments related to the base contract price and those related to price adjustment (escalation) provisions.

Documentation

- 4.15 In general, the documentation required to support disbursements depends on the type of expenditures involved.
- 4.16 If the Bank needs full supporting documentation (as is the case for payments against contracts above the SOE limit described in para. 5.5), two copies of contracts or purchase orders should be sent to the Bank for review by the designated task manager before submitting the first related application. One copy of each of the following supporting documents is normally given to the Bank with the withdrawal application:
- Supplier's or consultant's invoice, or a summary statement of works performed signed by the supervising engineer or other authorized official
 - Evidence of shipment (for equipment and materials purchased). This can be one of the following:
 - copy of the bill of lading
 - forwarder's certificate
 - Evidence of payment (for reimbursement). This can be one of the following:
 - receipted invoice or formal receipt
 - commercial bank's report of payment
 - Performance security such as a bank guarantee in the case of advance payments if required under the terms of the contract, or where an unusually large advance payment is made

Documents should be assembled in the same order that the items appear on the summary sheets.

Note: If disbursements are made against a Statement of Expenditure, follow the procedures described in Chapter 5.

- 4.17 Claims for payment of commercial bank charges, or for freight, insurance, and other importation expenses, should be presented such that the Bank can relate each item to the specific goods financed.

**Application for
a Special
Commitment
(Form 1931)**

Letter of Credit

- 4.18 To finance the purchase of goods under a project, the borrower frequently needs to open a letter of credit. If a commercial bank is unwilling to open, advise, or confirm the letter of credit without some guarantee or security, the Bank, at the request of the borrower, can provide the commercial bank with the guarantee it requires in the form of a Special Commitment. This procedure normally covers major contracts for imported goods.

- 4.19 Under this procedure the borrower asks the Bank to issue to the commercial bank, normally in the supplier's country, its Special Commitment agreeing to reimburse that bank for payments made or to be made under the letter of credit. Such commitments by the Bank are irrevocable even though the Bank loan may later be suspended or cancelled. The Bank charges no fee for these commitments.

Documentation

- 4.20 A borrower wishing to use this procedure sends the Bank an Application for a Special Commitment (Form 1931) **in duplicate**—that is, original plus one copy (instructions for completing the form are at Annex 7)—supported by the following documents:

- Two copies of the contract or purchase order (unless this document was previously submitted to the Bank)
- Two copies of the letter of credit (with valid expiry date) that the commercial bank proposes to issue

When approved, the Bank sends the Special Commitment on Form 2018 (see sample in Annex 7) to the commercial bank that will negotiate payments, together with a copy of the proposed letter of credit. A copy of the Special Commitment is also sent 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.

Payment Claims

- 4.21 Promptly after each payment or negotiation of documents by the commercial bank under the letter of credit, the commercial bank claims payment from the Bank—preferably by SWIFT, telex, or cable, to

ensure prompt payment. Alternatively, the commercial bank may send a request for payment by mail using a Special Commitment Request for Payment (Form 2015). (See Annex 7 for a sample payment claim by telex, an example of Form 2015 and instructions for completing it). As noted in the Special Commitment, the Bank will make payment within 30 days of receipt of an acceptable payment claim.

Note: Interest, commission, and other charges or expenses in connection with the letter of credit are not covered by the Special Commitment.

Managing Special Commitments

4.22 Commercial banks that receive the Bank's Special Commitments must advise the Bank directly of all amendments to the letters of credit. The following amendments to letters of credit must be approved by the Bank in advance:

- Amendments which change the value of the letter of credit, the description or quantity of goods, or the beneficiary
- Amendments which extend the expiry date of the letter of credit more than six months beyond the original expiry date or beyond the loan closing date, whichever is earlier
- Amendments which permit an advance payment of more than 25 percent before the goods are shipped.

These requirements are specified in the text of the application, as well as in the Special Commitment itself. Commercial banks must also notify the Bank of any change in the negotiating bank.

Limitation Clauses

4.23 Since the loan amount is limited, each Special Commitment has a limitation clause specifying the aggregate limit, in the currency of the loan, which the Bank is obligated to pay. (See Annex 7 for an example of the full text of this limitation clause.) In computing the limitation, the Bank uses the current exchange rate, with a margin to cover normal currency fluctuations.

4.24 The Bank's policy is to retain sufficient funds in the loan account to cover all outstanding Special Commitments fully. The Bank reviews the limitation clauses of its Special Commitments routinely 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 after receiving the Bank's notice.

**Loan Closing
Dates and Letter
of Credit Expiry
Dates**

- 4.25 The Bank does not issue Special Commitments for letters of credit with validity 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. (See para. 2.13 for details on extending closing dates.)

Note: Even where letters of credit are expected to be covered by Special Commitments, it is prudent for suppliers to obtain export credit insurance coverage.

**Tips to Avoid
Delays in
Disbursement**

- 4.26 Borrowers and the Bank both want applications to be processed as quickly as possible. The Bank has been able to minimize its processing time, but incomplete or inaccurate withdrawal applications cause many delays. The detailed instructions given in this handbook should be followed carefully. **To further expedite the disbursement of funds, borrowers should design internal procedures which provide prompt access to loan funds.**

- 4.27 To avoid the most common delays in disbursement:

- Forward copies of contracts to the Bank's task manager promptly after they are signed.
- Cite the date of the Bank's "no objection" notice for contracts above the procurement prior review limits specified in the loan agreement (see para. 8.2).
- Make sure that applications are signed by authorized officials. Be sure to advise the Bank of changes in authorized signatories.
- Be sure to identify completely the currency of payment. (More than 25 countries use the dollar sign.)
- Include complete payment instructions.
- Ensure consistency between information on the application and supporting documents.
- Include all necessary supporting documents (see paras. 4.16 and 4.20).
- Include adequately reconciled bank statements to support requests for replenishment of Special Accounts (see para. 6.18).
- Initiate timely action to reallocate funds between categories, or to extend loan closing dates where necessary (see paras. 2.13-2.16).

Chapter 5

Withdrawal Arrangements for Statements of Expenditure (SOEs)

Purpose

- 5.1 Under the Statement of Expenditure (SOE) method, the borrower forwards to the Bank an application for reimbursement of payments already made using an Application for Withdrawal (Form 1903) with SOE forms as the **only** supporting documentation. SOE forms must set out the appropriate details for each project. The borrower or project entity keeps the supporting documents, including contracts and procurement documentation, and evidence of payment in a central location for examination by independent auditors and Bank staff during supervision missions. The SOE method is used to reimburse the borrower when documentation would otherwise be cumbersome or voluminous (for example, expenditures on civil works carried out by force account, operating costs, small agricultural subloans, or payments against small contracts or purchase orders).

Criteria for Using the SOE Method

- 5.2 In order to consider disbursements against SOEs, the borrower must have the following:
- administrative and accounting capability to prepare and maintain SOE records and make them readily available for examination
 - adequate internal controls and arrangements for regular and independent audits of SOE records

Limits for Using SOEs

- 5.3 An explanation of the disbursement arrangements is included in the disbursement letter for all projects. These arrangements are tailored to the project items, and discussed with the borrower at negotiations. The disbursement letter indicates the types of expenditure for which SOE use is required, and, where appropriate, the **contract** value below which SOEs are to be used for selected activities. The contract limits for use of SOEs will vary depending on the type of expenditure. For contracts with values above these limits, all related withdrawal applications must be accompanied by full supporting documentation.

Note: Eligibility for using SOEs depends on the total value of the contract—not the amount of an individual payment. In the case of subprojects under loans to financial intermediaries, SOE limits may not exceed the limit specified in the loan agreement for subproject approval by the Bank.

SOE Forms

- 5.4 Special SOE forms are designed for each project, depending on the nature of the expenditures to be financed. These forms vary from one project to another. In some cases, extensive information is required on the origin of goods, total contract value and individual amounts paid to suppliers. In other cases, the Bank may agree to lump expenditures under broad headings, or to accept the top level of summarization of several reporting layers. Samples of SOE forms are given in Annex 8. However, the specific forms for each project are attached to the disbursement letter.

Note: Where extensive detail is required in SOE forms, borrowers are encouraged to submit SOEs on a computer spreadsheet in an appropriate format. The Bank will accept this information in Excel, Lotus, dBase, or any other commonly used spreadsheet software, on 3½-inch or 5¼-inch floppy diskettes.

Relationship of SOE Limits to Procurement Prior Review Limits

- 5.5 SOE limits are set at or below procurement prior review limits, since the Bank reserves the right to review proposed procurement decisions for larger contracts before borrowers award contracts (see Chapter 8). In some cases loan agreements also provide that the first few contracts of a specified type are subject to the Bank's prior review regardless of their value. For those contracts where the Bank requires use of SOEs, procurement documentation and contracts should be retained as outlined in para. 5.9.

Adjustment Loans

- 5.6 Adjustment loans usually involve financing of general imports with simplified procurement procedures as outlined in *Guidelines: Procurement under IBRD Loans and IDA Credits* (see Chapter 8). SOE contract limits are generally set at higher levels than for investment projects in line with the simplified procurement procedures. For contracts valued above the SOE limit specified in the loan agreement or disbursement letter, applications must be submitted with full supporting documentation as described in Chapter 4.
- 5.7 For contracts falling below the SOE limit, the Bank may agree that customs declarations giving evidence of importation of goods may be used as the basis for preparation of SOE forms. Acceptance of customs declarations depends on the Bank's assessment that the procedures for their preparation are acceptable and consistently applied. In some cases, pre-shipment inspection certificates may also be required. Where customs declarations are used as the basis for SOE preparation, loan agreements normally specify that the date of importation determines eligibility. Summarized customs statements that include details of each

transaction (name and country of supplier, name of importer, brief description of goods, unique identifying number such as the customs declaration number, currency and amount paid) must be submitted with the SOE.

5.8 Standard supporting documents (see para. 4.16) may be used as the basis for SOE preparation in loans where the Bank has not agreed to the use of customs declarations for this purpose. In some cases the Bank may also require that borrowers include Bank codes for classifying disbursements (see Annex 5).

Audit Requirements

5.9 Loan agreements require that borrowers maintain separate records of amounts withdrawn on the basis of SOEs. Borrowers must also retain independent auditors (see Chapter 9) to give a separate opinion or carry out a separate audit on the adequacy of documents and controls on the use of SOEs. Copies of audit reports must be submitted to the Bank by the date specified in the loan agreement. If the borrower does not comply with audit requirements, the Bank may exercise its right to discontinue use of the SOE procedure or to suspend disbursements. The Bank may also reject withdrawal applications for expenditures falling within defined SOE limits, even if they are accompanied by full supporting documentation.

5.10 For investment loans, and for adjustment loans where use of customs declarations has not been agreed, the borrower or project entity must retain all documentation (contracts, procurement documentation, invoices, evidence of receipt, and evidence of payment) related to withdrawals made using the SOE method in a central location for the period specified in the loan agreement. Suitable cross-referencing systems which allow easy retrieval of these documents are essential, as these documents must be readily available for review by auditors and Bank missions. Currently, loan agreements require the borrower to retain these documents for one year after the Bank has received the audit report for the year in which the final disbursement was made.

5.11 For adjustment loans where customs declarations have been accepted as the basis for preparation of SOEs, the individual customs declarations may be retained by customs authorities. Auditors and Bank missions reviewing consistency between SOEs and these declarations must also be permitted to review the importer's records in order to examine other underlying documents.

Chapter 6

Withdrawal Arrangements for Special Accounts (SAs)

Purpose

6.1 Special Accounts are revolving accounts funded with an advance from a Bank loan and used exclusively to cover the Bank's share of eligible expenses in both local and foreign currencies. Full and prompt access to the Special Account to make eligible payments is essential. The primary objective of the Special Account is to help the borrower overcome cash flow problems and speed disbursements in the following ways:

- making funds readily available
- reducing the time for processing payments
- reducing the number of withdrawal applications
- giving the borrower greater control of payment information
- reducing the number of documents to be sent to the Bank if the Bank has also authorized the Statement of Expenditure (SOE) method of withdrawal (see Chapter 5)

6.2 This method of withdrawal provides for an advance disbursement from the loan to be deposited into a Special Account for use by the borrower to finance eligible expenditures under the loan. Each loan using this arrangement has a covenant governing the currency and location of the account, and a schedule governing its operation. The borrower opens the account which is maintained in a fully convertible currency. The project entity can make payments from the account to contractors, suppliers, and others to cover the Bank's share of eligible expenses. The Special Account is replenished regularly to maintain adequate funds (see para. 6.14) by submitting an Application for Withdrawal with appropriate supporting documents. Towards the end of loan disbursements, the Bank initiates a recovery procedure to obtain full documentation for the amount of the outstanding advance (see paras. 6.9 and 6.20).

Legal Requirements

6.3 The legal requirements for establishing a Special Account are agreed at negotiations, set out in the loan agreement, and further explained in the disbursement letter. They include a definition of the Special Account (initially called a special deposit account in the loan agreement) in which funds are to be held, its location, currency, and maximum amount (the "authorized allocation"), together with requirements for advances, replenishment size and frequency, audit, and recovery of the advance.

Location of Special Accounts

6.4 The Special Account is normally held in a commercial bank, although certain circumstances may require it to be held in a central bank or other financial institution. The institution holding the Special Account must be able to

- execute foreign exchange and local currency transactions
- open letters of credit
- handle a large number of transactions promptly
- issue prompt and detailed monthly bank statements

The borrower is responsible for selecting the institution to hold the account, for indicating clearly the special nature of the account by informing the institution that the account is a **special deposit account** being financed by the World Bank, and for agreeing on the specific charges and interest payable on balances in the account. The institution selected must also, however, be acceptable to the World Bank (see para. 6.10).

Currency of Special Accounts

6.5 The currency in which the Special Account is to be maintained is agreed at loan negotiations between the borrower and the Bank, and is specified in the loan agreement. The account is normally maintained in a fully convertible and stable currency widely used in international trade for the following reasons:

- The SA can be used to cover eligible expenditures in both local and foreign currencies.
- Reductions in SA value occur if it is denominated in a currency that devalues.

Borrowers are encouraged to select different currencies for different Special Accounts to ensure a mix of currencies across the borrower's overall Special Account portfolio in a number of loans.

Note: Even Special Accounts in stable convertible currencies subject borrowers to exchange risk. When funds are advanced, the borrower asset (the SA) is denominated in a single currency, while the borrower liability (the corresponding obligation to repay the Bank) is in the mix of currencies making up the currency pool, or in SDRs. To minimize this risk, advances should be restricted to amounts currently needed for project implementation (see para. 6.9).

Operating the Special Account

- 6.6 The Special Account must be used **only** for the Bank's share of financing. In rare cases, the Bank may allow a single account to be funded by one or more joint cofinancing agencies (see para. 3.15). Borrower counterpart funds must not be deposited in the Special Account. Under no circumstances may funds in the Special Account be used in anticipation that counterpart funds to cover the borrower's share of expenditures will shortly become available. Borrowers may, however, prefinance items from their own resources and then reimburse themselves from the Special Account for the Bank's share of these expenditures.
- 6.7 Funds advanced to a Special Account should only be withdrawn from the account as eligible expenditures are incurred. Balances should be converted into other currencies only as payments are made in those currencies. In exceptional circumstances, borrowers may draw an amount sufficient to meet selected eligible expenditures for a limited period (less than 30 days) if so authorized by the Loan Department. Advances from the Special Account into other accounts established by the borrower without Bank authorization are not permitted and constitute grounds for refusal to replenish the account.
- 6.8 If several agencies are responsible for implementing the project, the borrower may designate a coordinating agency to gather the documents, reconcile the Special Account, and submit applications for replenishment. If this is impractical, loan agreements may require the establishment of separate Special Accounts for different project entities.

Authorized Allocation

- 6.9 The "authorized allocation" is the maximum amount that may be advanced into the account. It is normally calculated as the Bank's share of the four-month average of project expenditures to be financed through the Special Account. This is not necessarily four months of all eligible expenditures, since certain disbursements (such as large civil works payments or major equipment purchases) may be made under other Bank procedures. Partial advances may be made to the Special Account as long as the aggregate amount advanced does not exceed the authorized allocation. **Borrowers are encouraged to consider partial advances in the early stages of implementation or during periods of relatively low expenditure when the full authorized allocation may not be needed.** Supplemental disbursements can bring the Special Account up to the prescribed ceiling as implementation accelerates.

Comfort Letters

- 6.10 To protect the interests of borrowers and the Bank in Special Accounts held in commercial banks, the Bank requires a letter of comfort from the commercial bank to assure that amounts deposited in a Special Account will not be set off or otherwise seized or attached to satisfy

amounts due to the commercial bank by the borrower. Such a letter is a precondition for the Bank to disburse the authorized allocation (see Annex 9 for an example). A single letter from the head office of a commercial bank covers Special Accounts opened by any borrower at all branches of that bank. A borrower can consult staff of the Loan Department to find out whether a commercial bank being considered as the depository bank for a Special Account has already provided such a letter. To ensure that the protection of the comfort letter applies to a specific Special Account, the borrower must clearly state that this is a **special deposit account** at the time of establishment.

Access and Control

- 6.11 The borrower is responsible for making appropriate arrangements for the project entity to have controlled, efficient access to funds in the Special Account to finance eligible expenditures as defined in the loan agreement. Controls for compliance should not hinder project implementation or delay payment for these expenditures. Most borrowers require two officials to authorize each payment.

Advances and Replenishments

- 6.12 The borrower submits an application to the Bank for the initial advance to the account using an Application for Withdrawal (Form 1903). No supporting documentation is required, but the borrower should cite the clause in the loan agreement that specifies the "authorized allocation".
- 6.13 When making payments from a Special Account, the borrower is responsible for following all procedures specified in the loan agreement related to prior and post review of bidding and contract documents. The Bank carries out its normal review of disbursement documentation **after** payments have been made from the Special Account. If any ineligible expenditures are made through the Special Account—including those unaccompanied by justifiable evidence—the Bank may not make further deposits into the Special Account until the borrower has refunded the corresponding amounts. However, if the Bank agrees, the borrower may submit evidence of other eligible expenditures paid from its own resources which the Bank can use to offset the ineligible items.
- 6.14 Replenishment applications should be submitted regularly—preferably monthly, after monthly bank statements are received and reconciled by the project entity. While longer reporting intervals may be agreed, the intervals should not exceed three months. The disbursement letter specifies the intervals at which replenishment applications should be submitted for a specific loan (see Annex 2 for an example of such a letter). **The borrower may be instructed to refund to the Bank amounts advanced to Special Accounts if they have been inactive for more than six months.**

- 6.15 An Application for Withdrawal (Form 1903) is used to replenish the account. Summary sheets are designed to include any further relevant data, such as exchange rates. All replenishment applications must be accompanied by reconciled bank statements (see para. 6.18). Normal supporting documentation should be submitted with the application (see para. 4.16) if the SOE method has not been agreed upon.
- 6.16 Special Accounts should be used as much as possible to meet any eligible project expenditures. The disbursement letter (see para 2.8 and Annex 2) designates a minimum value below which all payments should be made from the Special Account or letters of credit funded from the account. Payments above this minimum value may also be made from the Special Account, depending only on availability of funds in the account.

Note: The exchange rate prevailing at the time of withdrawal from the Special Account should normally be used. In special circumstances, the Bank may agree to the use of exchange rates prevailing at the time local currency payments were made to a supplier if withdrawals for these expenditures are made from the Special Account within 90 days. Disbursement letters stipulate when these special arrangements may be applied.

Interest and Charges

- 6.17 Since any amount advanced into the Special Account is considered a disbursement from the loan, IBRD interest or IDA service charges will accrue from the date of disbursement. To offset them, borrowers may arrange to earn interest on the unwithdrawn balance of the Special Account. Since the Bank requires funds to be readily available, interest-earning commercial bank accounts may be the most appropriate form of investment. Interest earned on account balances need not be reported to the Bank, but should be used in accordance with the borrower's internal regulations. The interest paid by a depository bank should preferably be credited to a separate account. If interest earnings are paid into the Special Account, the reconciliation statement must provide appropriate details (see para. 6.18). Reasonable charges incurred from operating the account are eligible for financing from the loan.

Reconciling Bank Statements

- 6.18 Documentation submitted with applications requesting replenishment to a Special Account must include related bank statements from the bank holding the account. Bank statements must give details of all transactions and must be provided even when no transactions occurred during the month. These statements must be reconciled against items

included in replenishment applications. Any discrepancies must be explained to the satisfaction of the Loan Department. For prompt processing, the project entity should provide appropriate cross-references to items included in replenishment applications. (See Annex 10 for an example of a reconciliation statement.)

Suspending Disbursements

- 6.19 No replenishments may be made to a Special Account during a *full* suspension of disbursements (see para. 3.12). However, borrowers may continue to use any balance in the Special Account to meet eligible expenditures. Applications documenting these expenditures should be submitted regularly to the Bank. These applications will be applied to recovery of outstanding advances. After suspension is lifted, the Bank may agree to make further disbursements to restore a Special Account to its original level. If disbursements are only *partially* suspended, only those expenditures related to components or project entities not affected by the suspension are eligible for replenishment.

Recovering Special Account Advances

- 6.20 Before loan closing, the Bank must receive satisfactory documentation to show that the entire amount advanced was used to meet eligible expenditures. Recovery of the outstanding advance in a Special Account usually begins
- when the undisbursed balance of the loan (excluding Special Commitments) is equal to twice the amount of the advance
 - when the final date to submit withdrawal applications is less than six months away

When the recovery process begins, the Bank applies part of the amount documented in each replenishment application to reduction of the outstanding advance. Recovery is usually made to maintain the 2-to-1 ratio. That is, for each \$3 of documented eligible expenditure, the Bank reimburses the borrower \$2 and applies documentation for \$1 to recovery of the outstanding advance, thus ultimately ensuring full documentation to cover the entire advance. The process can be accelerated by advancing the cut-off point for recovery or by reducing the payment-to-documentation ratio. If some withdrawals are made outside the Special Account (such as payments against Special Commitments or direct payments to suppliers), the recovery ratio is appropriately modified to ensure that recovery is completed before the loan is fully disbursed. During the recovery process, the Bank notifies the borrower of amounts disbursed and amounts used for recovery for each application processed, as well as the outstanding balance yet to be documented.

- 6.21 Where borrowers cannot prefinance imports, the Bank may agree to the use of Special Accounts for adjustment loans. For loans with tranching arrangements, Special Accounts are recovered if conditions for release of subsequent tranches have not been met at the time replenishment applications are submitted. If necessary, new advances may be made after tranche release.

Closing Special Accounts

- 6.22 Because of the special characteristics of Special Accounts, and their link to World Bank funding, these accounts should be closed after the Bank has received satisfactory documentation showing how the amounts advanced have been used. A bank statement showing that the account balance has been reduced to zero and the account closed should be provided along with the final application giving evidence of eligible expenditures.

PPF Special Accounts

- 6.23 Some Project Preparation Facility (PPF) advances provide for a Special Account. The same Special Account opened for the PPF may continue to be used for the succeeding loan under which the PPF is refinanced. Any amount outstanding in the PPF Special Account at the time the PPF is refinanced is treated as a partial advance of the authorized allocation under the loan. This amount will be replenished from the loan after documents with evidence of eligible expenditures are received.

Audit Requirements

- 6.24 Loan covenants specify the auditing requirements for all project accounts (see Chapter 9). Each annual audit should include a review of Special Account records to ensure that funds have been correctly accounted for and used in accordance with the loan agreement.

Chapter 7

Disbursement Reports and Loan Repayment

Disbursement Reports

7.1 The aim of the Bank's reporting is to keep borrowers informed of their loan status. Two documents help borrowers to update their records:

- Payment Advice
- Monthly Disbursement Summary

Borrowers should advise the Loan Department immediately if any discrepancies such as charges to the wrong category are identified.

Payment Advice

7.2 When the Bank executes a payment, the borrower is notified promptly of all the details of the payment. The Bank mails to all borrowers and other authorized interested parties a computerized form called a Payment Advice (see Annex 11) that provides the following information:

- Loan number
- Application number (assigned by the borrower)
- Value date of payment
- Withdrawal Authorization number (assigned by the Bank)
- Category charged
- Currency and amount of payment
- Exchange rate and the equivalent charged to the loan account in the currency of commitment (U.S. dollars for IBRD loans; SDRs for IDA credits; U.S. dollars and SDRs or other currencies for trust funds)
- Undisbursed balance of the loan account

For payments over US\$1.0 million equivalent, the Bank notifies borrowers by telex that the payment has been made, and that a Payment Advice has been mailed with all the relevant information.

Note: Cofinancing partners who do not ask the Bank to hold their funds in trust issue their own disbursement reports.

7.3 Borrowers are asked during loan negotiations to provide names and addresses of agencies that should receive copies of Payment Advices. The borrower must notify the Loan Department promptly whenever addresses change, or whenever new agencies should be added to the list.

**Monthly
Disbursement
Summary**

- 7.4 Promptly after the monthly closing of its accounts, the Bank mails to all borrowers and authorized parties a Monthly Disbursement Summary. It details all transactions that have occurred under a given loan in the preceding month. (See Annex 11 for a sample Monthly Disbursement Summary.) The Bank automatically sends copies of Monthly Disbursement Summaries to all agencies receiving mailed Payment Advices. Agencies that require less frequent information can receive only the Monthly Disbursement Summaries, if they so desire.
- 7.5 The two parts of a Monthly Disbursement Summary provide the following information:
- **Part One:** Opening balance and list of all transactions under the loan during the previous month, including all applications paid or refunds processed, along with value dates, currencies and amounts paid, and amounts charged to the loan account
 - **Part Two:** End-of-month balances for each category and for the loan as a whole, as well as amounts set aside to cover Special Commitments

**Applicable
Exchange
Rates (AERs)
Used to Value
Disbursements**

- 7.6 In making payments, currency exchanges are frequently required. These currency exchanges are valued so as to assure all borrowers of equal treatment in their transactions.
- 7.7 The proceeds of loans and credits are disbursed in any currency available to IBRD or IDA. If the Bank does not have the requested currency, it uses another currency. In such cases, the Bank buys the requested currency with another available currency (the cost currency) using the exchange rate (spot rate) quoted by the selling bank. The amount disbursed is charged to the respective account in its U.S. dollar or SDR equivalent based on the currency in which the loan or credit is denominated. For example, in order to make a payment of Japanese yen as requested in a borrower's application under an IBRD loan, the Bank might use Swiss francs; the Swiss franc amount is charged to the currency pool, and the loan account is charged in the U.S. dollar equivalent of that amount.
- 7.8 The Bank uses the same exchange rate for all transactions in a particular currency on a given date: the Applicable Exchange Rate (AER). This is consistent with the provisions for valuation of currencies in the *General Conditions Applicable to Loan and Guarantee Agreements* and the *General Conditions Applicable to Development Credit Agreements*. The Bank establishes the AER based on the rate quoted by the International Monetary Fund for that day or on the rate quoted by the central bank of that country. For U.S. dollar payments, the Bank may

charge the loan account more or less than the amount the borrower requested if a difference occurs between

- the spot rate at which the Bank bought the requested currency using another available currency—the cost currency and
- the AER between the cost currency and the U.S. dollar.

7.9 The following examples (and the Payment Advice at Annex 11) illustrate how a difference between the amount requested and the amount charged occurs.

Example 1

- The borrower requests payment of US\$1,000,000.00, and the Bank pays this amount to the beneficiary named in the application.
- The Bank uses Netherlands guilders to buy US\$1,000,000.00 at a spot exchange rate of 1.8721 Netherlands guilders to 1 U.S. dollar.
- The Bank uses the AER of 1.8733 Netherlands guilders to 1 U.S. dollar on the date of disbursement to determine the equivalent value of 1,872,100.00 Netherlands guilders in U.S. dollars (or SDRs), as follows:
 - $1,872,100 \text{ divided by } 1.8733 = 999,359.42$
- The Bank charges the borrower's loan account with US\$ 999,359.42.

Example 2

- The borrower requests payment of US\$1,000,000.00, and the Bank pays this amount to the beneficiary named in the application.
- The Bank uses Japanese yen to buy US\$1,000,000.00 at a spot exchange rate of 128.35 to 1 U.S. dollar.
- The Bank uses the AER of 128.03 Japanese yen to 1 U.S. dollar on the date of disbursement to determine the equivalent value of 128,350,000 Japanese yen in U.S. dollars or SDRs, as follows:
 - $128,350,000 \text{ divided by } 128.03 = 1,002,499.41$
- The Bank charges the borrower's loan account with US\$ 1,002,499.41.

Repaying Loans

7.10 This chapter gives very brief coverage on factors affecting repayment of loans, including summarized information on IBRD's Currency Pooling System and variable interest rate. Borrowers may contact the Loan Accounting and Borrower Services Division of the Loan Department for a booklet titled *"Debt Servicing Handbook for Borrowers"* giving more detailed information about loan repayment.

7.11 IBRD loans are generally repayable over 15 to 20 years, with a grace period of 3 to 5 years. Their interest rates are related to the cost of IBRD borrowing, and an annual commitment charge of up to 0.75 percent is levied on their undisbursed balance. IBRD loans are made

either directly to a member government or to an entity guaranteed by that government.

- 7.12 IDA credits are made to member governments only and are repayable over 35 or 40 years, with a grace period of 10 years. (IDA credits approved before June 30, 1987 are repayable over 50 years.) They carry no interest, but there is an annual commitment charge of up to 0.5 percent on the undisbursed balance, and a 0.75 percent service charge on the amount disbursed and outstanding.
- 7.13 Commitment charges, service charges, and interest are charged at specified annual rates. The Bank accrues these charges based on the daily status of the loan.
- 7.14 Loan repayments are due semiannually. Borrowers' repayment obligations are the following:
- For IBRD loans in the currency pool (see para. 7.16): their share of the cost currencies disbursed and outstanding in the pool
 - For IBRD loans not in the pool: the cost currencies disbursed and outstanding on the loan
 - For IDA credits: the value disbursed and outstanding in the currency in which the credit was committed
- 7.15 Borrowers must repay the following currencies for amortization payments:
- For IBRD currency pool loans: any cost currency disbursed and outstanding in the pool
 - For nonpool IBRD loans: any cost currency disbursed and outstanding on the particular loan
 - For IDA credits: the currency specified in the credit agreement (any one of three currencies offered by IDA at the borrower's choice-U.S. dollars, French francs, British pounds sterling).

Currency Pool

- 7.16 All Bank loans negotiated on or after July 1, 1980, are included in the **Currency Pooling System**. Some earlier loans have also been included in this system by amendment, at the request of borrowers.
- 7.17 This system equalizes the risks of currency fluctuations among all borrowers at a given time in the following ways:
- By pooling all currencies disbursed and outstanding on participating loans
 - By expressing the outstanding principal amount of each loan as a share of the pool

The share of each loan in the pool is equivalent to the value of its outstanding principal amount divided by the aggregate value of the outstanding principal amounts of all loans in the pool. The Currency Pooling System is not set up to eliminate the exchange risk. It only assures that exchange rate changes affect all loans and borrowers equally.

- 7.18 Here is an example of how currency pooling works. Suppose that the Currency Pooling System begins at zero and that there are only two borrowers, Alpha and Beta, and two currencies, the deutsche mark (DEM) and Japanese yen (JPY). Suppose the cross rate between the two currencies is $\text{JPY } 70 = \text{DEM } 1.00$. Suppose Alpha receives a disbursement of JPY 70 million and Beta receives a disbursement of DEM 1 million. The Currency Pooling System in effect redistributes each of the disbursements to each of the borrowers according to its share of the pool. Thus, in this example each borrower would owe the equivalent of JPY 35 million and DEM 0.5 million. Each loan in the pool continuously has exactly the same currency composition as every other loan, and exchange rate changes affect each loan equally.
- 7.19 The Bank targets the currency composition of loans in the currency pooling system in order to improve the balance among three major currency blocks. The target ratios for currencies in the pool are 1 U.S. dollar for every 125 Japanese yen and 2 deutsche marks (or the equivalent of 2 deutsche marks in a composite of deutsche marks, Swiss francs, and Netherlands guilders). These five major currencies comprise about 95 percent of the pool's value, with the remainder in other currencies. This practice removes most of the uncertainty about the currency composition of the pool, enabling borrowers to plan their budgets more effectively and facilitating hedging if borrowers wish to transform the nature of the exchange risk exposure inherent in their loans.

IBRD Interest Rate

- 7.20 The Bank lends most funds from its own borrowings. The interest rate paid by borrowers is related to the cost of the Bank's borrowings. Borrowers benefit directly from the Bank's strong credit rating in the international capital markets, which allows it to borrow more cheaply. To arrive at the interest rate charged on loans, the Bank adds a margin of 0.5 percent to the cost of its borrowings. Interest rates are currently adjusted semiannually. However, loan agreements allow the Bank to change from semiannual to quarterly adjustments of the interest rate after giving reasonable notice to borrowers.

Chapter 8

Procurement of Goods, Works, and Services

General Information

8.1 The procurement of goods, works, and certain types of services (such as drilling, aerophotographic surveys, and mapping) are governed by *Guidelines: Procurement under IBRD Loans and IDA Credits*. The use of consultants' services is governed by *Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency*. These guidelines document the Bank's requirements for procurement and the use of consultants. The guidelines are complemented by detailed provisions for their application to each operation which are set out in the loan agreement. Those who prepare disbursement applications must understand fully these requirements so that disbursements for procured goods, works, and services can be made efficiently and promptly. Noncompliance with the procurement procedures and failure to send copies of contracts promptly cause most delays in disbursement.

No Objection Notices

8.2 Within the Bank, the task manager for each project is responsible for reviewing procurement decisions. The borrower should send all procurement documents, including final contracts, to the task managers. Each loan agreement specifies procurement decisions that are subject to the Bank's review before contract award, based on the value of the contract. Unless mentioned in the Procurement Schedule to the loan agreement, all consultant contracts are subject to the Bank's review. The date of the Bank's "no objection" notice for contracts above the prior review limit for goods, works and services must be indicated in any related application.

Procurement

8.3 In most cases, international competitive bidding is the most effective method of procurement. The Bank may allow preferences for domestic or regional manufacturers and, where appropriate, for domestic contractors under certain conditions. However, sometimes international competitive bidding is not the most economic and efficient method. In such cases (see para. 8.5) the borrower and the Bank agree to other arrangements.

Note: The particular procedures for procurement are always provided in the Procurement Schedule to the loan agreement.

**International
Competitive
Bidding (ICB)**

8.4 The Bank's guidelines set out in detail the arrangements required for international competitive bidding (ICB). Among others, they cover the following:

- type and size of contracts
- notification and advertising
- pre- and post-qualification of bidders
- bidding documents
- bid evaluation criteria

The bidding documents for ICB should include, *inter alia*, instructions to bidders, proforma conditions of contract, and the forms of the securities required (usually bid, advance payment and performance securities). Apart from the financial considerations (see paras. 8.8-8.18), bidding documents should cover the following:

- bid validity
- standards
- the use of brand names
- insurance
- price adjustment
- liquidated damages
- bonuses
- force majeure
- language
- settlement of disputes

**Other Methods
of
Procurement**

8.5 If international competitive bidding is not the most economic and efficient method of procurement or of implementing the project, other methods may be more appropriate. Examples of such procurement arrangements are the following:

- limited international bidding (by direct invitation only)
- competitive bidding advertised locally and following local procedures
- local or international shopping
- direct purchasing
- commercial practices (where the loan proceeds are onlent to the private sector)
- construction by force account

The appropriate procedures for the categories of goods, works, and services are agreed between the borrower and the Bank, and are always reflected in the loan agreement.

8.6 Procurement usually follows established commercial practices—if they are acceptable to the Bank—in the following circumstances:

- when the loan provides funds to an institution (such as an agricultural credit bank or a financial intermediary) to be lent to beneficiaries (such as farmers or small business firms) for the partial financing of subprojects
- when the loan proceeds finance imports of the private sector (in adjustment operations)

Loan agreements usually specify, however, that large value purchases are subject to international competitive bidding.

Expenditures under Contracts

8.7 Bidding documents always state that the proceeds of Bank loans are limited to payment for goods produced in, and services supplied from the territories of eligible countries. Hence, bidding documents require the contractor or supplier to furnish the necessary data regarding the country of origin of the goods, works, or services for statistical purposes, and to comply with this requirement.

Pricing and Currency of Bids

8.8 Since bids may come from several countries, bidding documents always state the currencies in which to express bid prices. These currencies may be the following:

- bidder's own currency
- currencies in which the bidder expects to incur expenditures
- another currency widely used in international trade and specified by the borrower in the documents.

The following are special cases:

- In contracts for the supply and installation of equipment, the borrower may require bidders to state the portion of the bid price representing local costs in the borrower's currency.
- In civil works, the bidding documents may require bidders to state bid prices entirely in the borrower's currency, with any foreign currency requirements expressed as a percentage of the bid price for each currency.

Currency of Payment

8.9 Payments under each contract are normally made in the currency or currencies in which the price has been stated in the successful bid. However, if the bidder has shown the percentage of payments to be made in other currencies (as in the civil works case above), the exchange rates for a reference date specified in the bidding document or as stated in the successful bid (if the bidding document is silent in this

respect), are used to maintain the value of the foreign currency portions of the bid—without loss or gain.

- Payment Terms**
- 8.10 Payment terms generally follow the normal commercial practice for the goods, works, and market in question. They are stated in the contract.
- 8.11 Since the Bank is not a party to the contract, the contract should not refer to it. Payments for goods, works, and services financed by the Bank can be made by using the withdrawal procedures described in Chapters 4, 5 and 6 of this handbook.

- Price Adjustment Clauses**
- 8.12 Bidding documents contain a statement and appropriate contract clauses whenever prices are subject to adjustment (upward or downward) because of certain events. The contract price may be adjusted if there are changes in the cost of major inputs of the contract (such as labor, equipment, and important materials), whether resulting from market forces or changes in legislation. Usually no price adjustment clauses are included in contracts for goods to be supplied, or works to be completed within one year, unless the market situation calls for it at the time.

Note: These provisions are sometimes called price escalation clauses.

- Advance Payments**
- 8.13 Advance payments to be made on signing the contract (for mobilization and similar expenses) must be related to the cost of the goods, works, or services covered by the contract. They should not be excessive: usually an advance payment of 10-15 percent is considered adequate. The bidding documents should specify the terms of any security (usually a banker's guarantee) required for advance payments. Clauses should be included in the contract to deal with other advances, such as for materials delivered to the site for incorporation in the works.

- Performance Security**
- 8.14 Bidding documents for civil works and for supplying and installing major plants normally require some form of performance security to protect the borrower in case of breach of contract by the contractor or supplier. This security can be the following:
- performance bond or bank guarantee (at the bidder's option), or
 - enough "retention money" withheld for the contract, as specified in the bidding documents, or
 - a combination of both

The performance security must last long enough beyond the estimated completion date of the contract to cover the warranty or maintenance period specified in the contract, unless a separate security is provided for this period.

- 8.15 In contracts for the supply of goods, the supplier or manufacturer may have to provide a bank guarantee, to guarantee performance and warranty obligations. Otherwise, a reasonable amount of retention money may be withheld, depending on the market conditions and commercial practice for this type of goods. Bank guarantees are not required for consultant contracts.

Retention Monies

- 8.16 Retention monies (see para. 8.14) become payable to the contractor or supplier upon successful completion of the contract, at the end of the warranty period, or on another specified date (such as one year from the date of the original invoice). Withdrawals from a loan account for retention monies can be made only after the borrower releases the funds to the contractor or supplier.

- 8.17 Certain countries require government agencies to deposit retention monies in an escrow account to cover future payments. However, until released, such deposits are not eligible for withdrawal from the loan account. If retention monies are deposited into an account that the contractor or supplier can draw upon after a specified period without the borrower's approval, withdrawal may be authorized but the Bank usually requires additional security in such cases.

- 8.18 In following this policy, the Bank upholds the principle of avoiding double financing. In the event of default or nonperformance under a contract, the borrower uses funds from the escrow account or retention money account to complete the works or to repair defects during the maintenance (or defects liability) period. Such expenditures are then eligible for withdrawal.

Sectoral and Structural Adjustment Loans

- 8.19 The standard procurement procedures used for sectoral and structural adjustment loans are slightly different from those for investment (project) loans. International competitive bidding applies to large-volume procurement, above a threshold specified in the loan agreement, but ICB rules are modified by including simplifications of the bid invitation procedures, and the elimination of domestic and regional preferences. Bidders may also have to state the bid price in a single currency widely used in international trade. Payments will then be made only in that currency. Below the ICB threshold, procurement is normally carried out in accordance with procedures followed by the private or public entity handling the imports, if acceptable to the Bank.

- 8.20 The Bank may require trade verification in any procurement under an adjustment operation. Under this procedure, accredited agencies certify invoices for the quality and quantity of each shipment. If international competitive bidding was not used, the certifying agency may also verify that the price paid for the import was reasonable.

Consultants

- 8.21 As for procurement of goods and works, the borrower is responsible for the process of selecting consultants. The procedures are different, however, since the selection of consultants must take into account the experience of the candidates and the quality of the services they offer, rather than the price of their services.
- 8.22 The Bank's objectives in the selection of consultants are to ensure that their qualifications and the terms of reference for their services are appropriate for the assignment, and that they are treated fairly. Accordingly, the Bank can approve or make comments at several stages in the selection process. The Guidelines for consultants include details on the following topics:
- types of assignments and consulting firms
 - evaluation of performance
 - role of domestic firms
 - selection process
 - terms of reference
 - cost estimates
 - contracts
 - supervision
- 8.23 The most commonly used types of consultancy contract are those which are time based (e.g. staff-month charges, plus other reimbursable expenses, plus fee), or lump-sum. Contracts specify payment provisions and many include clauses on price adjustment or contingency allowances.

Chapter 9

Accounts and Audits

Accounts

- 9.1 Bank lending operations, which may also involve cofinanciers, vary widely in nature, scope, and objectives. Hence, accounting systems and arrangements for accountability for resources vary widely. These arrangements are carefully considered during project preparation and appraisal, and the specific requirements to ensure accountability and adequate financial management of each project are always set out in the loan agreement.
- 9.2 The Bank's *Articles of Agreement* require the Bank to ensure that loan proceeds are used economically and efficiently, and only for the stated purpose. As a minimum, adequate financial and procurement records must be consistently maintained from the start of the project, in accordance with sound accounting practices, and subject to adequate control and verification.

Audits

- 9.3 Project accounts must be audited each financial year by a competent independent auditor acceptable to the Bank. The auditor is required to furnish a written opinion and report indicating the extent to which the financial statements and supporting information provide a true and fair view of the financial condition and performance of the project. The auditor should also provide a separate management letter following the completion of the audit on any improvements required in the financial systems and controls and improved use of resources. The audit reports and annual accounts are sent to the borrower who in turn sends them to the Bank's task manager by the agreed deadline after the close of each financial year.
- 9.4 Auditors must also examine the records associated with Statement of Expenditure and Special Account procedures (see paras. 5.9-5.11 and para. 6.24).
- 9.5 Borrowers must submit audit reports promptly. If the auditing covenants specified in the loan agreement are not complied with, the Bank may suspend disbursements.

Note: For more complete details on accounting and auditing requirements for projects and project entities, see *Guidelines: Financial Reporting and Auditing of Projects Financed by the World Bank*, a booklet published by the Bank.

Schedule 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category, and the percentage of expenditures for items to be financed in each category.

Category	Amount of the Loan Allocated (expressed in U.S. dollar equivalent)	Percentage of Expenditures to be Financed
1. Civil Works	50,000,000.00	50%
2. Goods	27,000,000.00	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 90% of local expenditures for items procured locally
3. Subloans	6,000,000.00	75%
4. Consultants' Services	5,000,000.00	100%
5. Training	1,000,000.00	60% of local expenditures
6. Refunding of Project Preparation Advance	1,000,000.00	Amount due under Section 2.02(c) of this Agreement
7. Unallocated	<u>10,000,000.00</u>	
Total	<u>100,000,000.00</u>	

2. For the purposes of this Schedule:

- (a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and
- (b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of

- (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of US\$500,000 may be made in respect of Category 4 on account of payments made for expenditures before than date but after June 30, 1990; and
- (b) expenditures under Category 3 until the conditions specified in Section 3.05 of this Agreement have been met.

January 12, 1991

Minister of Finance
Ministry of Finance
Independence Street
Capital City, Ruritania

Dear Sir:

Re: Loan 3000-RUR (Agricultural Development Project)

This letter gives instructions on withdrawal of proceeds from the World Bank Loan for the Agricultural Development Project once this Loan is declared effective. Copies of the Loan and Project Agreements dated January 5, 1991, and the *Disbursement Handbook* are enclosed. These key documents, and this letter, should be copied to all staff involved in the process of preparing withdrawal applications. Sample application forms are attached, and additional supplies of these forms have been sent to you separately.

The *Disbursement Handbook* provides background information, as well as examples of withdrawal forms and detailed instructions for their completion. I would like to draw your attention to the sections of this handbook which are of particular relevance to this Loan, and to outline the specific limits which apply:

- (a) Authorized Signatures (Chapter 3, para. 3.4) are needed before disbursements may begin and should be updated promptly whenever changes are necessary.
- (b) Minimum Application Size (Chapter 4, para. 4.9). The minimum application size for payments directly from the Loan Account or for issuance of Special Commitments is US\$100,000 equivalent.
- (c) Special Account (Chapter 6). Replenishment applications should be submitted at monthly intervals, and must include reconciled bank statements as well as other appropriate supporting documents.
- (d) Statements of Expenditure (SOEs) (Chapter 5). Withdrawals are to be made on the basis of SOEs for the following items:

Force account civil works
Civil works contracts valued at less than US\$250,000 equivalent
Equipment contracts valued at less than US\$100,000 equivalent
Local training programs

Sample forms are provided as attachments to this letter. If the right to use SOEs is withdrawn, because of continued noncompliance with audit covenants, the Bank reserves the right to reject withdrawal applications for reimbursement of expenditures falling within defined SOE limits, even if supported by full documentation.

- (e) Audit Requirements are spelled out in Section IV of the Loan Agreement. Please pay particular note to the requirements for audit of the Special Account and of amounts withdrawn on the basis of SOEs.
- (f) Payment advices and monthly disbursement summaries (Chapter 7, paras. 7.2-7.5). These documents will be distributed to the addresses shown in this letter unless we are advised of changes in your requirements.

Schedule 1 to the Loan Agreement spells out the withdrawal categories, and the percentage of expenditures eligible for financing against each category. This Schedule also stipulates the following requirements for disbursement purposes:

- (a) Retroactive Financing of Expenditures: Paragraph 3(a) notes that reimbursement may be claimed for expenditures made after June 30, 1990 falling within the limit of US\$500,000 in connection with Category 4. An application for reimbursement of any such expenditures should be submitted promptly after effectiveness.
- (b) Disbursement Conditions: Paragraph 3(b) provides that no withdrawals may be made against Category 3 (Subloans) until a Subsidiary Loan Agreement satisfactory to the Bank has been ratified.

Please contact us if you have any questions about our withdrawal procedures, quoting Loan 3000-RUR as your reference.

Yours sincerely,

/sgd/

Disbursement Officer
Loan Department

Attachments

cc: Project Coordinator
Ministry of Agriculture
Main Road
Capital City, Ruritania

Managing Director
Agricultural Credit Bank
Main Road
Capital City, Ruritania

[Letterhead]
 Ministry of Finance
 Independence Street
 Capital City
 Ruritania

February 9, 1991

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

Gentlemen:

Re: Loan No. 3000-RUR (Agricultural Development Project)

For the purposes of Section 5.05 of the "General Conditions Applicable to Loan and Guarantee Agreements," any one of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Borrower to sign applications for withdrawal under this loan:

Mr. John H. Smith
 Minister of Agriculture

Specimen Signature

Mrs. Elizabeth T. Jones
 Deputy Minister of Agriculture

Specimen Signature

Mr. Harold R. Brown
 Project Coordinator
 Ministry of Agriculture

Specimen Signature

All previous notices providing signatures of officials authorized to sign applications for withdrawal under this loan are hereby revoked.

Yours truly,

/sgd/

 N. P. Wilson
 Minister of Finance

Note: In the event that each application is to be signed by more than one official, the authorization letter must state this clearly. If authorized signatories are divided into two groups, and the signature of an official from each group is required, this must also be clearly stated.

Country	Currency Code	Country Abbreviation	Currency Abbreviation
Afghanistan	059	AF	AFA
Albania	162	ALB	ALL
Algeria	099	AL	DZD
Angola	157	ANG	AOK
Antigua and Barbuda	151	AB	XCD
Argentina	062	AR	ARS
Australia	045	AU	AUD
Austria	047	AUA	ATS
Bahamas, The	128	BM	BSD
Bahrain	124	BH	BHD
Bangladesh	123	BD	BDT
Barbados	130	BAR	BBD
Belarus	167	BY	BY
Belgium	002	BE	BEF
Belize	148	BEL	BZD
Benin, Republic of	094	BEN	XOF
Bhutan	146	BHU	BTN
Bolivia	003	BO	BOB
Botswana	112	BT	BWP
Brazil	004	BR	BRN
Bulgaria	159	BUL	BGL
Burkina Faso	089	BUR	XOF
Burundi	104	BU	BIF
Cameroon	090	CM	XAF
Canada	005	CAN	CAD
Cape Verde	139	CV	CVE
Central African Republic	091	CA	XAF
Chad	092	CD	XAF
Chile	006	CH	CLP
China	140	CHA	CNY
Colombia	040	CO	COP
Comoros	133	COM	KMF
Congo, People's Rep. of the	093	COB	XAF
Costa Rica	008	CR	CRC
Côte d'Ivoire	087	IVC	XOF
Cyprus	078	CY	CYP
Czechoslovakia	010	CS	CSK
Denmark	011	DE	DKK
Djibouti	145	DJI	DIF
Dominica	142	DOM	XCD
Dominican Republic	012	DO	DOP
Ecuador	013	EC	ECS
Estonia	163	EE	EEK
Egypt, Arab Republic of	014	EGT	EGP
El Salvador	015	ES	SVC
Equatorial Guinea	118	EG	XAF
Ethiopia	016	ET	ETB
Fiji	120	FU	FJD
Finland	046	FI	FIM
France	017	FR	FRF

Country	Currency Code	Country Abbreviation	Currency Abbreviation
Gabon	095	GA	XAF
Gambia, The	011	GM	GMD
Germany	054	GER	DEM
Ghana	067	GH	GHC
Greece	018	GR	GRD
Grenada	131	GRD	XCD
Guatemala	019	GU	GTO
Guinea	103	GUI	GNF
Guinea-Bissau	134	GUB	GWP
Guyana	110	GUA	GYD
Haiti	056	HA	HTG
Honduras	020	HO	HNL
Hungary	149	HU	HUF
Iceland	021	IC	ISK
India	022	IN	INR
Indonesia	057	IND	IDR
Iran, Islamic Republic of	023	IRN	IRR
Iraq	024	IRQ	IQD
Ireland	064	IRE	IEP
Israel	058	IS	ILS
Italy	042	IT	ITL
Jamaica	086	JM	JMD
Japan	053	JA	JPY
Jordan	055	JO	JOD
Kampuchea, Democratic	119	KH	KHR
Kazakhstan	170	KZ	SUR
Kenya	106	KE	KES
Kiribati	156	KI	AUD
Korea, Republic of	061	KO	KRW
Kuwait	085	KU	KWD
Lao People's Dem. Rep.	075	LA	LAK
Lebanon	044	LE	LBP
Lesotho	113	LSO	LSL
Liberia	079	LBR	LRD
Libya	071	LBY	LYD
Lithuania	164	LT	SUR
Luxembourg	025	LU	LUF
Madagascar	098	MAG	MGF
Malawi	107	MAI	MWK
Malaysia	068	MA	MYR
Maldives	136	MAL	MVR
Mali	101	MLI	XOF
Malta	152	MAT	MTL
Marshall Islands	178	MH	AUD
Mauritania	096	MAU	MRO
Mauritius	114	MAS	MUR
Mexico	026	ME	MXP
Mongolia	161	MNG	MNT
Morocco	070	MOR	MAD
Mozambique	154	MOZ	MZM
Myanmar	052	BA	BUK

Country	Currency Code	Country Abbreviation	Currency Abbreviation
Namibia	160	NA	ZAR
Nepal	077	NEP	NPR
Netherlands	027	NE	NLG
New Zealand	076	NZ	NZD
Nicaragua	028	NI	NIC
Niger	088	NIR	XOF
Nigeria	074	UNI	NGN
Norway	029	NO	NOK
Oman	121	OM	OMR
Pakistan	049	PAK	PKR
Panama	030	PAN	PAB
Papua New Guinea	132	PNG	PGK
Paraguay	031	PA	PYG
Peru	032	PE	PEI
Philippines	033	PH	PHP
Poland	034	POL	PLZ
Portugal	073	PO	PTE
Qatar	126	QA	QAR
Romania	127	RO	ROL
Russia	171	RU	SUR
Rwanda	105	RW	RWF
São Tomé and Príncipe	135	STP	STD
Saudi Arabia	065	SAU	SAR
Senegal	081	SE	XOF
Seychelles	143	SEY	SCR
Sierra Leone	084	SL	SLL
Singapore	109	SI	SGD
Solomon Islands	138	SOL	SBD
Somalia	082	SO	SOS
South Africa	035	SA	ZAR
Spain	072	SP	ESB
Sri Lanka	050	CE	LKR
St. Kitts and Nevis	153	SC	XCD
St. Lucia	141	SLU	XCD
St. Vincent and the Grenadines	150	SV	XCD
Sudan	066	SU	SDP
Suriname	137	SUR	SRG
Swaziland	115	SW	SZL
Sweden	051	SWE	SEK
Switzerland	060	CH	CHF
Syrian Arab Republic	043	SYR	SYP
Tanzania	083	TA	TZS
Thailand	048	TH	THB
Togo	080	TO	XOF
Tonga	155	TON	TOP
Trinidad and Tobago	097	TR	TTD
Tunisia	069	TUN	TND
Turkey	041	TU	TRL
Uganda	100	UG	UGX
United Arab Emirates	125	UAE	AED

Country	Currency Code	Country Abbreviation	Currency Abbreviation
United Kingdom	036	UK	GBP
United States	001	USA	USD
Uruguay	037	UR	UYP
Vanuatu	147	VA	VUV
Venezuela	039	VE	VEB
Vietnam	063	VN	VND
Western Samoa	129	WSO	WST
Yemen, Republic of	158	YEM	YER
Yugoslavia	038	YU	YUD
Zaire	102	ZR	ZRZ
Zambia	108	ZA	ZMK
Zimbabwe	144	ZIM	ZWD

Notes:

Bank membership and currency abbreviations may change from time. This index shows membership at July 1992. Always check a current list of Bank members, and verify currency abbreviations when in doubt.

Suppliers and contractors in Taiwan, China are eligible to compete in providing goods and services financed under Bank loans.

Abbreviation and State Name	Abbreviation and State Name
AL Alabama	NE Nebraska
AK Alaska	NV Nevada
AZ Arizona	NH New Hampshire
AR Arkansas	NJ New Jersey
CA California	NM New Mexico
CO Colorado	NY New York
CT Connecticut	NC North Carolina
DE Delaware	ND North Dakota
DC District of Columbia	OH Ohio
FL Florida	OK Oklahoma
GA Georgia	OR Oregon
HI Hawaii	PA Pennsylvania
ID Idaho	PR Puerto Rico
IL Illinois	RI Rhode Island
IN Indiana	SC South Carolina
IA Iowa	SD South Dakota
KS Kansas	TN Tennessee
KY Kentucky	TX Texas
LA Louisiana	UT Utah
ME Maine	VT Vermont
MD Maryland	VA Virginia
MA Massachusetts	VI Virgin Islands
MI Michigan	WA Washington
MN Minnesota	WV West Virginia
MS Mississippi	WI Wisconsin
MO Missouri	WY Wyoming
MT Montana	

Note: This list includes states, territories, and other legal subdivisions such as the District of Columbia, Puerto Rico, and the Virgin Islands.



THE WORLD BANK
1818 H Street, N.W., Washington, DC 20433
APPLICATION FOR WITHDRAWAL
Read reverse for instructions

Attention: Disbursement Division

1. IBRD Loan No.: _____
or IDA Credit No.: _____
2. Cofinanciers Ref. No.: _____
IBRD/IDA Ref.No.: 05- _____ or 14- _____
3. Application No.: _____

4. Please Pay _____ (Currency name) _____ (Amount to be paid in figures)

We apply for this withdrawal from the account opened under the Loan or Development Credit Agreement, and hereby certify and agree as follows:

- A. 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.
- B. The goods and services covered by this application have been or are being purchased in accordance with the terms of the Agreement.
- C. The expenditures have been made or are being made only for goods or services from eligible sources.
- D. For those items where reimbursement is being claimed on the basis of a Statement of Expenditures (SOE), all documentation substantiating these expenditures will be made available for review by auditors and World Bank missions upon request. These documents have been retained at the location shown on the individual SOE sheet.
- E. 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.

DETAILS OF EXPENDITURE

(Use summary sheets if additional space is required or if expenditures relate to more than one supplier, category, or sub-project)

5. NAME AND ADDRESS OF CONTRACTOR OR SUPPLIER
(if different from payee)

6. PROCUREMENT DETAILS
 - a) CONTRACT OR PURCHASE ORDER NUMBER AND DATE
(or other reference to contract document)
 - b) DATE OF PROCUREMENT NO-OBJECTION NOTICE
(complete for contracts above prior review limit)
 - c) BRIEF DESCRIPTION OF GOODS, WORKS OR SERVICES
 - d) CURRENCY AND TOTAL AMOUNT OF CONTRACT
 - e) TOTAL AMOUNT OF INVOICES COVERED BY THIS APPLICATION
(net of retention and other deductions)

7. WITHDRAWAL DETAILS
 - a) CATEGORY OR SUB-PROJECT NO.
 - b) PERCENTAGE OF EXPENDITURES TO BE FINANCED:
BY THE WORLD BANK
BY COFINANCIER (if any)

PAYMENT INSTRUCTIONS

B. NAME AND ADDRESS OF PAYEE'S BANK AND ACCOUNT NO.

SWIFT CODE

9. PAYEE NAME AND ADDRESS

10. If Payee's Bank is not located in the Country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid.

SWIFT CODE

11. SPECIAL PAYMENT INSTRUCTIONS AND INVOICE REFERENCES

12. By _____ 14. _____
Name of Borrower Signature(s) of Authorized Representative(s)

13. _____ 15. _____
Date Print Name(s) and Title(s) of Authorized Representative(s)

SUBMIT APPLICATION IN DUPLICATE TO ADDRESS SHOWN ABOVE

For World Bank Use Only

Approved _____ W/A No. _____

FORM 1903 18 (1-92)

Instructions for Completing Application for Withdrawal (Form 1903)

- Notes:**
- Submit applications to the Bank in duplicate.
 - Prepare separate applications for each currency of payment and for each payee.
 - Complete all the numbered lines of paras. 1 through 15.
 - When completed, check 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.
 - If a Summary Sheet is used, leave items 5 through 7 blank. Submit documents in the same order they appear on summary sheets.

Instructions: Numbers correspond to numbers on Application for Withdrawal

1. **IBRD Loan/IDA Credit Number:** Insert full reference (number and letters) as it appears on the Loan/Credit Agreement.
2. **Cofinancier's Ref. No.:** Insert cofinancier's name and reference number (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 cofinancing operations).
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).

Details of Expenditure

4. **Please Pay:** Give the currency name and amount to be paid (in figures) (for example, USD 50,000.00).
5. **Name and Address of Contractor or Supplier:** To ensure proper identification, give the full name and address. This can be omitted if it is the same as for Item 9 (Payee Name and Address).
6. **Procurement Details:**
 - (a) **Contract or Purchase Order No. and Date:** Give full reference to ensure that the contract or purchase order can be readily identified.
 - (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:** Give a brief description, for example, pumps, electrical equipment, construction of school etc.
 - (d) **Currency and Total Amount of Contract:** Give currency name and value of contract (including any price escalations).
 - (e) **Total Amount of Invoices Covered by this Application:** The value of invoices documenting the application should total 100% after deducting retention monies not yet paid and other ineligible amounts.
7. **Withdrawal Details:**
 - (a) **Category or Subproject Number:** Obtain category reference 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 or Article II of the Loan/Credit Agreement.
 - (ii) **By Cofinancier (if any):** When there is joint financing, give the Bank/Cofinancier disbursement ratio (for example, WB 60%, CF 40%); otherwise insert "NIL."

Payment Instructions

8. **Name and Address of Payee's Bank and Account Number:** Give full name and address of the payee's bank, which may include a Banker/Branch designation. Account number is essential. Give the SWIFT code if the bank is a member of SWIFT.
9. **Payee Name and Address:** Give full name and address to ensure proper identification.
10. **Correspondent Bank Address:** Give full name and address, where payment is to be made to a bank not located in the country of the currency to be paid. For example, payment to a Canadian bank in US\$ would be directed to a correspondent bank in the United States for account of the bank in Canada. Give the SWIFT code if the bank is a member of SWIFT.
11. **Special Payment Instructions and Invoice References:** Give any special instructions, invoice numbers or other reference that would expedite payment.
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).

SWIFT. A financial messaging system used by the Society for Worldwide Interbank Financial Telecommunications. The Bank is a member of SWIFT, as are many major commercial banks and financial institutions.

Supporting Documents

Except in cases where the World Bank has agreed to disburse against Statements of Expenditure, two copies of final contracts or purchase orders should be sent to the Bank before submitting the first related application.

One copy of the supporting documents is normally given to the Bank with the withdrawal application. These documents include one or more of the following:

- Supplier's or consultant's invoice, or a summary statement of works performed signed by the supervising engineer or other authorized official
- Evidence of shipment made (for equipment and materials purchased). This can be one of the following:
 - copy of the bill of lading
 - forwarder's certificate
- Evidence of payment made (for reimbursement). This can be one of the following:
 - receipted invoice or formal receipt
 - commercial bank's report of payment
- Performance security such as a bank guarantee in the case of advance payments where required under the contract, or where the amount represents an unusually high percentage of the total cost of goods
- Bank statement and reconciliation statement if this is a request for replenishment of a Special Account

THE WORLD BANK
APPLICATION FOR WITHDRAWAL
SUMMARY SHEET



Read reverse for instructions

Date _____ Application No. _____ Summary Sheet No. _____
 Category or Sub-Project No. _____ BIRD Loan, IDA Credit or Co-financier Ref. No. _____

Item No.	Name and Address of Contractor/Suppliers	Contract or Purchase Order No. & Date (or Other Ref.)	Brief Description of Goods, Works, or Services	Currency and Total Amount of Contract	Total Amount of Invoices Covered by Application (Net of Retention)	Elig. %	Invoice Amount Eligible for Financing	Amount Paid from Special Account (if any)	Remarks (including no-objection date)	Date of Payment
TOTALS										

Instructions for Completing Application for Withdrawal - Summary Sheet

- Notes:**
- Use Summary Sheets when additional space is required, that is, for more than one contractor/supplier, for more than one contract, or for expenditures against more than one category.
 - Submit Summary Sheets in duplicate.
 - Prepare separate Summary Sheets for each category.
 - When Summary Sheets are used, leave items 5 through 7 blank on the Application for Withdrawal (Form 1903).
 - Check information on the Summary Sheet to ensure that the references, amounts, and other details are correct and that they agree with the data on the accompanying Application for Withdrawal.

Instructions Follow Sequence of Items on Summary Sheet

1. **Application No.:** Same as on the accompanying Application for Withdrawal.
2. **Summary Sheet No.:** Number the references beginning with number one.
3. **IBRD Loan/IDA Credit or Cofinancier Reference Number:** Insert full reference (number and letters) as it appears on the accompanying Application for Withdrawal.
4. **Category or Subproject No.:** Obtain category reference 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.
5. **Item No.:** Identifies item sequentially within each summary sheet, and facilitates identification of the relevant item in any related correspondence.
6. **Name and Address of Contractor or Supplier:** Give the name, city, state (for suppliers in the U.S.A.), and country.
7. **Contract or Purchase Order No. and Date:** Give full reference to ensure that the contract or purchase order can be readily identified.
8. **Brief Description of Goods, Works, or Services:** Give brief description, for example, pumps, electrical equipment, construction of school etc.
9. **Currency and Total Amount of Contract:** Give currency name and value (including any price escalations).
10. **Total Amount of Invoices Covered by Application:** Give currency and total value of invoices, net of retention and other deductions for ineligible items.
11. **Eligible Percentage:** Eligible percentage taken from the appropriate category of Schedule 1 of the Loan Agreement.
12. **Invoice Amount Eligible for Financing:** Total amount of invoices covered by the application, multiplied by the eligible percentage. Amounts are net of retention or other deductions.
13. **Amount Paid from Special Account (if any):** Total amount charged to the Special Account in order to pay the amount shown in the preceding column. Use this column only when claiming replenishment of a Special Account.
14. **Remarks (including no-objection telex date):** Include invoice references. If applicable, also indicate the date of the Bank's "no objection" telex related to contracts above the procurement prior review limit.
15. **Date of Payment:** Date of payment to the supplier.
16. **Totals:** Give totals for columns if all amounts listed are in the same currency.

Supporting Documents

Except in cases where the World Bank has agreed to disburse against Statements of Expenditure, two copies of final contracts or purchase orders should be sent to the Bank before submitting the first related application.

One copy of the supporting documents is normally given to the Bank with the withdrawal application. These documents include one or more of the following:

- Supplier's or consultant's invoice, or a summary statement of works performed signed by the supervising engineer or other authorized official
- Evidence of shipment made (for equipment and materials purchased). This can be one of the following:
 - copy of the bill of lading
 - forwarder's certificate
- Evidence of payment made (for reimbursement). This can be one of the following:
 - receipted invoice or formal receipt
 - commercial bank's report of payment
- Performance security such as a bank guarantee in the case of advance payments where required under the contract, or where the amount represents an unusually high percentage of the total cost of goods
- Bank statement and reconciliation statement if this is a request for replenishment of a Special Account

Attach supporting documents in the same order in which they appear on the summary sheet.

BORROWERS ARE ENCOURAGED TO SUBMIT COMPUTERIZED SUMMARY SHEETS WHICH INCLUDE THIS MINIMUM LEVEL OF DETAIL
Disbursement Letters may specify additional details required for specific projects

Example 1

Application for Withdrawal: Form 1903 Request for Advance to Special Account

1. Completed Form 1903 opposite.
2. The Government of Ruritania requests an advance of DEM 2,000,000.00 representing 50% of the Authorized Allocation specified in the Loan Agreement. This partial advance is based on current requirements for the types of expenditure to be financed through the Special Account.
3. This expenditure is eligible for financing in accordance with Article 2.02(b) and the Special Account Schedule of the Loan Agreement. Prior to submitting this request, the Borrower has obtained confirmation that the World Bank already holds a comfort letter from the depository bank.
4. The implementing agency is the Ministry of Agriculture.

Supporting Documents: None



THE WORLD BANK
1818 H Street, N.W., Washington, DC 20433
APPLICATION FOR WITHDRAWAL
Read reverse for instructions

1. IBRD Loan No.: 3000-RUR
or IDA Credit No.: _____
2. Cofinanciers Ref. No.: _____
IBRD/IDA Ref.No.: 05- _____ or 14- _____
3. Application No.: 1

Attention: Disbursement Division

4. Please Pay DEM 2,000,000.00
(Currency name) (Amount to be paid in figures)

We apply for this withdrawal from the account opened under the Loan or Development Credit Agreement, and hereby certify and agree as follows:

- A. 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;
- B. The goods and services covered by this application have been or are being purchased in accordance with the terms of the Agreement;
- C. The expenditures have been made or are being made only for goods or services from eligible sources;
- D. For those items where reimbursement is being claimed on the basis of a Statement of Expenditures (SOE), all documentation authenticating these expenditures will be made available for review by auditors and World Bank missions upon request. These documents have been retained at the location shown on the individual SOE sheet;
- E. 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.

DETAILS OF EXPENDITURE	PAYMENT INSTRUCTIONS
(use summary sheets if additional space is required or if expenditures relate to more than one supplier, category, or sub-project)	8. NAME AND ADDRESS OF PAYEE'S BANK AND ACCOUNT NO. Bank of Ruritania (Head Office) Capital City Ruritania Account No. SA 5001 SWIFT CODE:
5. NAME AND ADDRESS OF CONTRACTOR OR SUPPLIER (if different from payee)	9. PAYEE NAME AND ADDRESS Ministry of Agriculture - Special Account Capital City Ruritania
6. PROCUREMENT DETAILS a) CONTRACT OR PURCHASE ORDER NUMBER AND DATE (or other reference to contract document) b) DATE OF PROCUREMENT NO-OBJECTION NOTICE (complete for contracts above prior review limit) c) BRIEF DESCRIPTION OF GOODS, WORKS OR SERVICES d) CURRENCY AND TOTAL AMOUNT OF CONTRACT e) TOTAL AMOUNT OF INVOICES COVERED BY THIS APPLICATION (net of retention and other deductions)	10. If Payee's Bank is not located in the Country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid. Deutsche Bank AG Junghofstrasse Frankfurt/Main Germany SWIFT CODE: DEUTFR
7. WITHDRAWAL DETAILS a) CATEGORY OR SUB-PROJECT NO. b) PERCENTAGE OF EXPENDITURES TO BE FINANCED: BY THE WORLD BANK BY COFINANCIER (if any)	11. SPECIAL PAYMENT INSTRUCTIONS AND INVOICE REFERENCES Advance of 50% of Authorized Allocation to Special Account - see Article 2.02(c) of Loan Agreement
12. By <u>GOVERNMENT OF RURITANIA</u> Name of Borrower	14. <u>(sgd) John H. Smith</u> Signature(s) of Authorized Representative(s)
13. <u>April 1, 1991</u> Date	15. <u>John H. Smith, Minister of Agriculture</u> Print Name(s) and Title(s) of Authorized Representative(s)

SUBMIT APPLICATION IN DUPLICATE TO ADDRESS SHOWN ABOVE

For World Bank Use Only

Approved: _____ V/A No. _____
FORM 1001 (E) 11-90

Example 2

Application for Withdrawal: Form 1903 and Summary Sheets Request for Replenishment of Special Account

1. Completed Application for Withdrawal and Summary Sheets on following pages.
2. The Government of Ruritania requests replenishment of DEM 855,238.25 covering expenditures made from the Special Account which is denominated in Deutsche marks. The example shows the application form, and the first two of several summary sheets attached to the replenishment application.
3. The expenditures shown in the Summary Sheets are eligible for financing under Category 1 - Civil Works, of Loan 3000-RUR at 50% of expenditures, and Category 2 - Goods at 100% of foreign expenditures and 90% of local expenditures.
4. The implementing agency is the Ministry of Agriculture.

Supporting Documents

Submitted in advance of withdrawal application:

Contracts and procurement documents

Submitted together with withdrawal application:

- * Suppliers' Invoices, or Progress Claims from contractors certified by Supervising Engineers
- * Evidence of Shipment (e.g. bills of lading) for goods
- * Evidence of Payment
- * Bank statement from the bank holding the Special Account
- * Reconciliation statement of the Special Account (see Annex 11)

Additional documents required in certain circumstances:

- * For advance payments, copies of the performance security such as a bank guarantee would also be required.

For adjustment operations with special requirements, evidence of pre-shipment inspection.

Note: Supporting documents to be attached in this example are marked with an asterisk.



THE WORLD BANK
1818 H Street, N.W., Washington, DC 20433
APPLICATION FOR WITHDRAWAL
Read reverse for instructions

Attention: Disbursement Division

1. IBRD Loan No.: 3000-RUR
or IDA Credit No.: _____
2. Cofinanciers Ref. No.: _____
IBRD/IDA Ref.No.: 05-_____ or 14-_____
3. Application No.: 3

4. Please Pay DEM 855,238.25
(Currency name) (Amount to be paid in figures)

We apply for this withdrawal from the account opened under the Loan or Development Credit Agreement, and hereby certify and agree as follows:

- A. 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;
- B. The goods and services covered by this application have been or are being purchased in accordance with the terms of the Agreement;
- C. The expenditures have been made or are being made only for goods or services from eligible sources;
- D. For those items where reimbursement is being claimed on the basis of a Statement of Expenditures (SOE), all documentation authenticating these expenditures will be made available for review by auditors and World Bank missions upon request. These documents have been retained at the location shown on the individual SOE sheet;
- E. 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.

DETAILS OF EXPENDITURE

(Use summary sheets if additional space is required or if expenditures relate to more than one supplier, category, or sub-project)

5. NAME AND ADDRESS OF CONTRACTOR OR SUPPLIER
(if different from payee)

SEE SUMMARY SHEETS

6. PROCUREMENT DETAILS

a) CONTRACT OR PURCHASE ORDER NUMBER AND DATE
(for other reference to contract document)

b) DATE OF PROCUREMENT NO-OBJECTION NOTICE
(complete for contracts above prior review limit)

c) BRIEF DESCRIPTION OF GOODS, WORKS OR SERVICES

d) CURRENCY AND TOTAL AMOUNT OF CONTRACT

e) TOTAL AMOUNT OF INVOICES COVERED BY THIS APPLICATION
(net of retention and other deductions)

7. WITHDRAWAL DETAILS

a) CATEGORY OR SUB-PROJECT NO.

b) PERCENTAGE OF EXPENDITURES TO BE FINANCED:
BY THE WORLD BANK
BY COFINANCIER (if any)

PAYMENT INSTRUCTIONS

8. NAME AND ADDRESS OF PAYEE'S BANK AND ACCOUNT NO.

Bank of Ruritania (Head Office)
Capital City
Ruritania

Account No. SA 5001

SWIFT CODE

9. PAYEE NAME AND ADDRESS

Ministry of Agriculture - Special Account
Capital City
Ruritania

10. If Payee's Bank is not located in the Country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid.

Deutsche Bank AG
Jungthofstrasse
Frankfurt/Main
Germany

SWIFT CODE DEUTFR

11. SPECIAL PAYMENT INSTRUCTIONS AND INVOICE REFERENCES

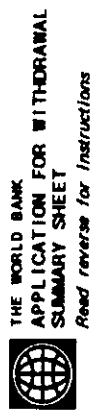
12. By GOVERNMENT OF RURITANIA 14. (sgd) John H. Smith
Name of Borrower Signature(s) of Authorized Representative(s)

13. June 1, 1991 15. John H. Smith, Minister of Agriculture
Date Print Name(s) and Title(s) of Authorized Representative(s)

SUBMIT APPLICATION IN DUPLICATE TO ADDRESS SHOWN ABOVE

For World Bank Use Only

Approved _____ W/A No. _____



**THE WORLD BANK
APPLICATION FOR WITHDRAWAL
SUMMARY SHEET**
Road reverse for Instructions

Date June 1, 1991 Application No. 3 Summary Sheet No. 3000-RUR
 Category or Sub-Project No. 1 IBRD Loan, IDA Credit or Co-financier Ref. No. 3000-RUR

Item No.	Name and Address of Contractors/Suppliers	Contract or Purchase Order No. & Date (or Other Ref.)	Brief Description of Goods, Works, or Services	Currency and Total Amount of Contract	Total Amount of Invoices Covered by Application (Net of Retention)	Elig. %	Invoice Amount Eligible for Financing	Amount Paid from Special Account (if any)	Remarks (including no-objection tele. date)	Date of Payment
1.	Quality Construction Capital City Ruritania	CW 128 Feb.12, 1991	Irrigation Works Sector 5	R\$ 8,246,000.00	R\$1,100,000.00	50	R\$ 550,000.00	DEM 441,238.25	Inv. 13587 no objection Feb. 1, 1991	May 18, 1991
2.	Best Builders Capital City Ruritania	CW 117 Apr.1, 1991	Construction of Training Facility	R\$ 753,000.00	R\$ 29,600.00	50	R\$ 14,800.00	11,852.17	Inv. 117-2 no objection Mar.26, 1991	May 19, 1991
TOTALS					R\$1,129,600.00		R\$ 564,800.00	DEM453,090.42		


THE WORLD BANK
APPLICATION FOR WITHDRAWAL
SUMMARY SHEET
Read reverse for Instructions

Date June 1, 1991 Application No. 2 Summary Sheet No. 2
 Category or Sub-Project No. 2 IFRD Loan, IDA Credit or Co-financier Ref. No. 3000-RUR

Item No.	Name and Address of Contractors/Suppliers	Contract or Purchase Order No. & Date (or Other Ref.)	Brief Description of Goods, Works, or Services	Currency and Total Amount of Contract	Total Amount of Invoices Covered by Application (Net of Retention)	Elig. %	Invoice Amount Eligible for Financing	Amount Paid from Special Account (if any)	Remarks (including no-objection telec date)	Date of Payment
1.	French Equipment Co. Marseilles France	HE 246 March 1, 1991	Front-end Loaders	FRF 823,025.00	FRF 82,302.50	100	FRF 82,302.50	DEM 24,226.37	Inv. 211278 Final 10% no objection Feb. 4, 1991	May 12, 1991
2.	Business Equipment London	EQ 1278 May 5, 1991	Computers and Software	USD 107,250.00	93,846.00	100	USD 93,846.00	177,498.75	Inv. 1278-12 no objection April 1, 1991	May 29, 1991
TOTALS								DEM 201,725.12		

Form 100-3 (1-89)

Example 3

Application for Withdrawal: Form 1903 Request for Direct Payment

1. Completed Form 1903 opposite.
2. The Government of Ruritania requests payment of USD 185,238.27 covering the consultant services of Smith Consulting Firm of Chelmsford, Essex, United Kingdom. The company's bank is the Midland Bank, Chelmsford.
3. This expenditure is eligible for financing under Category 4 — Consultants' Services, of Loan 3000-RUR at 100%.

Supporting Documents

Submitted in advance of withdrawal application:

Contract and procurement information

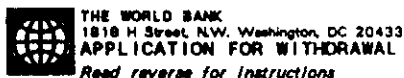
Submitted together with withdrawal application:

- * Suppliers' Invoices, or Progress Claims from contractors certified by Supervising Engineers
- Evidence of Shipment (e.g., Bills of Lading) for goods

Additional documents required in certain circumstances:

For advance payments, copies of the performance security such as a bank guarantee are also be required.

Note: Supporting documents to be attached in this example are marked with an asterisk.



1. IBRD Loan No.: 3000-RUR
 or IDA Credit No.: _____
 2. Cofinanciers Ref. No.: _____
 IBRD/IDA Ref.No.: 05-____ or 14-____
 3. Application No.: 4

Attention: Disbursement Division

4. Please Pay USD 185,238.27
Currency name (Amount to be paid in figures)

We apply for this withdrawal from the account opened under the Loan or Development Credit Agreement, and hereby certify and agree as follows:

- A. 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;
- B. The goods and services covered by this application have been or are being purchased in accordance with the terms of the Agreement;
- C. The expenditures have been made or are being made only for goods or services from eligible sources;
- D. For those items where reimbursement is being claimed on the basis of a Statement of Expenditures (SOE), all documentation authenticating these expenditures will be made available for review by auditors and World Bank missions upon request. These documents have been retained at the location shown on the individual SOE sheet;
- E. 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.

DETAILS OF EXPENDITURE

PAYMENT INSTRUCTIONS

(Use summary sheets if additional space is required or if expenditures relate to more than one supplier, category, or sub-project)

5. NAME AND ADDRESS OF CONTRACTOR OR SUPPLIER
(if different from payee)

B. PROCUREMENT DETAILS

- a) CONTRACT OR PURCHASE ORDER NUMBER AND DATE
(for other reference to contract document)
 12345 of April 21, 1991
- b) DATE OF PROCUREMENT NO-OBJECTION NOTICE
(complete for contracts above prior review limit)
 Telex of April 15, 1991
- c) BRIEF DESCRIPTION OF GOODS, WORKS OR SERVICES
 Consultants' Services - Agricultural
 Extension Techniques
- d) CURRENCY AND TOTAL AMOUNT OF CONTRACT
 USD 850,000.00

e) TOTAL AMOUNT OF INVOICES COVERED BY THIS APPLICATION
(net of retention and other deductions)
 USD 185,238.27

7. WITHDRAWAL DETAILS

- a) CATEGORY OR SUB-PROJECT NO. 4
- b) PERCENTAGE OF EXPENDITURES TO BE FINANCED:
 BY THE WORLD BANK 100%
 BY COFINANCIER (if any) NIL

8. NAME AND ADDRESS OF PAYEE'S BANK AND ACCOUNT NO.

Midland Bank PLC
 Chelmsford
 Essex, United Kingdom

Account No. 33-000-33-000
 SWIFT CODE

9. PAYEE NAME AND ADDRESS

Smith Consulting Firm
 15 Green Street
 Chelmsford
 Essex, United Kingdom

10. If Payee's Bank is not located in the Country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid.
 Bank of New York
 Head Office
 New York, N.Y.
 U.S.A.

SWIFT CODE BONYUS

11. SPECIAL PAYMENT INSTRUCTIONS AND INVOICE REFERENCES

Invoice 12345-7A of May 23, 1991

12. By GOVERNMENT OF RURITANIA
Name of Borrower

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

13. June 1, 1991
Date

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

SUBMIT APPLICATION IN DUPLICATE TO ADDRESS SHOWN ABOVE

For World Bank Use Only

Approved _____ W/A No. _____

Example 4

Application for Withdrawal: Form 1903 and Summary Sheet Request for Reimbursement of Expenditures Already Made

1. Completed Form 1903 and Summary Sheets on following pages.
2. The Government of Ruritania requests reimbursement of 287,500 Ruritanian dollars covering civil works expenditures for three construction contracts, and services of local consultants.
3. These expenditures are eligible for financing under Category 1 — Civil Works, of Loan 3000-RUR at 50% of expenditures, and Category 4 - Consultants' Services at 100%.
4. The implementing agency is the Ministry of Agriculture.

Supporting Documents for Reimbursement Applications

Submitted in advance of withdrawal application:

Contracts and procurement documents

Submitted together with withdrawal application:

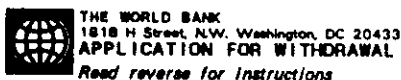
- * Suppliers' Invoices or Progress Claims from contractors, certified by Supervising Engineers
- Evidence of Shipment (e.g., Bills of Lading) for goods
- * Evidence of Payment

Additional documents required in certain circumstances:

For advance payments, copies of the performance security such as a bank guarantee would also be required.

For adjustment operations with special requirements, evidence of pre-shipment inspection.

- Notes:**
- Supporting documents to be attached in this example are marked with an asterisk.
 - Items eligible for retroactive financing (expenditures incurred before loan signing) should be claimed separately using the reimbursement procedure.



Attention: Disbursement Division

1. IBRD Loan No.: 3000-RUR
 or IDA Credit No.: _____
 2. Cofinanciers Ref. No.: _____
 IBRD/IDA Ref.No.: 05-_____ or 14-_____
 3. Application No.: 2

4. Please Pay RURITANIAN DOLLARS 287,500.00
(Currency name) (Amount to be paid in figures)

We apply for this withdrawal from the account opened under the Loan or Development Credit Agreement, and hereby certify and agree as follows:

- A. 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;
 B. The goods and services covered by this application have been or are being purchased in accordance with the terms of the Agreement;
 C. The expenditures have been made or are being made only for goods or services from eligible sources;
 D. For those items where reimbursement is being claimed on the basis of a Statement of Expenditures (SOE), all documentation authenticating these expenditures will be made available for review by auditors and World Bank missions upon request. These documents have been retained at the location shown on the individual SOE sheet;
 E. 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.

DETAILS OF EXPENDITURE

Use summary sheets if additional space is required or if expenditures relate to more than one supplier, category, or sub-project

B. NAME AND ADDRESS OF CONTRACTOR OR SUPPLIER
(if different from payee)

SEE SUMMARY SHEETS

B. PROCUREMENT DETAILS

a) CONTRACT OR PURCHASE ORDER NUMBER AND DATE
(for other reference to contract document)

b) DATE OF PROCUREMENT NO-OBJECTION NOTICE
(complete for contracts above prior review limit)

c) BRIEF DESCRIPTION OF GOODS, WORKS OR SERVICES

d) CURRENCY AND TOTAL AMOUNT OF CONTRACT

e) TOTAL AMOUNT OF INVOICES COVERED BY THIS APPLICATION
(net of retention and other deductions)

7. WITHDRAWAL DETAILS

a) CATEGORY OR SUB-PROJECT NO.

b) PERCENTAGE OF EXPENDITURES TO BE FINANCED:
 BY THE WORLD BANK
 BY COFINANCIER (if any)

PAYMENT INSTRUCTIONS

B. NAME AND ADDRESS OF PAYEE'S BANK AND ACCOUNT NO.

Bank of Ruritania (Head Office)
 Capital City
 Ruritania

Account No. 2357

SWIFT CODE

9. PAYEE NAME AND ADDRESS

Ministry of Agriculture
 Capital City
 Ruritania

10. If Payee's Bank is not located in the Country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid.

SWIFT CODE

11. SPECIAL PAYMENT INSTRUCTIONS AND INVOICE REFERENCES

12. By GOVERNMENT OF RURITANIA 14. (sgd) John H. Smith
Name of Borrower (Signature(s) of Authorized Representative(s))

13. April 6, 1991 15. John H. Smith, Minister of Agriculture
Date (Print Name(s) and Title(s) of Authorized Representative(s))

SUBMIT APPLICATION IN DUPLICATE TO ADDRESS SHOWN ABOVE

For World Bank Use Only

Approved _____ W/A No. _____

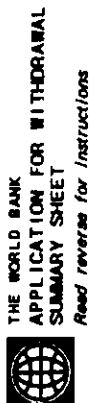
FORM 1983 16 (1-82)

THE WORLD BANK
APPLICATION FOR WITHDRAWAL
SUMMARY SHEET
Read reverse for Instructions

Date April 6, 1991 Application No. 2 Summary Sheet No. 1
Category or Sub-Project No. 1 IBRD Loan IDA Credit or Co-financier Ref. No. 3000-RUR

Item No.	Name and Address of Contractors/Suppliers	Contract or Purchase Order No. & Date (or Other Ref.)	Brief Description of Goods, Works, or Services	Currency and Total Amount of Contract	Total Amount of Invoices Covered by Application (Net of Retention)	Elig. %	Invoice Amount Eligible for Financing	Amount Paid from Special Account (if any)	Remarks (including no-objection taxes data)	Date of Payment
1.	Quality Construction Capital City Ruritania	CW 128 Feb. 12, 1991	Irrigation Works Sector 5	R\$ 8,246,000.00	R\$ 250,000.00	50	R\$ 125,000.00		Inv. 12807 no objection Feb. 1, 1991	Mar. 12, 1991
2.	Best Builders Capital City Ruritania	CW 117 Apr. 1, 1991	Construction of Training Facility	753,000.00	75,300.00	50	37,650.00		Inv. 117-1 no objection Mar. 26, 1991	Apr. 2, 1991
3.	Regional Builders Modesta Ruritania	CW 105 Jan. 30, 1991	Construction of Stores - Sector 5	405,000.00	213,700.00	50	106,850.00		Inv. 105-3 no objection Jan. 15, 1991	Mar. 11, 1991
TOTALS					R\$539,000.00		R\$269,500.00			

Form 1002_2 (1-79)



**THE WORLD BANK
APPLICATION FOR WITHDRAWAL
SUMMARY SHEET**
Read reverse for instructions

Date April 6, 1991 Application No. 2 Summary Sheet No. 2
 Category or Sub-Project No. 4 IBRD Loan, IDA Credit or Co-financie Ref. No. 3000-RUR

Item No.	Name and Address of Contractors/Suppliers	Contract or Purchase Order No. & Date (or Other Ref.)	Brief Description of Goods, Works, or Services	Currency and Total Amount of Contract	Total Amount of Invoices Covered by Application (Net of Retention)	Eqg. %	Invoice Amount Eligible for Financing	Amount Paid from Special Account (if any)	Remarks (including no-objection letter date)	Date of Payment
1	Agribusiness Consult Capital City Ruritania	CN24 Jan.31, 1991	Consultancy Services Stores Management Program	R\$ 89,500.00	R\$ 9,000.00 9,000.00	100 100	R\$ 9,000.00 9,000.00		Inv. CN24-1 Inv. CN24-2 No objection telex Jan. 4, 1991	Feb.15,1991 Mar.22,1991
TOTALS					R\$ 18,000.00		R\$ 18,000.00			

Form 1003_2 (1-89)



THE WORLD BANK
1818 Street, N.W., Washington, DC 20433
APPLICATION FOR A SPECIAL COMMITMENT
Read reverse for Instructions

1. IBRD Loan No.: _____
or IDA Credit No.: _____
2. Cofinanciers Ref. No.: _____
IBRD/IDA Ref.No.: 05- _____ or 14- _____
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 written 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 as such may be amended.
- B. Amendments involving an extension of the letter of credit expiry date beyond the closing date of the Agreement(s) or more than six months 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 to the letter of credit 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 sufficient to cover exchange rate fluctuations. 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:
- 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);
 - 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;
 - 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 expenditures are being made only for goods or services from eligible sources.
- H. 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.

DETAILS OF LETTER OF CREDIT

4. NAME AND ADDRESS OF NEGOTIATING BANK
- SWIFT CODE:
5. NAME AND ADDRESS OF OPENING (BORROWER'S) BANK
6. NAME OF L/C OPENER (BORROWING OR EXECUTING AGENCY)
7. LETTER OF CREDIT DETAILS
- OPENING BANK'S L/C NO.
 - CURRENCY NAME
 - CURRENCY AMOUNT
 - L/C EXPIRY DATE

DETAILS OF EXPENDITURE

8. NAME AND ADDRESS OF CONTRACTOR OR SUPPLIER
(letter of credit beneficiary)
9. PROCUREMENT DETAILS
- CONTRACT OR PURCHASE ORDER NUMBER AND DATE
(or other reference to contract document)
 - DATE OF PROCUREMENT NO-OBJECTION NOTICE
(complete for contracts above prior review limit)
 - BRIEF DESCRIPTION OF GOODS, WORKS OR SERVICES
10. WITHDRAWAL DETAILS
- CATEGORY OR SUB-PROJECT NO.
 - PERCENTAGE OF EXPENDITURES TO BE FINANCED:
BY THE WORLD BANK
BY JOINT FINANCIER (if any)
11. SPECIAL INSTRUCTIONS AND REMARKS

12. _____ 14. By _____
Name of Borrower Signature(s) of Authorized Representative(s)

13. _____ 15. By _____
Date 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. _____

FORM 1931 (1-92)

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 Number:** 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 cofinancing operations).
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).

Details of Letter of Credit

4. **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.
5. **Name and Address of Opening Bank:** Usually the borrower's bank in the borrowing country.
6. **Name of L/C Opener:** Name of borrower or executing agency.
7. **L/C Details:** To be obtained from L/C.

Details of Expenditure

8. **Name and Address of Contractor or Supplier:** The beneficiary of the L/C. Give name, city, state (for U.S. suppliers) and country.
9. **Procurement Details:**
 - (a) **Contract or Purchase Order Number and Date:** To be obtained from relevant document.
 - (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.
10. **Withdrawal Details:**
 - (a) **Category or Subproject Number:** 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 or Article II of the Loan/Credit Agreement.
 - (ii) **By Cofinancier (if any):** When there is cofinancing, give the Bank/Cofinancier disbursement ratio (for example, WB 60%, CF 40%); otherwise insert "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 also accompany the application.

Example 1

Application for Special Commitment (Form 1931)

1. Completed Form 1931 opposite.
2. The Government of Ruritania requests issuance of a Special Commitment to cover Letter of Credit No. 6666 opened by Anybank, Ruritania Office, in favor of Motors Inc., Paris, for the purchase of 5 vehicles costing FRF 675,000.00.
3. The Letter of Credit expires on December 15, 1991. The negotiating bank is Credit Lyonnais, Main Branch, Paris, France.
4. This expenditure is eligible for financing under Category 2 - Goods, of Loan 3000-RUR at 100% of foreign expenditures.
5. The implementing agency is the Ministry of Agriculture.

Supporting Documents

Submitted in advance of withdrawal application:

Contract and procurement information

Submitted together with withdrawal application:

Two copies of proposed Letter of Credit

Additional documents required in certain circumstances:

Pro forma invoices, if these are cited in the Letter of Credit



THE WORLD BANK
 1818 Street, N.W. Washington, DC 20433
APPLICATION FOR A SPECIAL COMMITMENT
Read reverse for Instructions

1. IBRD Loan No.: 3000-RUR
 or IDA Credit No.: _____
 2. Cofinanciers Ref. No.: _____
 IBRD/IDA Ref.No.: 05- _____ or 14- _____
 3. Application No.: 5

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 written 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 as such may be amended.
- B. Amendments involving an extension of the letter of credit expiry date beyond the closing date of the Agreement(s) or more than six months 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 to the letter of credit 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 sufficient to cover exchange rate fluctuations. 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 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 expenditures are being made only for goods or services from eligible sources.
- H. 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.

DETAILS OF LETTER OF CREDIT

4. **NAME AND ADDRESS OF NEGOTIATING BANK**
 Credit Lyonnais
 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 (BORROWING OR EXECUTING AGENCY)**
 Ministry of Agriculture

7. **LETTER OF CREDIT DETAILS**

a) OPENING BANK'S L/C NO.	6666
b) CURRENCY NAME	FRF
c) CURRENCY AMOUNT	675,000.00
d) L/C EXPIRY DATE	Dec. 15, 1991

DETAILS OF EXPENDITURE

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

9. **PROCUREMENT DETAILS**

- a) **CONTRACT OR PURCHASE ORDER NUMBER AND DATE**
 (or other reference to contract document)
 3579 of June 30, 1991
- b) **DATE OF PROCUREMENT NO-OBJECTION NOTICE**
 (complete for contracts above prior review limit)
 June 11, 1991
- c) **BRIEF DESCRIPTION OF GOODS, WORKS OR SERVICES**
 5 Mini-buses

10. **WITHDRAWAL DETAILS**

a) CATEGORY OR SUB-PROJECT NO.	2
b) PERCENTAGE OF EXPENDITURES TO BE FINANCED:	
BY THE WORLD BANK	100%
BY JOINT FINANCIER (if any)	NIL

11. **SPECIAL INSTRUCTIONS AND REMARKS**

12. <u>GOVERNMENT OF RURITANIA</u> Name of Borrower	14. By _____ Signature(s) of Authorized Representative(s)
13. <u>July 15, 1991</u> Date	15. By <u>Harold R. Brown, Project Coord., Min. of Agriculture</u> 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. _____



THE WORLD BANK

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

Telephone: (202) 477-1234. Cable Addresses: INTBAFRAD & INDEVAS. Telex No.: RCA 248423.

Loan/Credit/Cofinanciers No. _____ Special Commitment No. _____

NOTE: All correspondence must include the Loan/Credit/Cofinanciers Number and the Special Commitment Number.

	Date _____
	Your Correspondent _____
	Your Correspondent's L/C No. _____
	Application No. _____

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 _____

in the amount of _____ expiring on _____

In consideration of your acceptance hereof as provided below, we hereby 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 remittance.

Payment shall be made by us promptly but not later than 30 days after receipt by us of a written request therefor as hereinafter provided.

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 you 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 _____ (whichever is earlier) will not be operative until you 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 who 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 you in respect of interest, commission, other charges or expenses in connection with the letter of credit.
6. You agree that upon cancellation, expiration or final payment of the letter of credit you will advise us promptly thereof including the amount of any cancellation.
7. This Special Commitment may be issued under a World Bank Loan or Credit Agreement, by the World Bank acting, jointly with a co-financier, or by the World Bank acting as agent for a co-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: _____
in addition, our co-financier's obligation (if any) is limited to: _____

It is our policy to retain sufficient funds in the Loan/Credit account to fully cover outstanding Special Commitments. Our borrower has agreed that if, because of this limitation clause, we cannot disburse the full amount needed to pay you, any uncommitted portion of the account may be disbursed to cover the deficiency, and in the event the uncommitted portion of the account is insufficient to cover the deficiency, our borrower will arrange to make such payment promptly to you after receipt of our notification.

8. 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 herein set forth as evidenced by the copy of this agreement on our files.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATIONBy: _____
Authorized Signature

Special Commitment (Form 2018) Issued by World Bank

The Bank issues a Special Commitment in this form in favor of the negotiating bank as a result of the Borrower's Application for a Special Commitment on Form 1931.

With the exception of the following, most of the details in the Special Commitment repeat the information in the Borrower's application. The exceptions are:

1. **Loan/Credit/Cofinancier Reference Number:** The number assigned to the loan(s) which provide funding for this Special Commitment. In most cases, the number will match the number appearing on the Borrower's application, but differences may arise primarily where cofinanciers are involved. This number and the Special Commitment number must be cited in all payment requests and other correspondence related to the Commitment.
2. **Special Commitment Number:** A sequential number allocated by the Bank, which must be cited in all payment requests and other correspondence related to the Commitment, together with the Loan/Credit/Cofinancier reference number.
3. **Date:** The date of issue of the Special Commitment.
4. **Terms and Conditions:**
 - (i) The Special Commitment stipulates a series of conditions with which the negotiating bank must comply. All amendments to the Letter of Credit must be copied to the Bank by the negotiating bank, and the amendments listed in paragraph 2 are subject to the Bank's prior approval.
 - (ii) The date inserted in paragraph 2(b) is the Loan Closing Date. No Special Commitments will be issued with validity beyond this date or any extension to the Closing Date as may be determined by the Bank.
 - (iii) Paragraph 7 cites a limitation clause which is included in all Special Commitments covering Letters of Credit. The amount shown here represents the aggregate limit, in the currency of the loan, which the Bank is obligated to pay. More detailed information on this clause, and on the manner in which the Bank monitors Special Commitments and adjusts limitation amounts, is provided in paras. 4.23-4.24. Where the Special Commitment is issued by the Bank on behalf of a cofinancier(s), separate limitation amounts are provided for each cofinancier in the currency of the cofinancing loan.
5. **Bank's Authorized Signature:** A Certificate of the Secretary specifying officers authorized to sign Special Commitments is issued periodically by the Bank. Commercial banks who wish to have their names added to the mailing list should contact the Bank Liaison Office of the Cash Management Department, at the address shown in the Introduction.

- Notes:**
- The negotiating bank must promptly advise us of
 - any change in the negotiating bank
 - all amendments to the Letter of Credit
 - cancellation of any unutilized balances
 - The Bank is not obligated to pay the negotiating bank in respect of interest, commission, other charges or expenses in connection with the Letter of Credit. These amounts must not be included in payment requests.

Example 2

Special Commitment Issued by the World Bank

1. Completed Form 2018 opposite.
2. The Bank issues this Special Commitment as a result of the application by the Government of Ruritania on page 77 of this Annex.



THE WORLD BANK

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

Telephone: (202) 477-1234. Cable Addresses: INTBAFRAD & INDEVAS. Telex No.: RCA 248423.

Loan/Credit/Cofinanciers No. 3000-RUR Special Commitment No. 1

NOTE: All correspondence must include the Loan/Credit/Cofinanciers Number and the Special Commitment Number.

Credit Lyonnais
Main Branch
Champs Elysee
Paris, France

Date July 29, 1991Your Correspondent Anybank, RuritaniaYour Correspondent's L/C No. 6666

Attention: Documentary Credits Department

Application No. 5

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 FRF 675,000.00 expiring on December 15, 1991

In consideration of your acceptance hereof as provided below, we hereby 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 remittance.

Payment shall be made by us promptly but not later than 30 days after receipt by us of a written request therefor as hereinafter provided.

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 you 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, 1995 (whichever is earlier) will not be operative until you 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 who 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 you in respect of interest, commission, other charges or expenses in connection with the letter of credit.
6. You agree that upon cancellation, expiration or final payment of the letter of credit you will advise us promptly thereof including the amount of any cancellation.
7. This Special Commitment may be issued under a World Bank Loan or Credit Agreement, by the World Bank acting jointly with a co-financier, or by the World Bank acting as agent for a co-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: USD 93,000.00
in addition, our co-financier's obligation (if any) is limited to: _____

It is our policy to retain sufficient funds in the Loan/Credit account to fully cover outstanding Special Commitments. Our borrower has agreed that if, because of this limitation clause, we cannot disburse the full amount needed to pay you, any uncommitted portion of the account may be disbursed to cover the deficiency, and in the event the uncommitted portion of the account is insufficient to cover the deficiency, our borrower will arrange to make such payment promptly to you after receipt of our notification.

8. 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 herein set forth as evidenced by the copy of this agreement on our files.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT BANK

By: _____ (signed)

Authorized Signature

FORM 2018 (1-92)

THE WORLD BANK
SPECIAL COMMITMENT REQUEST FOR PAYMENT

► *NOTE: SWIFT, telex, or cable requests are the preferred mechanisms to request payment.*

Instructions for Completing SWIFT/Telex/Cable Payment Requests

1. Messages should indicate the IBRD Loan, IDA Credit or Cofinancier number, including the two- or three-character abbreviation for the borrowing country, our Special Commitment Number, the currency amount paid to the beneficiary, and the Letter of Credit reference.
2. Special Payment instructions or information on the status of the Letter of Credit, such as extension to the expiry date or disposition of the balance of the Letter of Credit, should be included at the end of the standard telex format.

An example of the appropriate text is as follows:

TO: INTBAFRAD (or INDEVAS), WASHINGTON
 RE: LOAN NUMBER [Number]
 SPECIAL COMMITMENT NUMBER [Number]
 LETTER OF CREDIT NUMBER [Number]
 WE HAVE NEGOTIATED DOCUMENTS FOR [CCY] [Amount]
 PLEASE PAY [Bank Name], [Address] CITING OUR REFERENCE [Reference Number]
 UNUTILIZED BALANCE OF [CCY] [Amount] HAS BEEN CANCELLED
 DOCUMENTARY CREDITS DEPARTMENT, [Bank Name], [Address]

Mailed confirmation of the SWIFT/telex/cable request on Form 2015 is NOT required.

Instructions for Completing Mailed Payment Requests

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

<p>TO: The World Bank 1818 H Street, N.W. Washington, DC 20433 U.S.A.</p> <p>ATTENTION: Disbursement Division</p>	<p>Date: IBRD Loan/IDA Credit No.: Cofinanciers Ref. No.: IBRD/IDA Special Commitment No.: Our Ref: Our Correspondent: Our Correspondent's L/C No.:</p>
--	---

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 amendments, if any, appropriately approved. We request payment of the amount pursuant to said Special Commitment.

Balance of the letter of credit _____ has been cancelled will be utilized
 (currency and amount)

Validity of the letter of credit has been extended to _____

Special reimbursement instructions:

Very truly yours,

 (Authorized Signature)

 (Name)

 (Name and Address of Commercial Bank)

FORM 2015 (1-82)

Instructions for Completing SWIFT/Telex/Cable Payment Requests

- Notes:**
- SWIFT, telex, or cable requests are the preferred mechanism to request payment. Instructions apply to commercial banks that have received a Special Commitment by the Bank on Form 2018 (Annex 7, p. 74).
 - Separate requests for payment must be prepared for each Special Commitment.
 - Special commitments do not cover interest, commission, other charges or expenses in connection with the letter of credit.

1. Messages should indicate the IBRD Loan, IDA Credit, or Cofinancier number, including the two- or three-character abbreviation for the borrowing country, our Special Commitment Number, the currency and amount paid to the beneficiary, and the Letter of Credit reference.
2. Special payment instructions or information on the status of the Letter of Credit, such as extension to the expiry date or disposition of the balance of the Letter of Credit, should be included at the end of the standard format.

An example of the appropriate text is as follows:

To: INTBAFRAD (or INDEVAS)
 RE: LOAN NUMBER [4 or 5 digit number, followed by 2 or 3 letters signifying borrowing country]
 SPECIAL COMMITMENT NUMBER [1 to 5 digit number]
 LETTER OF CREDIT NUMBER [opening bank's letter of credit number]
 WE HAVE NEGOTIATED DOCUMENTS FOR [currency name][amount in figures].
 PLEASE PAY [bank name], [branch name and address], CITING OUR REFERENCE [reference number needed for correct identification of payment by negotiating bank].
 UNUTILIZED BALANCE OF [currency name][amount] HAS BEEN CANCELLED.
 DOCUMENTARY CREDITS DEPARTMENT, [bank name], [address]

Instructions for Completing Mailed Request for Payment Form

- Notes:**
- Confirmation of a SWIFT/telex/cable request on Form 2015 is not required.
 - These instructions follow the sequence of the fields on the printed Request for Payment.

1. **Date:** Insert date of request.
2. **IBRD Loan/IDA Credit/Cofinancier No.:** Insert the full reference (number and letters) as it appears on the World Bank's Special Commitment (Form 2018).
3. **IBRD/IDA Special Commitment No.:** Insert the reference appearing on Form 2018.
4. **Our Ref.:** Insert negotiating bank's own reference.
5. **Our Correspondent:** Insert name of opening bank cited on the Bank's Special Commitment.
6. **Correspondent's L/C No.:** Insert opening bank's Letter of Credit Number cited on the World Bank's Special Commitment.
7. **Name and Address of Beneficiary:** Must be the same as the beneficiary of the Letter of Credit.
8. **Balance of L/C and Disposition:** Must be included, since it is important as a check on our records.
9. **Validity of L/C:** Advice of extension ensures that the Bank keeps the Special Commitment open in its books.
10. **Special Reimbursement Instructions:** Should include payment routing or identification, or the name of the correspondent bank in the country of currency payable, or other information if appropriate.
14. **Authorized Signature:** To be signed by authorized person in the commercial bank.
15. **Name:** Insert name of signatory.
16. **Name and Address of Commercial Bank:** Name and address of bank making the request.

THE WORLD BANK
APPLICATION FOR WITHDRAWAL
STATEMENT OF EXPENDITURE (SOE)
CONTRACT DETAIL



Read reverse for Instructions

Date _____ Application No. _____ Summary Sheet No. _____
 Category or Sub-Project No. _____ IBRD Loan, IDA Credit or Co-financier Ref. No. _____

Item No.	Name and Address of Contractors/Suppliers	Contract or Purchase Order No. & Date (or Other Ref.)	Brief Description of Goods, Works, or Services	Currency and Total Amount of Contract	Total Amount of Invoices Covered by Application (Net of Retention)	Elig. %	Invoice Amount Eligible for Financing	Amount Paid from Special Account (if any)	Remarks	Date of Payment
TOTALS										

SUPPORTING DOCUMENTS FOR THIS SOE RETAINED AT _____ (insert location)

Form 1043_3 (1-82)

Instructions for Completing Application for Withdrawal Statement of Expenditure (SOE) - Contract Detail

The Disbursement Letter for each individual project states those expenditures for which reimbursement should be claimed using the Statement of Expenditure (SOE) procedure.

- Notes:**
- Use this form for payments against contracts where the Bank requires full details of each payment.
 - Submit Statements of Expenditure (SOEs) in duplicate.
 - Prepare separate SOEs for each category.
 - When Summary Sheets or SOEs are used, leave items 5 through 7 blank on the Application for Withdrawal (Form 1903).
 - Check information on Summary Sheets and SOEs to ensure that the references, amounts, and other details are correct and that they agree with the data on the accompanying Application for Withdrawal.

Instructions Follow Sequence of Items on SOE Form

1. **Application No.:** Same as on the accompanying Application for Withdrawal.
2. **Summary Sheet No.:** Number the references beginning with number one.
3. **IBRD Loan/IDA Credit or Cofinancier Reference Number:** Insert full reference (number and letters) as it appears on the accompanying Application for Withdrawal.
4. **Category or Subproject No.:** Obtain category reference from Schedule 1 of Loan/Credit Agreement. The subproject number for financial intermediary loans is the number advised by the Bank when it approved the subproject.
5. **Item No.:** Identifies item sequentially within each summary sheet, and facilitates identification of the relevant item in any related correspondence.
6. **Name and Address of Contractor or Supplier:** Give the name, city, state (for suppliers in the U.S.A.), and country.
7. **Contract or Purchase Order No. and Date:** Give full reference to ensure that the contract or purchase order can be readily identified.
8. **Brief Description of Goods, Works, or Services:** Give brief description, for example, electrical equipment, construction of school etc.
9. **Currency and Total Amount of Contract:** Give currency name and value (including any price escalations).
10. **Total Amount of Invoices Covered by Application:** Give currency and total value of invoices, net of retention and other deductions for ineligible items.
11. **Eligible Percentage:** Eligible percentage taken from the appropriate category of Schedule 1 of the Loan Agreement.
12. **Invoice Amount Eligible for Financing:** Total amount of invoices covered by the application, multiplied by the eligible percentage. Amounts are net of retention or other deductions.
13. **Amount Paid from Special Account (if any):** Total amount charged to the Special Account in order to pay the amount shown in the preceding column. Use this column only when claiming replenishment of a Special Account.
14. **Remarks:** Include invoice references or other useful data to identify location of documents.
15. **Date of Payment:** Date of payment to the supplier.
16. **Totals:** Give totals for columns if all amounts listed are in the same currency.
17. **Supporting Documents for this SOE Retained At:** Show the central location where these documents have been retained.

Supporting Documents

Where the World Bank has agreed to disburse against Statements of Expenditure, final contracts or purchase orders and other procurement information should be retained in a central location with other supporting documents related to individual payments. These documents include one or more of the following:

- Supplier's or consultant's invoice, or a summary statement of works performed signed by the supervising engineer or other authorized official
- Evidence of shipment made (for equipment and materials purchased). This can be one of the following:
 - copy of the bill of lading
 - forwarder's certificate
- Evidence of payment. This can be one of the following:
 - receipted invoice or formal receipt
 - commercial bank's report of payment
- Performance security such as a bank guarantee in the case of advance payments where required under the contract, or where the amount represents an unusually high percentage of the total cost of goods

Copies of the Bank statement and reconciliation statement must accompany the Application for Withdrawal if this is a request for replenishment of a Special Account.

Retain supporting documents for the period stated in the Loan/Credit Agreement.
These documents must be readily retrievable for review by auditors and visiting World Bank missions.

BORROWERS ARE ENCOURAGED TO SUBMIT COMPUTERIZED STATEMENTS OF EXPENDITURE
Disbursement Letters may specify additional details required for specific projects

Instructions for Completion of Application for Withdrawal Statement of Expenditure (SOE) - Free Format

The Disbursement Letter for each individual project states those expenditures for which reimbursement should be claimed using the Statement of Expenditure (SOE) procedure. This form is designed for use in those cases where the Disbursement Letter requires a specially designed SOE form to meet project reporting requirements.

- Notes:
- Use this form for expenditures where the Bank does not require full details of each payment.
 - Submit Statements of Expenditure (SOEs) in duplicate.
 - Prepare separate SOEs for each category.
 - When Summary Sheets or SOEs are used, leave items 5 through 7 blank on the Application for Withdrawal (Form 1903).
 - Check information on Summary Sheets and SOEs to ensure that the references, amounts, and other details are correct and that they agree with the data on the accompanying Application for Withdrawal.

Instructions Follow Sequence of Items on SOE Form

1. **Application No.:** Same as on the accompanying Application for Withdrawal.
2. **Summary Sheet No.:** Number the references beginning with number one.
3. **IBRD Loan/IDA Credit or Cofinancier Reference Number:** Insert full reference (number and letters) as it appears on the accompanying Application for Withdrawal.
4. **Category or Subproject No.:** Obtain category reference 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.
5. **Period Covered:** Reporting period during which expenditures summarized in the SOE were incurred. SOEs should normally be prepared on a monthly or quarterly basis, and should generally correspond to the reporting frequency for replenishment of the Special Account, if the expenditures have been financed from such an Account.
6. **Item No.:** Identifies item sequentially within each SOE, and facilitates identification of the relevant item in any related correspondence.
7. **Supporting Documents for this SOE Retained At:** Show the central location where these documents have been retained.

The data to be filled in each of the remaining columns will depend on the special instructions provided in the Disbursement Letter.

Supporting Documents

Where the World Bank has agreed to disburse against Statements of Expenditure, final contracts or purchase orders and other procurement information should be retained in a central location with other supporting documents related to individual payments. These documents may include one or more of the following:

- Supplier's or consultant's invoice or voucher, or a summary statement of works performed signed by the supervising engineer or other authorized official
- Payroll vouchers (for force account civil works, or for incremental operating costs including salaries)
- Evidence of shipment made (for equipment and materials purchased). This can be one of the following:
 - copy of the bill of lading
 - forwarder's certificate
- Evidence of payment. This can be one of the following:
 - receipted invoice or formal receipt
 - commercial bank's report of payment
- Performance security such as a bank guarantee in the case of advance payments where required under the contract, or where the amount represents an unusually high percentage of the total cost of goods

Copies of the Bank statement and reconciliation statement must accompany the Application for Withdrawal if this is a request for replenishment of a Special Account.

Retain supporting documents for the period stated in the Loan/Credit Agreement.
These documents must be readily retrievable for review by auditors and visiting World Bank missions.

**BORROWERS ARE ENCOURAGED TO SUBMIT COMPUTERIZED STATEMENTS OF EXPENDITURE
provided they include all details specified in the Disbursement Letter**

Example 1

Statement of Expenditure (SOE) Request for Reimbursement of Force Account Civil Works Costs

1. Completed Statement of Expenditure (SOE) opposite.
2. The Disbursement Letter for this Loan states that expenditures for selected civil works undertaken by the borrower's own labor force may be reimbursed on the basis of Statements of Expenditure.
3. The Government of Ruritania requests reimbursement of DEM 467,413.39 covering expenditures made from the Special Account (denominated in Deutsche marks) to cover the cost of force account civil works undertaken by the labor force of the Ministry of Works.
4. The expenditures shown in the Statement of Expenditure are eligible for financing under Category 1 - Civil Works at 50%.
5. The implementing agency is the Ministry of Works.

Supporting Documents

Retained in a central location at the Ministry of Works, for review by auditors and visiting Bank missions:

Contracts and procurement documents, if any, for materials associated with these small-scale works

Vouchers, invoices and receipts providing evidence of payments made

Payroll documents giving evidence of wages paid

Full details of all construction undertaken

Submitted with application:

Bank statement from the bank holding the Special Account

Reconciliation statement of the Special Account (see Annex 10)

THE WORLD BANK
APPLICATION FOR WITHDRAWAL
STATEMENT OF EXPENDITURES (SOE)
FREE FORMAT

Follow format stipulated in Disbursement Letter
Read reverse for instructions

Date July 15, 1991 Application No. 6 Summary Sheet No. 1
Category or Sub-Project No. 1 BFD Loan, IDA Credit or Co-financier Ref. No. 3000-RUR
Period Covered May 1, 1991 to June 30, 1991

Item No.	TYPE OF WORKS	SECTOR	BUDGET FOR 1991 R\$	PREVIOUSLY REPORTED FOR 1991 R\$	EXPENDITURES IN THIS PERIOD R\$	ELIGIBLE AT 50% R\$	AMOUNT CHARGED TO SPECIAL ACCOUNT DEM
1.	Feeder Road Maintenance	1	2,600,000.00	1,790,100.00	---	---	---
2.	Culvert Repair	1	500,000.00	420,805.00	78,620.00	39,310.00	21,238.15
3.	Feeder Road Maintenance	5	1,200,000.00	203,690.00	230,808.00	115,404.00	56,385.21
4.	Culvert Repair	5	500,000.00	117,500.00	---	---	---
5.	Feeder Road Construction	5	10,000,000.00	2,486,700.00	1,523,066.00	761,533.00	389,790.01
TOTALS			R\$14,800,000.00	R\$5,018,795.00	R\$1,832,494.00	R\$916,247.00	DEM 467,413.37

Form 1002_4 (11-88)

SUPPORTING DOCUMENTS FOR THIS SOE RETAINED AT MINISTRY OF WORKS HEADQUARTERS (insert location)

Example 2

Statement of Expenditure (SOE) Request for Reimbursement of Local Training Costs

1. Completed Statement of Expenditure (SOE) opposite.
2. The Disbursement Letter for this Loan states that expenditures for local training programs may be reimbursed on the basis of Statements of Expenditure.
3. The Government of Ruritania requests reimbursement of 41,395.80 Ruritanian Dollars to cover the cost of local training programs.
4. The expenditures shown in the Statement of Expenditure are eligible for financing under Category 5 - Training at 60% of local expenditures.
4. The implementing agency is the Ministry of Agriculture.

Supporting Documents

Retained in a central location at the Ministry of Agriculture, for review by auditors and visiting Bank missions:

Contracts and procurement documents, if any

Vouchers, invoices and receipts providing evidence of payments made

Full details of all trainees participating in training courses

Submitted with application:

Bank statement from the bank holding the Special Account

Reconciliation statement of the Special Account (see Annex 10)



**THE WORLD BANK
APPLICATION FOR WITHDRAWAL
STATEMENT OF EXPENDITURES (SOE)
FREE FORMAT**

*Follow format stipulated in Disbursement Letter
Read reverse for instructions*

Date April 6, 1991 Application No. 2 Summary Sheet No. 1
 Category or Sub-Project No. 5 BRD Loan, IDA Credit or Cofinancier Ref. No. 3000-RUR
 Period Covered March 1, 1991 to March 31, 1991

Item No.	Purpose	Location (Province)	Dates	No. of Trainees	Total Costs	Eligible at 60%	Remarks
1.	Field Extension Techniques - Introduction	South	March 11-15, 1991	15	R\$ 53,268.00	R\$ 31,960.80	Both programs approved by the Bank telex of February 1, 1991
2.	Pest Control Techniques	North	March 18-19, 1991	28	15,725.00	9,435.00	
TOTALS						R\$ 68,993.00	R\$ 41,395.80

SUPPORTING DOCUMENTS FOR THIS SOE RETAINED AT Ministry of Agriculture Headquarters (insert location)

Form 1002_4 (1-88)

[Letterhead of Commercial Bank Issuing Comfort Letter]

Date: _____

Director, Loan Department
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Sir:

We refer to the procedure of the World Bank (IBRD and IDA) for disbursement of loans and credits for World Bank investment projects and adjustment programs through advances to special deposit accounts opened by World Bank Borrowers or other beneficiaries of such loans and credits.

It is our understanding that, in furtherance of the provision in the World Bank's Articles of Agreement designed to ensure that the proceeds of any loan or credit are used only for the purposes for which the loan or credit was granted, the World Bank provides in its loan and credit agreements and supplementary disbursement documents that the World Bank must approve of the placement of funds in such accounts and of the terms and conditions thereof.

From time to time, [name of depository bank] opens accounts, of the nature described above, for or at the request of World Bank member Borrowers or their central banks or other Borrower or beneficiary entities. Recognizing that the World Bank has an interest in safeguarding the use of such funds for the special purposes of its projects and programs, we are pleased to confirm that [name of depository bank] will not assert any claim to set off, seize or attach amounts on deposit in such accounts to satisfy amounts due to [name of depository bank] except only to the extent necessary to protect its position in such instances where a third party takes steps to attach such funds. In the event that a third party has attached funds in any such account, [name of depository bank] will inform the World Bank immediately of such attachment and will cooperate, as appropriate, with the World Bank in its efforts to seek the removal of such attachment(s).

We understand that this representation will be relied upon by the World Bank in approving future account arrangements and the placement of funds advanced thereto.

Yours sincerely,

Authorized Officer, Head Office
[name of depository bank]

Note: A single letter from the head office of a commercial bank covers Special Accounts opened by any borrower at all branches of that bank.

SPECIAL ACCOUNT RECONCILIATION STATEMENT

LOAN/CREDIT/PPF/COFINANCIER NUMBER: _____

ACCOUNT NUMBER: _____ WITH (Bank) _____

1. Amount advanced by World Bank (or Cofinancier) _____
2. Less total amount recovered by World Bank
(recovery process normally begins towards
the end of the project): _____
3. **EQUALS PRESENT OUTSTANDING AMOUNT
ADVANCED TO THE SPECIAL ACCOUNT** = _____

=====

4. Amount in Special Account at (date)
per bank statement (copy attached) _____
5. Plus amount of eligible expenditures documented
in attached application (No.) + _____
6. Plus amounts claimed in previous applications
not yet credited at date of Bank statement:

<u>Application No.</u>	<u>Amount</u>
------------------------	---------------

Subtotal of previous applications not yet credited:	+ _____
--	---------

7. **EQUALS TOTAL ADVANCE ACCOUNTED FOR** = _____

8. Explanation of any discrepancy between totals appearing on Lines 3 and 7 above (e.g. items paid from account but not yet claimed, earned interest credited to the account, etc.):

9. DATE: _____

SIGNATURE: _____

TITLE: _____

Instructions for Completion of Special Account Reconciliation Statement

- (a) **Loan/Credit/PPF/Cofinancier Number:** Give complete reference number as it appears on the related Application for Withdrawal.
- (b) **Account Number and Bank:** Give complete account number, and name of the depository bank with which the Special Account is held.

Instructions: Numbers correspond to numbers on the Reconciliation Statement

1. **Amount Advanced:** Show total amount advanced to the Special Account against the Authorized Allocation. Do not include amounts received as replenishment of the Account for eligible expenditures previously reported.
2. **Less Total Amount Recovered by World Bank:** Show total amount, if any, that has been deducted from past applications and applied to recovery of the outstanding advance. Details of any such amounts are provided by telex when the Bank begins the recovery process. Do not include here any amounts that the Bank has previously ruled ineligible.
3. **Equals Present Outstanding Amount Advanced:** Item 1, minus Item 2. This is the balance that Bank records show as the amount for which eligible documents must ultimately be submitted.
4. **Amount in Special Account at [Date]:** Closing balance as it appears in the attached bank statement.
5. **Plus Amount of Eligible Expenditures Documented in Attached Application:** Give application number and amount of eligible expenditures reported in this application.
6. **Plus Amounts Claimed in Previous Applications Not Yet Credited:** Review bank statement to ensure that amounts claimed in previous applications have been credited to the Account. Provide details of any applications paid (or applied to recovery of the Special Account) after the closing date of the bank statement.
7. **Equals Total Advance Accounted For:** Sum of Items 4, 5 and 6.
8. **Explanation of Any Discrepancy:** Explain the origin of any difference between amounts in Item 3 and Item 7, and give details of corrective action being taken. A shortfall in the Account balance (Item 7) may lead to delayed replenishment, or early recovery of the advance.
9. **Date, Signature and Title:** Date of reconciliation, signature and title of person responsible for reconciling the Special Account.

- Notes:**
- Replenishment applications should normally include all expenditures appearing on the bank statement. If this practice is followed, and the Special Account is used solely for eligible expenditures, there should normally be no discrepancy between Items 3 and 7.
 - Reasonable Bank charges are eligible for replenishment
 - Interest paid by the depository bank should normally be deposited into a separate account. Where it is credited to the Special Account, details of the aggregate amounts credited must be provided in Item 8.

SPECIAL ACCOUNT RECONCILIATION STATEMENT

LOAN/CREDIT/PPF COFINANCING NO.: LOAN 3000-RUR
ACCOUNT NUMBER: 22334455 WITH (Bank) ABC Bank, ABC

1. Amount advanced by World Bank (or Cofinancier)	DEM 2,000,000.00
2. Less total amount recovered by World Bank (recovery process normally begins towards the end of the project):	-
3. EQUALS PRESENT OUTSTANDING AMOUNT ADVANCED TO THE SPECIAL ACCOUNT	DEM 2,000,000.00

=====
4. Amount in Special Account at (date) 12/31/91
per bank statement (copy attached) DEM 752,000.00

5. Plus amount of eligible expenditures documented
in attached application (No. 10) 855,000.00

6. Plus amounts claimed in previous applications
not yet credited at date of Bank statement:

<u>Application No.</u>	<u>Amount</u>
8	DEM 393,000.00

Subtotal of previous
applications not yet credited: + 393,000.00

7. **EQUALS TOTAL ADVANCE ACCOUNTED FOR** = DEM 2,000,000.00

8. Explanation of any discrepancy between totals appearing on Lines 3 and 7 above (e.g. items paid from account but not yet claimed, earned interest credited to the account, etc.):

(NONE)

9. DATE: 9/15/91

SIGNATURE: _____ /s/ Signature

TITLE: Project Coordinator

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
1818 H Street, N.W.
WASHINGTON D.C. 20433, U.S.A.

P A Y M E N T A D V I C E

LOAN ACCOUNT 3000-0 RUR
AGRICULTURAL DEVELOPMENT PROJECT NOVEMBER 25, 1991

TC:
MINISTER OF FINANCE
MINISTRY OF FINANCE
INDEPENDENCE STREET
CAPITAL CITY, RURITANIA

THE DISBURSEMENT(S) LISTED BELOW HAVE BEEN MADE ON YOUR BEHALF ON THE DATES SHOWN:

-- REFERENCED BY YOUR REQUEST --			--- DISBURSED AND CHARGED TO YOUR LOAN ACCOUNT ---			
CATEGORY	CURRENCY	AMOUNT	CURRENCY	AMOUNT	EXCH RATE	USD EQUIVALENT
APPLICATION: 25			PAID: NOV. 22, 1991		REF: WA0026A	
1	DEM	60,000.000	CHF	64,512.050	1.600030	40,319.28
2	DEM	238,501.000	CHF	256,436.470	1.600030	160,269.79
TOTAL	DEM	298,501.000			TOTAL USD	200,589.07
APPLICATION: 26			PAID: NOV. 23, 1991		REF: WA0027A	
4	USD	450,000.000	JPY	57,735,000.000	128.30500	449,982.46
TOTAL	USD	450,000.000			TOTAL USD	449,982.46

UNDISBURSED LOAN BALANCE AS OF NOV 25, 1991: 79,605,519.90

ABBREVIATIONS USED: USD = UNITED STATES DOLLARS
DEM = DEUTSCHE MARKS
CHF = SWISS FRANCS
JPY = JAPANESE YEN

Explanation of Contents of Payment Advice

1. **Loan/Credit/Trust Fund Account:** Loan reference number assigned by the Bank - a five digit number, followed by a two or three character abbreviation for the borrowing country.
2. **Project Name:** The name of the project as it appears on the loan agreement (sometimes abbreviated because of space constraints).
3. **Referenced By Your Request:**
 - (a) **Application:** The sequential number assigned by the borrower to identify the application.
 - (b) **Category:** The category reference taken from Schedule 1 to the Loan Agreement, or for financial intermediary loans, the subproject number assigned by the Bank when the subproject was approved. Note that the format used here may differ slightly from the format followed in the Loan Agreement: for example, Category 1(a) may be expressed as 1-A.
 - (c) **Currency:** The three-digit International Standardization Organization (ISO) currency code for the currency paid to the beneficiary, as requested in the borrower's application.
 - (d) **Amount:** The amount paid in the requested currency and charged to the specified category. Note that this amount may differ from the amount requested if
 - (i) the Bank has ruled some items ineligible for payment;
 - (ii) a part of the amount requested has been applied to recovery of the Special Account advance (see Chapter 6); or
 - (iii) the loan or category balance is insufficient to permit payment in the full amount requested.
4. **Disbursed and Charged to your Account:**
 - (a) **Paid:** Value date on which the payment was executed.
 - (b) **Ref:** The sequential reference number (Withdrawal Authorization number) assigned by the World Bank.
 - (c) **Currency and Amount:** The cost currency and amount used by the Bank to execute the payment (see Chapter 7 for an explanation).
 - (d) **Exchange Rate:** The applicable exchange rate (AER) used by the Bank to value the cost currency amount in the currency of commitment.
 - (e) **Equivalent:** The equivalent amount in the currency of commitment that has been charged to the loan account. (See Chapter 7, paras. 7.6-7.9 for an explanation of differences that may arise because of the AER.)
5. **Undisbursed Balance as of [date]:** The undisbursed balance at the date the payment advice was issued. Note that this balance does not take into account payments that may have recently been completed for which the accounting entries have not yet been finalized.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
1818 H Street, N.W.
WASHINGTON D.C. 20433, U.S.A.

*** MONTHLY DISBURSEMENT SUMMARY ***

LOAN ACCOUNT 3000-0 RUR
AGRICULTURAL DEVELOPMENT PROJECT

NOVEMBER 30, 1991

COPY TO: BORROWER

PROJECT COORDINATOR
MINISTRY OF AGRICULTURE
MAIN ROAD
CAPITAL CITY, RURITANIA

MINISTER OF FINANCE
MINISTRY OF FINANCE
INDEPENDENCE STREET
CAPITAL CITY, RURITANIA

ORIGINAL LOAN AMOUNT	100,000,000.00	
TOTAL AMOUNT CANCELLED	0.00	USD EQUIVALENT
NET LOAN AMOUNT	100,000,000.00	UNDISBURSED BALANCE AS OF NOV 1, 1991: 80,343,476.46

THE FOLLOWING DISBURSEMENT(S) WERE MADE ON YOUR BEHALF ON THE DATES SHOWN:

APPLICATION	CATEGORY	W/A	S/C	VALUE DATE	CURRENCY	AMOUNT PAID	
24	2	25	G00002	NOV 3, 1991	FRF	438,000.000	87,385.03
25	1	26		NOV 22, 1991	DEM	60,000.000	40,319.28
	2	26		NOV 22, 1991	DEM	238,501.000	160,269.79
26	4	27		NOV 23, 1991	USD	449,982.460	449,982.46
TOTAL DISBURSED DURING NOVEMBER 1991:							737,956.56
UNDISBURSED BALANCE AS OF NOV 30, 1991:							79,605,519.90

=====PRESENT CATEGORY BALANCES IN USD=====

CATEGORY DESCRIPTION	DISBURSED	UNDISBURSED	S/C COMMITTED	UNCOMMITTED
FUND SPECIAL ACCOUNT	2,501,012.25	2,501,012.25-	0.00	2,501,012.25-
UNALL UNALLOCATED	0.00	10,000,000.00	0.00	10,000,000.00
1 CIVIL WORKS	4,160,991.69	45,839,008.31	0.00	45,839,008.31
2 GOODS	12,235,002.20	14,764,997.80	8,325,000.00	6,439,997.80
3 SUBLOANS	49,235.00	5,950,765.00	0.00	5,950,765.00
4 CONSULTANTS' SERVICES	449,982.46	4,550,017.54	0.00	4,550,017.54
5 TRAINING	25,125.25	974,874.75	0.00	974,874.75
6 PPF ADVANCE REFUNDING	973,131.25	26,868.75	0.00	26,868.75
TOTAL	20,394,480.10	79,605,519.90	8,325,000.00	71,280,519.90

ABBREVIATIONS USED: W/A = WITHDRAWAL AUTHORIZATION NUMBER S/C = SPECIAL COMMITMENT
USD = UNITED STATES DOLLARS FRF = FRENCH FRANCS
DEM = DEUTSCHE MARKS

Explanation of Contents of Monthly Disbursement Summary

1. **Loan/Credit/Trust Fund Account:** Loan reference number assigned by the Bank - a five digit number, followed by a two or three character abbreviation for the borrowing country.
2. **Project Name:** The name of the project as it appears on the loan agreement (sometimes abbreviated because of space constraints).
3. **Original Loan/Credit/Grant Amount:** The amount of the loan, in the currency of commitment, prior to any cancellations.
4. **Total Amount Cancelled:** The aggregate value of any amounts cancelled.
5. **Net Loan Amount:** The original amount, less any cancellations.
6. **Undisbursed Balance as of [date]:** The undisbursed balance at the beginning of the month.
7. **Application:** The sequential number assigned by the borrower to identify the application.
8. **Category:** The category reference taken from Schedule 1 to the Loan Agreement, or for financial intermediary loans, the subproject number assigned by the Bank when the subproject was approved. Note that the format used here may differ slightly from the format followed in the Loan Agreement: for example, Category 1(a) may be expressed as 1-A.
9. **W/A:** The sequential reference number (Withdrawal Authorization number) assigned by the Bank for each payment from the loan account.
10. **S/C:** The Special Commitment number, if this payment is related to a Special Commitment.
11. **Value Date:** The value date on which this payment was executed.
12. **Currency:** The three-digit International Standardization Organization (ISO) currency code for the currency paid to the beneficiary, as requested in the borrower's application.
13. **Amount:** The amount paid in the requested currency and charged to the specified category. Note that this amount may differ from the amount requested if
 - (i) the Bank has ruled some items ineligible for payment;
 - (ii) a part of the amount requested has been applied to recovery of the Special Account advance (see Chapter 6); or
 - (iii) the loan or category balance is insufficient to permit payment in the full amount requested.
14. **Total Disbursed During [month]:** Sum of amounts charged for all withdrawals during the month.
15. **Undisbursed Balance as of [date]:** The undisbursed balance at the end of the month.
16. **Present Category Balances in [currency of commitment]:**
 - (a) **Category:** Same as item 8 above.
 - (b) **Description:** Category description as it appears in Schedule 1 to the Loan Agreement, or subproject name. Note that this text may be abbreviated due to space constraints. Categories FUND, FUND-A etc. refer to Special Accounts.
 - (c) **Disbursed:** The total amount disbursed in the currency of commitment through the end of the month.
 - (d) **Undisbursed:** The undisbursed balance (net loan amount, less total disbursements).
 - (e) **SC Committed:** The aggregate amount committed for future disbursements against Special Commitments.
 - (f) **Uncommitted:** The portion of the undisbursed balance that is not committed to cover future disbursements against Special Commitments.
 - (g) **Total:** The total of amounts appearing in each of the four columns above.

Note: The sum of the SC Committed and Uncommitted columns is equal to the Undisbursed amount for the category or loan.

Applicable Exchange Rate: An exchange rate established by the Bank for each currency for the valuation of all transactions of a particular value date.

Application: Request by the borrower for withdrawal or commitment of loan proceeds in accordance with the provisions of a loan.

Appraisal Report: Detailed evaluation and recommendations on a project by Bank staff prior to Bank approval of a loan.

Borrower: The government or organization to which the Bank makes a loan. If not government, the government is required to guarantee the loan.

Category: A grouping of items to be financed in a project. The categories are set out in Schedule 1 to the Loan Agreement.

Central Disbursement Account: The account that operates the Bank's Currency Pooling System (defined below)

Closing date: Date established in the Loan Agreement after which the Bank can terminate the right of borrower to make withdrawals from the Loan Account and cancel the unwithdrawn balance of the loan.

Cofinancing: Project financed by the Bank and at least one other external source of funds.

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

Cost Currency (Currency of Disbursement): The currency used by the Bank to disburse from its resources against the Loan Account.

Currency of Expenditure: The currency expended by a borrower for which payment or reimbursement is requested under a withdrawal procedure.

Currency Pooling System: The accounting system that equalizes among all borrowers at all time the risks of exchange rate fluctuations of the currencies borrowed and repayable on IBRD loans. IDA Credits are not included in the system.

Development Credit: IDA funds to be used to finance a project.

Disbursement Letter: Instructions sent to the borrower when a loan is signed, containing agreed procedures to be used to withdraw funds within each category and a request for authorized signature samples.

Effective Date: The date on which a Loan Agreement becomes binding on all parties that have signed it, and on which withdrawals from the Loan Account can begin.

Financial intermediary: Institutions whose principal function is to provide medium- and long-term finance for investment in productive enterprises.

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

General Conditions: Terms and conditions generally applicable to Bank loans and incorporated in Loan Agreements, and to any guarantee agreement of a Bank loan.

Joint Financing: Shared project financing in which funds are independently disbursed from multiple sources in proportion to an agreed ratio. Disbursement can be in succession or *pari passu*.

Letter of Credit: An undertaking by a commercial bank that bills drawn on it in compliance with the terms of the Letter of Credit will be duly honored.

Loan Account: The account in the Bank's books to which the amount of the loan is credited.

-
- Negotiating Bank:** The commercial bank, usually 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:** The bank, usually in the borrower's country, that opens a Letter of Credit and acts for the borrower in dealing with other banks.
- Parallel Financing:** Shared project financing in which selected goods or services are financed separately by the Bank and each of the other financial sources.
- Project Preparation Facility:** Advance commitment to a borrower by the Bank to provide financial and technical assistance to prepare a new project, prior to approval of the final loan.
- Retention Monies:** Funds withheld from a supplier pending successful completion of a contract. They are not eligible for reimbursement by the Bank until released to the supplier.
- Retroactive Financing:** Financing of eligible expenditures made prior to the date of the Loan Agreement.
- Revolving Fund:** See Special Account.
- Schedule of Withdrawal of Proceeds:** A Schedule in the Loan Agreement showing the allocation of the proceeds of the loan for financing the various components of the project.
- Source of Supply:** A record of disbursements by loan identifying the type of goods financed, purpose of the loan, and the supplying country.
- Special Account:** The bank account into which an advance disbursement is deposited, from which the project may make payments to contractors, suppliers, and others to cover the Bank's share of eligible expenses.
- Special Commitment:** Irrevocable commitment by the Bank and/or cofinancier, at the request of the borrower, undertaking to reimburse a commercial bank for payments it makes to a supplier against a Letter of Credit.
- Special Drawing Right:** Basic equivalence currency used by the International Monetary Fund as an accounting currency, and by IDA as the currency of commitment since 1980.
- Statement of Expenditures:** A specialized summary sheet sent by the borrower to the Bank, used when the submission of normal disbursement documentation is impractical.
- Subprojects:** Projects approved for withdrawal under financial intermediary and technical assistance loans.
- Supporting Documents:** Documents related to applications for withdrawal or for issuance of Special Commitments which provide evidence that expenditures are eligible for financing.
- Tranche:** A portion of a loan (usually an adjustment loan) for which disbursements are conditioned on completion of specific actions. This term is also used to describe the final digit of loan numbers for loans which have been subdivided based on different repayment obligations, and supplemental Project Preparation Facility Advances.
- Value Date:** The calendar date on which a transaction takes place.

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KEY DATA SHEET

Project Name: _____ **Loan/Credit/Cofinancier No.:** _____

Loan/Credit/Grant Details

Amount: _____ (Source)
Signing Date: _____ (Loan Agreement, usually Article II)
Effective Date: _____ (Loan Agreement, cover)
Closing Date: _____ (World Bank or Cofinancier notice)
_____ (Loan Agreement, usually Article II)

Cofinancier(s), if any

Loan/Grant No.: _____
World Bank Ref.: _____ (Cofinancier's Loan Agreement)
Details: _____ (Disbursement Letter)
Special _____
Requirements: _____

Authorized Signatures for Withdrawal Applications

Specimen signatures provided in borrower's letter dated: _____
Number of signatures required on each application: _____

Procurement Prior Review Thresholds

Civil works: _____ (Loan Agreement, Procurement Schedule)
Equipment: _____

Minimum Application Size

Value: _____ (Disbursement Letter)

Retroactive Financing, if any

Eligibility date: _____ (Loan Agreement, usually Schedule 1)
Eligible categories: _____
Ceiling: _____

Disbursement Conditions, if any

Category: _____ Satisfied on: _____ (Loan Agreement, usually Schedule 1)
_____ (World Bank or Cofinancier notice)
Category: _____ Satisfied on: _____ (World Bank or Cofinancier notice)

Special Account (SA)

Currency: _____ (Loan Agreement, usually Article II)
Authorized allocation: _____ (Loan Agreement, SA Schedule)
Account number: _____ (Depository bank holding SA)
Bank name: _____
Bank address: _____

Comfort letter details:

Eligible Categories: _____ (Loan Agreement, SA Schedule)
Replenishment frequency: _____ (Disbursement Letter)

Statements of Expenditure (SOEs) to be used for

Civil works contracts valued below _____ (Disbursement Letter) equivalent
Equipment contracts valued below _____ equivalent

Supporting documents kept at _____

Republic of Lebanon

Office of the Minister of State for Administrative Reform
Center for Public Sector Projects and Studies
(C.P.S.P.S.)