



Bank Other

Disbursement Guidelines for Investment Projects Financing

Bank Access to Information Policy Designation

Public

Catalogue Number

IVP7.11-OTH.101

Issued

May 4, 2017

Effective

May 4, 2017

Content

The purpose of the Disbursement Guidelines for Investment Project Financing (the guidelines) is to set out the World Bank's procedures and requirements for disbursement of funds in projects.

Applicable to


IBRD,IDA

Issuer

WFAVP

Sponsor

Director, WFACS



Disbursement Guidelines for Investment Project Financing

February 2017



CONTENTS

	<u>PAGE</u>
1. Purpose	1
2. Disbursement Methods	1
3. Withdrawal of Funds from Financing Account	2
4. Supporting Documentation Requirements	3
5. Designated Accounts	4
6. Terms and Conditions Applicable to Advances	6
7. Ineligible Expenditures	7
8. Refunds	8

1. Purpose

1.1 The purpose of the Disbursement Guidelines for Investment Project Financing (the guidelines) is to set out the World Bank's procedures and requirements for disbursement of funds in projects.¹ Specifically, the guidelines set out (a) the different arrangements used by the World Bank to disburse funds from the Financing Account², (b) the requirements for withdrawal from the Financing Account, (c) the types of supporting documentation that the borrower may be required to provide to demonstrate the use of funds of the Financing Account for eligible expenditures, (d) the criteria for establishing Designated Accounts³, (e) the terms and conditions applicable to advances, (f) the types of disbursement-related actions that the World Bank may take if it determines that funds of the Financing Account are not needed or have been used for ineligible purposes, and (g) the disbursement consequence of refunds.

2. Disbursement Methods

2.1 The World Bank establishes disbursement arrangements for a project in consultation with the borrower, taking into consideration, among other things, an assessment of the borrower's financial management and procurement arrangements, the cash flow needs of the project, and its disbursement experience with the borrower. Those arrangements are stated in the Financing Agreement⁴ and additional information is provided in the Disbursement Letter.⁵

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

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

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

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

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

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

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

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

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

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

3. Withdrawal of Funds from the Financing Account

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

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

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

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

⁶ Terms and conditions of use of SIDC are provided in the Disbursement Letter.

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

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

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

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

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

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

4. Supporting Documentation Requirements

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

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

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

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

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

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

5. Designated Accounts

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

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

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

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

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

5.5 **Financial Institution.** Designated Accounts must be opened and maintained in a financial institution⁷ selected by the borrower and acceptable to the World Bank. A financial institution is acceptable if it meets all the following requirements:

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

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

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

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

6. Terms and Conditions Applicable to Advances

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

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

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

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

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

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

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

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

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

7. Ineligible Expenditures

7.1 **Ineligible Expenditures Generally.** If the World Bank determines that any amount of the funds from the Financing Account was used to pay for an expenditure that is not eligible pursuant to the Financing Agreement (an ineligible expenditure), the World Bank may, at its discretion, require the borrower to take one of the following two disbursement-related actions, without prejudice to the Bank's right to exercise remedies under the General Conditions⁸ or Standard Conditions⁹ and Financing Agreement.

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

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

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

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

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

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

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

8. Refunds

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

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

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