The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
1818 H Street N.W.
Washington, D.C. 20433
U.S.A.
(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

September 28, 2012

H. E. Jean Ping
Chairperson
African Union Commission
Addis Ababa
Federal Democratic Republic of Ethiopia

Re: Grant No. TF012036
African Medicines Regulatory Harmonization (AMRH) Initiative Project

Dear Sir:

In response to the request for financial assistance made on behalf of the African Union, represented by the African Union Commission ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Global Medicines Regulatory Harmonization Initiative Trust Fund, proposes to extend to the Recipient, a grant in an amount not to exceed one million United States Dollars (U.S.$1,000,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

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

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement
shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Ritva S. Reinikka
Director, Human Development Sector
Africa Region

AGREED:
AFRICAN UNION
(Represented by the AFRICAN UNION COMMISSION)

By
Authorized Representative

Name: Dr. Ibrahim Assane Mayaki
Title: Chief Executive Officer, AfCFTA
Date: 15/10/2012

Enclosures:
(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

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Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions"), with the modifications set forth in Section I of the Appendix to this Agreement, constitute an integral part of this Agreement.

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

(a) "African Union Commission" or "AU Commission" means the executive, administrative organ/secretariat of the African Union.

(b) "African Union" or "AU" means the legal entity established through Article 2 of the Constitutive Act.


(d) "Constitutive Act" means the Constitutive Act of the African Union, adopted by the AU Member States, on July 11, 2000, in Lome, Republic of Togo.

(e) "New Partnership for Africa's Development Agency" or "NEPAD" means the technical body of the African Union established through the decision reached during the fourteenth ordinary session of the assembly of the AU on February 2, 2010, in Addis Ababa, Ethiopia.

(f) "Operating Costs" means reasonable incremental expenses incurred in connection with Project implementation for salaries of project staff, rentals, travel, room, board and "per diem" expenditures, maintenance, consumable materials, supplies and utilities, operating the website and NEPAD project management fee, excluding salaries of AU Member States.

(g) "Training and Workshops" includes services for the organization of the workshops background materials and rental of facilities and equipment, local and regional travel and per diem for participants, travel, accommodation and per diem of trainers and trainees, NEPAD staff participating in regional and international meetings for
AMRH advocacy including printing of documents, communications, and various supplies needed.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objectives of the Project are: (a) to support the East African community (EAC) medicine regulatory harmonization project by resolving institutional and implementation bottlenecks that require higher level political intervention at the country and regional levels; and (b) to provide overall advocacy for the AMRH initiative both at regional and global levels; and technical assistance to other regional economic communities (RECs) in Africa to develop new proposals for support under AMRH.

The Project consists of the following parts:

(a) Providing technical assistance for the regional coordination of the AMRH and building the AMRH's capacity to develop harmonized protocols for medicine registration involving key stakeholders led by regional technical working groups.

(b) Establishing and operationalizing a regional steering committee and a project coordination team for the EAC.

(c) Building the national medicine regulatory authorities' (NMRAs) capacity to implement the harmonized protocols for medicine registration, with the aim of ensuring efficiency and transparency through improved quality management systems and information sharing on regulatory policies, legislation and registered medicines.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the New Partnership for Africa’s Development Agency ("NEPAD") in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** The Recipient shall maintain, at all times during the implementation of the Project, NEPAD, with staff in numbers and with functions, terms of reference and resources satisfactory to the World Bank, for the purpose of ensuring the prompt and efficient implementation of the Project.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Member Country’s territory for purposes related to the Project.
2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

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

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

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

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

2.07. **Procurement**

(a) General. All goods, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures: (a) use of the World Bank's Standard Bidding Documents suitably adapted for NCB; (b) invitations for bids for NCB tenders are to be publicly advertised in local newspapers of wide circulation; (c) bidding shall be for a minimum four (4) weeks and bids are to be opened publicly; (d) registration or classification of bidders shall not be used as a condition of bidding; (e) preference systems based on citizen or gender degree of ownership, affirmative action, empowerment or non-economic factors shall not be used; (f) use of point system in evaluation of bids shall not be used; (g) use of bracketing systems with reference to client cost estimates shall not be used in evaluation of bids; (h) price negotiations shall not be held with the successful bidder; and (i) contract awards shall be published in newspapers of wide circulation.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants' Services**

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants' Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants; and (F) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions**. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures**. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Non-consulting services, Workshops training, and consultants’</td>
<td>432,000</td>
<td>100%</td>
</tr>
<tr>
<td>services under the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Operating costs</td>
<td>568,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,000,000</td>
<td></td>
</tr>
</tbody>
</table>

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

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2014.

**Article IV**

**Additional Remedies**

4.01. **Additional Events of Suspension.** The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

(a) an extraordinary situation has arisen which makes it improbable that the Project or a significant part of it will be carried out;

(b) the Constitutive Act establishing African Union or the AU Commission shall have been amended, abrogated, repealed, or waived so as, in the opinion of the World Bank, to materially or adversely affect the ability of the Recipient to perform any of its obligations in the pursuit of the objective of the Project; and

(c) the decision establishing NEPAD shall have been amended, abrogated, repealed, or waived so as, in the opinion of the World Bank, to materially or adversely affect the ability of the NEPAD to perform any of their functions in pursuit of the objective of the Project.

**Article V**

**Recipient’s Representative; Addresses**

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Chief Executive Officer of the NEPAD Planning and Coordinating Agency.
5.02. **Recipient's Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

NEPAD Planning and Coordinating Agency,  
Block B International Business Gateway Park,  
Corner Challenger and Columbia Avenues,  
PO Box 1234 Halfway House,  
Midrand 1685 South Africa

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

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

<table>
<thead>
<tr>
<th>Cable:</th>
<th>Telex:</th>
<th>Facsimile:</th>
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<tr>
<td>INDEVAS</td>
<td>248423 (MCI) or 64145 (MCI)</td>
<td>1-202-477-6391</td>
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</tbody>
</table>
APPENDIX
Modifications to the Standard Conditions

Paragraphs 17 and 18 of the Appendix (Definitions) to the Standard Conditions are modified to read as follows:

“17. “Member Country” means the member of the World Bank in whose territory the Project is carried out or any of such member’s political or administrative subdivisions. If the Grant is extended by the World Bank to such member as a party to the Grant Agreement, the term “Member Country” and “Recipient” refer to the same entity. If the Project is carried out in the territory of more than one member of the World Bank, “Member Country” refers separately to each such member.

18. “Project” means the Project for which the Grant is made. If the Project is carried out in the territory of more than one Member Country, “Project” refers separately to the Project of each such Member.”
Standard Conditions

for Grants Made by the
World Bank
Out of
Various Funds

Dated February 15, 2012
ARTICLE I
Introductory Provisions

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

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

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

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

ARTICLE II
Project Execution

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

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

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

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

Section 2.03. Land Acquisition. The Recipient shall ensure that all action is taken to acquire as and when needed all land and rights to land that are required to carry out the Project and shall promptly furnish to the World Bank, upon its request, evidence satisfactory to the World Bank that such land and rights are available for the Project.
Section 2.04. Use of Goods, Works and Services; Maintenance of Facilities. The Recipient shall ensure that:

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

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

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

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

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

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

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

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

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

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

(i) (A) ensure the preparation and delivery to the World Bank of one or more project reports ("Project Reports"), in form and substance satisfactory to the World Bank, integrating the results of such monitoring and evaluation activities and setting out measures recommended by the Recipient to ensure the continued efficient and effective execution of the Project, and to achieve the Project’s
objectives; each Project Report to cover the period specified in the Grant Agreement and to be furnished to the World Bank not later than the date specified for that purpose in the Grant Agreement; and (B) afford the World Bank a reasonable opportunity to exchange views with the Recipient on such report, and thereafter implement such recommended measures, taking into account the World Bank’s views on the matter; and

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

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

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

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

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

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

(a) from time to time, at the request of either of them, exchange views on the Project, the Grant, and the performance of their respective obligations under the Grant.
Agreement, and furnish to the other party all such information related to such matters as it shall reasonably request; and

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

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

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

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

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

Section 2.10. Disputed Area

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

ARTICLE III
Withdrawal of Grant Proceeds

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

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

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

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

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

Section 3.04. *Applications; Supporting Evidence*

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

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

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

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

Section 3.05. *Designated Accounts*

(a) The Recipient may open and maintain one or more designated accounts into which the World Bank may, at the request of the Recipient, deposit amounts
withdrawn from the Grant Account as advances for purposes of the Project ("Designated Accounts"). All Designated Accounts shall be opened in a financial institution acceptable to the World Bank, and on terms and conditions acceptable to the World Bank.

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

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

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

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

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

Section 3.07. Financing Taxes

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

(b) In the absence of such specification, the use of any proceeds of the Grant to pay for such Taxes is nevertheless subject to the World Bank's policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the World Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the World Bank may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such policy of the World Bank.
Section 3.08. Reallocation. If, in the World Bank's opinion, an amount of the Grant allocated to a category of Eligible Expenditures under the Grant Agreement will be insufficient to finance the expenditures under such category, the World Bank may, by notice to the Recipient:

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

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

ARTICLE IV
Cancellation; Suspension; Grant Refund

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

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

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

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

(c) Fraud and Corruption. At any time, the World Bank determines that any representative of the Recipient (or the Member Country, if the Recipient is not the Member Country, or any other recipient of any of the proceeds of the Grant) has engaged in corrupt, fraudulent, coercive or collusive practices in connection with the use of the proceeds of the Grant, without the Recipient (or the Member Country or any other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.
(d) Cross Suspension. IBRD or IDA has suspended in whole or in part the right of the Recipient (or of the Member Country, if the Recipient is not the Member Country) to make withdrawals under any agreement with IBRD or with IDA because of a failure by the Recipient (or by the Member Country) to perform any of its obligations under such agreement or any other agreement with IBRD or IDA.

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

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

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

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

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

(i) Any action has been taken for the dissolution, disestablishment or suspension of operations of the Recipient (or of any other entity responsible for implementing any part of the Project).

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

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

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

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

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

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

(c) **Fraud and Corruption.** At any time, the World Bank determines, with respect to any amount of the proceeds of the Grant, that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient (or the Member Country, if the Recipient is not the Member Country, or any other recipient of the proceeds of the Grant), without the Recipient (or the Member Country or other recipient of the proceeds of the Grant) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.
(d) *Misprocurement.* At any time, the World Bank: (i) determines that the procurement of any contract to be financed out of the proceeds of the Grant is inconsistent with the procedures set forth or referred to in the Grant Agreement; and (ii) establishes the amount of expenditures under such contract which would otherwise have been eligible for financing out of the proceeds of the Grant.

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

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

Section 4.05. *Grant Refund*

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

(i) use of such amount to make a payment for an expenditure that is not an Eligible Expenditure; or

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

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

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

**ARTICLE V**

**Enforceability; Arbitration**

Section 5.01. *Enforceability.* The rights and obligations of the Recipient and the World Bank under the Grant Agreement shall be valid and enforceable in accordance with their
terms notwithstanding the law of any state or of any of its political subdivisions to the contrary. Neither the Recipient nor the World Bank shall be entitled in any proceeding under this Article to assert any claim that any provision of these Standard Conditions or of the Grant Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of IBRD or IDA, as the case may be.

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

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

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

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

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

(d) If, within sixty days after the notice instituting the arbitration proceeding, the parties have not agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (b) of this Section.
(c) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

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

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

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

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

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

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

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

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

ARTICLE VII
Miscellaneous

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

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

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

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

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

1. "Additional Event of Suspension" means any event of suspension specified in the Grant Agreement for the purpose of Section 4.02 (k).

2. "Address" means the address of the Addressee referred to in Section 7.01, to which notices and requests pursuant to the Grant Agreement are to be directed.

3. "Addressee" means the party to which notices and requests are to be directed for the purpose of Section 7.01.

4. "Application" means an application made by the Recipient pursuant to Section 3.04 for withdrawal of an amount of the Grant from the Grant Account or to request the World Bank to enter into a Special Commitment with respect to an amount of the Grant.

5. "Arbitral Tribunal" means the arbitral tribunal established pursuant to Section 5.03.

6. "Closing Date" means the date specified in the Grant Agreement (or such later date as the World Bank shall establish by notice to the Recipient) after which the World Bank may, by notice to the Recipient, terminate the right of the Recipient to withdraw from the Grant Account.

7. "Completion Report" means each report to be prepared and furnished to the World Bank pursuant to Section 2.06 (b) (ii).

8. "Designated Account" means each account referred to in Section 3.05 into which the Bank may deposit amounts withdrawn from the Grant Account as advances for purposes of the Project.

9. "Dollar", "$" and "USD" each means the lawful currency of the United States of America.

10. "Eligible Expenditure" means an expenditure the payment for which meets the requirements of Section 3.06 and which is consequently eligible for financing out of the proceeds of the Grant.

11. "Financial Statements" means the financial statements to be maintained for the Project in accordance with Section 2.07.

12. "Grant" means the grant provided for in the Grant Agreement.
13. "Grant Account" means the account opened by the World Bank in its books in the name of the Recipient to which the Grant is credited in accordance with Section 3.01 (a).

14. "Grant Agreement" means the grant agreement between the Recipient and the World Bank providing for the Grant, as such agreement may be amended from time to time. "Grant Agreement" includes these Standard Conditions as applied to the Grant Agreement, and all appendices, schedules and agreements supplemental to the Grant Agreement.

15. "IBRD" means the International Bank for Reconstruction and Development.


17. "Member Country" means the member of the World Bank in whose territory the Project is carried out or any of such member's political or administrative subdivisions. If the Grant is extended by the World Bank to such member as a party to the Grant Agreement, the term "Member Country" and "Recipient" refer to the same entity.

18. "Project" means the project described in the Grant Agreement, for which the Grant is made, as the description of such project may be amended from time to time by agreement between the Recipient and the World Bank.

19. "Project Report" means each report on the Project to be prepared and furnished to the World Bank for the purpose of Section 2.06 (b) (i).

20. "Recipient" means the party to the Grant Agreement to which the Grant is made.

21. "Recipient's Representative" means the representative referred to in Section 7.02 designated by the Recipient in the Grant Agreement or authorized in writing by such representative for the purpose of such Section.

22. "Special Commitment" means any special commitment entered into or to be entered into by the World Bank pursuant to Section 3.03.

23. "Supporting Evidence" means the evidence and documents to be furnished to the World Bank in accordance with Section 3.04 (b) in connection with an Application.

24. "Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Grant Agreement or imposed after that date.

25. "Umpire" means the third arbitrator appointed pursuant to Section 5.03 (b).
26. "World Bank" means: (a) IBRD if the Grant is made or administered by IBRD; (b) IDA if the Grant is made or administered by IDA; and (c) collectively, IBRD and IDA if the Grant is made or administered by both IBRD and IDA.
GUIDELINES

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

Dated October 15, 2006 and Revised in January, 2011

Purpose and General Principles

1. These Guidelines are designed to prevent and combat fraud and corruption that may occur in connection with the use of proceeds of financing from the International Bank for Reconstruction and Development (IBRD) or the International Development Association (IDA) during the preparation and/or implementation of IBRD/IDA-financed investment projects. They set out the general principles, requirements and sanctions applicable to persons and entities which receive, are responsible for the deposit or transfer of, or take or influence decisions regarding the use of, such proceeds.

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

Legal Considerations

3. The Loan Agreement¹ providing for a Loan² governs the legal relationships between the Borrower³ and the Bank⁴ with respect to the particular project for which the Loan is made. The responsibility for the implementation of the project⁵ under the Loan

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

¹References to “Loan” or “Loans” include IBRD loans as well as IDA credits and grants, project preparation advances, IDF grants and recipient-executed trust fund grants or loans for projects to which these Guidelines are made applicable under the agreement providing for such grant and/or loan, but excludes development policy lending, unless the Bank agrees with the Borrower on specified purposes for which loan proceeds may be used.

²References in these Guidelines to the “Borrower” include the recipient of an IDA credit or grant or of a trust fund grant or loan. In some cases, an IBRD Loan may be made to an entity other than the Member Country. In such cases, references in these Guidelines to “Borrower” include the Member Country as Guarantor of the Loan, unless the context requires otherwise. In some cases, the project, or a part of the project, is carried out by a Project Implementing Entity with which the Bank has entered into a Project Agreement. In such cases, references in these Guidelines to the “Borrower” include the Project Implementing Entity, as defined in the Loan Agreement.

³References in these Guidelines to the “Bank” include both IBRD and IDA.

⁴References in these Guidelines to the “project” means the Project as defined in the Loan Agreement.
Agreement, including the use of Loan proceeds, rests with the Borrower. The Bank, for its part, has a fiduciary duty under its Articles of Agreement to “make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.” These Guidelines constitute an important element of those arrangements and are made applicable to the preparation and implementation of the project as provided in the Loan Agreement.

Scope of Application

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

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

6. The Bank’s specific policy requirements on fraud and corruption in connection with the procurement or execution of contracts for goods, works or services financed out of the proceeds of a Loan from the Bank, are covered in the Procurement Guidelines and the Consultant Guidelines, as each such Procurement Guidelines and Consultants Guidelines are applicable to a particular Loan.

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6 IBRD’s Articles of Agreement, Article III, Section 5(b); IDA’s Articles of Agreement, Article V, Section 1(g).
7 Certain persons or entities may fall under more than one category identified in paragraph 5. A financial intermediary, for example, may receive payment for its services, will transfer funds to end users and will make or influence decisions regarding the use of loan proceeds.
8 Guidelines: Procurement under IBRD Loans and IDA Credits, May 2004, as revised October 2006 and May 2010, and Guidelines: Procurement of Goods, Works and Non-Consulting Services Under IBRD Loans And IDA Credits & Grants By World Bank Borrowers dated January 2011, as such Procurement Guidelines may be amended from time to time.
9 Guidelines: the Selection and Employment of Consultants by World Bank Borrowers, May 2004, as revised October 2006 and May 2010, and Guidelines: Selection and Employment of Consultants Under IBRD Loans And IDA Credits & Grants by World Bank Borrowers dated January 2011, as such Consultant Guidelines may be amended from time to time.
Definitions of Practices Constituting Fraud and Corruption

7. These Guidelines address the following defined practices when engaged in by recipients of Loan proceeds in connection with the use of such proceeds.\textsuperscript{10}

a) A “corrupt practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.\textsuperscript{11}

b) A “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly\textsuperscript{12} misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

c) A “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

d) A “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

e) An “obstructive practice” is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of the Bank’s contractual rights of audit or access to information.\textsuperscript{13}

8. The above practices, as so defined, are sometimes referred to collectively in these Guidelines as “fraud and corruption”.

\textsuperscript{10} Unless otherwise specified in the Loan Agreement, whenever these terms are used in the Loan Agreement, including in the applicable General Conditions, they have the meanings set out in paragraph 7 of these Guidelines.

\textsuperscript{11} Typical examples of corrupt practice include bribery and “kickbacks”.

\textsuperscript{12} To act “knowingly or recklessly”, the fraudulent actor must either know that the information or impression being conveyed is false, or be recklessly indifferent as to whether it is true or false. Mere inaccuracy in such information or impression, committed through simple negligence, is not enough to constitute fraudulent practice.

\textsuperscript{13} Such rights include those provided for, inter alia, in paragraph 9(d) below.
Borrower Actions to Prevent and Combat Fraud and Corruption in connection with the Use of Loan Proceeds

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

(a) take all appropriate measures to prevent corrupt, fraudulent, collusive, coercive and obstructive practices in connection with the use of Loan proceeds, including (but not limited to) (i) adopting appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted, and (ii) ensuring that all of its representatives involved with the project, and all recipients of Loan proceeds with which it enters into an agreement related to the Project, receive a copy of these Guidelines and are made aware of its contents;

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

(c) if the Bank determines that any person or entity referred to in (a) above has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of Loan proceeds, take timely and appropriate action, satisfactory to the Bank, to address such practices when they occur;

(d) include such provisions in its agreements with each recipient of Loan proceeds as the Bank may require to give full effect to these Guidelines, including (but not limited to) provisions (i) requiring such recipient to abide by paragraph 10 of these Guidelines, (ii) requiring such recipient to permit the Bank to inspect all of their accounts and records and other documents relating to the project required to be maintained pursuant to the Loan Agreement and to have them audited by, or on behalf of, the Bank, (iii) providing for the early termination or suspension by the Borrower of the agreement if such recipient is declared ineligible by the Bank under paragraph 11 below; and (iv) requiring restitution by such recipient of any amount of the loan with respect to which fraud and corruption has occurred;

(e) cooperate fully with representatives of the Bank in any investigation into allegations of fraud and corruption in connection with the use of loan proceeds; and

(f) in the event that the Bank declares any recipient of Loan proceeds ineligible as described in paragraph 11 below, take all necessary and appropriate action to give full effect to such declaration by, among other things, (i) exercising the Borrower’s right to terminate early or suspend the agreement between the Borrower and such recipient and/or (ii) seeking restitution.

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References in these Guidelines to “representatives” of an entity also include its officials, officers, employees and agents.
Other Recipients of Loan Proceeds

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

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

(b) immediately report to the Bank any allegations of fraud and corruption in connection with the use of loan proceeds that come to its attention;

(c) cooperate fully with representatives of the Bank in any investigation into allegations of fraud and corruption in connection with the use of loan proceeds;

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

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

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

11. In furtherance of the above-stated purpose and general principles, the Bank will have the right to sanction in accordance with prevailing Bank’s sanctions policies and procedures, any individual or entity other than the Member Country, including (but not limited to) declaring such individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank,

(a) if at any time the Bank determines that such individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of Loan proceeds;

(b) if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such individual or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier; or

(c) if the Bank’s General Services Department has found the individual or entity to be non-responsible on the basis of fraud and corruption in connection with World Bank Group corporate procurement.

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

16 For purposes of these Guidelines, “Member Country” includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to: (i) bid under paragraph 1.8(b) of the Guidelines: Procurement under IBRD Loans and IDA Credits, May 2004, as revised October 2006 and May 2010, and paragraph 1.10(b) of the Guidelines: Procurement of Goods, Works and Non-Consulting Services Under IBRD Loans And IDA Credits & Grants By World Bank Borrowers dated January 2011; or (ii) participate under paragraph 1.11(b) of the Guidelines: the Selection and Employment of Consultants by World Bank Borrowers, May 2004, as revised October 2006 and May 2010, and paragraph 1.13(b) of the Guidelines: Selection and Employment of Consultants Under IBRD Loans and IDA Credits & Grants by World Bank Borrowers dated January 2011.

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

The sanction may, without limitation, also include restitution of any amount of the loan with respect to which sanctionable conduct has occurred. The Bank may publish the identity of any individual or entity declared ineligible under paragraph 11.
Miscellaneous

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

19 The Loan Agreement provides the Bank with certain rights and remedies which it may exercise with respect to the Loan in the event of fraud and corruption in connection with the use of Loan proceeds, in the circumstances described therein.