

No. 31544

**CANADA, INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT
and
INTERNATIONAL DEVELOPMENT ASSOCIATION**

Agreement concerning the cofinancing of development projects. Signed at Washington on 15 December 1988

Authentic texts: English and French.

Registered by Canada on 27 January 1995.

**CANADA, BANQUE INTERNATIONALE
POUR LA RECONSTRUCTION
ET LE DÉVELOPPEMENT
et
ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT**

Accord relatif au cofinancement de projets de développement. Signé à Washington le 15 décembre 1988

Textes authentiques : anglais et français.

Enregistré par le Canada le 27 janvier 1995.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF CANADA (HEREINAFTER CALLED THE GOVERNMENT), INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (HEREINAFTER CALLED IBRD) AND INTERNATIONAL DEVELOPMENT ASSOCIATION (HEREINAFTER CALLED THE ASSOCIATION)

WHEREAS the Government and the Association have cooperated in the cofinancing of development projects and programs of common interest in accordance with the terms of an Agreement dated April 22, 1977,² as amended by an agreement dated March 8, 1978² (hereinafter called the 1977 Agreement), between the Government and the Association;

WHEREAS the Government, IBRD and the Association intend to continue their cooperation in the cofinancing of development projects and programs in member countries of IBRD and the Association on the terms and conditions set forth in this Agreement;

WHEREAS the Government and the Association desire to replace the 1977 Agreement by this Agreement;

WHEREAS the Government wishes to make available development assistance funds for the cofinancing of projects and programs which IBRD or the Association assists in financing in countries and in sectors which the Government considers of high priority in its development assistance programs or in which it otherwise has an interest;

WHEREAS IBRD and the Association are prepared to cooperate with the Government and its designated agencies in fostering such cofinancing;

NOW THEREFORE the parties hereto have agreed as follows:

ARTICLE I

Definitions

1. The term "Bank" refers to IBRD or the Association or both, as the context may require, and the term "loan" shall be deemed to refer to an IBRD loan or to an Association credit or both, as the context may require.

2. The term "CIDA" refers to the Canadian International Development Agency.

¹ Came into force on 15 December 1988 by signature, in accordance with article VII (1).

² United Nations, *Treaty Series*, vol. 1105, p. 331.

3. The term “parallel financing” refers to the financing by the Government and the Bank of different goods and services or parts of a given project or program.

4. The term “joint financing” refers to the shared financing by the Government and the Bank of all or certain items in agreed proportions of a given project or program.

ARTICLE II

Methods and Application of Cofinancing

1. The financing to be made available by the Government through CIDA, pursuant to this Agreement, may be made available on a tied or untied basis. Unless otherwise agreed, tied funds will be provided for projects and programs on a parallel financing basis. Untied funds may be provided for projects and programs on a joint financing or parallel financing basis.

2. Whenever the Government wishes to finance a project or program for which a Bank loan has already been arranged, the Bank shall request the other parties to its loan documentation to agree to amendments, if any, required in that documentation to reflect the cofinancing.

ARTICLE III

Project and Program Selection

1. Each development project and program to be financed by the Government pursuant hereto shall be selected by the Government, in consultation with the Bank and the intended recipient, from a list of projects and programs prepared and periodically updated by the Bank and transmitted to the Government for such purpose.

2. The Government may bring to the attention of the Bank other projects and programs which it considers may be of interest to the Bank and provide suggestions concerning the possible extent of participation of both parties in such projects and programs.

3. Consultative meetings shall be held by the Bank and CIDA at least once a year for the purpose of reviewing the project and program list referred to in paragraph 1 of this Article III. Following such review, the Government shall inform the Bank of the projects and programs it is interested in cofinancing, the amounts of funds which the Government intends to make available for the financing of such projects and programs and whether such funds are to be provided on a joint financing or parallel financing basis. The goods and services to be financed out of such funds shall be determined by mutual agreement between the Government, the Bank and the intended recipient.

ARTICLE IV

*Administration of Funds**A. Projects and programs cofinanced on a parallel financing basis*

1. Unless otherwise agreed, funds to be provided on a parallel financing basis shall be tied and shall be made available directly from the Government to the intended recipient, pursuant to an agreement to be entered in between such parties.

2. The Government shall afford the Bank, in respect of each project and program to be financed in part out of funds provided by the Government on a tied basis, a reasonable opportunity to satisfy itself that:

- (a) the procurement procedures to be used will fulfill the obligations of the intended recipient to cause the project or program, as the case may be, to be carried out diligently and efficiently, and that the items to be procured:
 - (i) are of satisfactory quality and are compatible with said project or program;
 - (ii) will be delivered or completed in a timely fashion; and
 - (iii) are reasonably priced and will not adversely affect the financial and economic viability of said project or program; and
- (b) in the case of consultant services, the scope of work to be undertaken and the terms of reference of the services to be provided from Canada are appropriate to the assignment.

B. Projects and programs cofinanced on a joint financing basis.

1. Unless otherwise agreed, funds to be provided on a joint financing basis shall be untied and shall be made available to the Bank in its capacity of Administrator, who will make available such funds to the intended recipient pursuant to a development grant agreement between the Bank (on behalf of the Government) and such recipient. For each project and program to be so cofinanced, CIDA and the Bank shall enter into an arrangement confirming

- (i) the appointment of the Bank as Administrator; and
- (ii) that the arrangements set forth in paragraph 2 below will apply in respect of the funds to be made available, and describing any other conditions applicable to such project or program.

2. For those projects and programs where it is agreed that the Bank will act as Administrator, the following shall apply:

- (a) The Bank shall be solely responsible for such administration and shall carry out such administration, including supervision of the procurement of goods and services, in accordance with procedures consistent with the Bank's guidelines for procurement and with the same degree of care as it uses in the administration of its own loans.

- (b) The Government shall deposit the funds (in Canadian dollars) to be administered by the Bank in the Association's "T" maintained with the Bank of Canada (hereinafter referred to as the "T" Account) in an amount required to meet the estimated expenditures for the following three month period (to be advised by the Bank to the Government in a timely manner in advance) for agreed goods and services, including agreed local costs. The Bank may invest the funds pending their disbursement. The income therefrom shall be added to the appropriate project or program, sub-account and thereafter be available for the same purpose as said funds. The Bank will disburse, or arrange for the disbursement of, such funds to pay for goods or service eligible for financing and, for this purpose, the Bank may exchange the funds in the Account for other currencies.
- (c) The Bank shall maintain separate project and program sub-accounts in respect of the funds in the "T" Account. The Bank shall furnish the Government quarterly statements of account on such sub-accounts. The Bank shall cause the Account to be audited and certified by the Bank's external auditors for each fiscal year of the Government and shall furnish the report of such audit by said auditors to the Government promptly after the completion thereof.
- (d) Unless otherwise agreed, the Government authorizes the Bank to deduct from the "T" account a fee not exceeding two per cent (2%) of the amount of the funds contributed by the Government to any project or program for the purpose of defraying any administrative expenses incurred by the Bank. Fifty percent of such fee shall be deducted at the time of the initial deposit of fund into the Account for the relevant project or program. The remaining 50% of such fee shall be deducted upon completion of eligible disbursements for the project or program.

3. If, upon the completion of a project or program for which funds were provided, there remains in the appropriate subaccount an unused balance of such funds (including interest earned thereon), the Bank shall return such balance (in Canadian dollars) to the Government.

ARTICLE V

Cooperation and Consultation

1. Once a project or program has been selected by the Government for cofinancing, the Government, through CIDA, and the Bank shall, to the extent relevant, keep each other informed on a regular basis concerning the estimated timing and results of feasibility studies, appraisals and other project or program preparation activities, shall invite each other to participate in such activities to the extent feasible, and subject as appropriate to the consent of the intended recipient, and shall furnish to each other copies of relevant reports and documents concerning such activities. All identification, preparation and appraisal activities carried out by the Bank shall be done in accordance with its normal policies and procedures.

2. For those projects and programs in respect of which the Government intends to provide funds directly to an intended recipient pursuant to an agreement between such parties, the Government and the Bank shall

- (a) invite the other to participate as observers in their respective negotiations with the intended recipient, subject to the consent of the intended recipient; and, if such invitation is not accepted, inform the other of the outcome of such negotiations; and
- (b) inform each other promptly of any significant modification of the terms of its financial assistance and of any contractual remedy that is applied in respect of its respective financial assistance of such project or program. To the extent practical, each party shall afford the other a reasonable opportunity to exchange views before effecting any such modification or exercising any such contractual remedy.

3. The Bank shall supervise projects and programs in accordance with its normal policies and procedures, provided, however, that where funds are being provided on a tied basis, the Government shall be exclusively responsible for ensuring compliance with the applicable procurement procedures in respect of items to be financed out of such funds. Supervision activities required by the Government in respect of activities and items financed out of funds made available pursuant to this Agreement shall be carried out by CIDA. The Bank shall invite CIDA to participate, subject to the consent of recipient, in the supervision and evaluation missions carried out by the Bank.

4. The Government and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of cofinanced projects and programs and any other matters relating to their respective financing thereof.

ARTICLE VI

Other Forms of Cooperation

In addition to the cofinancing of projects and programs provided for in this Agreement, where agreed between the Government and the Bank, the Government may make available funds to recipient countries, which funds the Bank shall administer, to cover the costs of various studies (including pre-feasibility and feasibility studies) for the preparation of projects and programs of mutual interest to the Government and the Bank; in this event the provisions of paragraph A.2 of Article IV of this Agreement shall apply in respect thereof. Where agreed between the Government and the Bank, the Government may further make available to the Bank funds for it to administer to cover the costs of miscellaneous activities of interest to the Government such as workshops. In any such case, the provisions of paragraph B of Article IV of this Agreement shall apply in respect thereof.

ARTICLE VII

Miscellaneous

1. This Agreement shall enter into force on the date of its signature. The 1977 Agreement shall thereafter apply only in respect of those cofinancing arrangements between the Government and the Bank entered into prior to the date of entry into force of this Agreement. This Agreement shall remain in effect unless cancelled by any one of the parties with six months prior written notice; provided that, unless the parties agree otherwise, the obligations or commitments already incurred by the Bank and the Government under this Agreement prior to the receipt of such written notice in relation to particular projects and programs shall not be affected by such notice of cancellation.

2. This Agreement may be amended by mutual agreement by an exchange of letters between the Government and the Bank.

3. The availability of all funds referred to in this Agreement shall be subject to an appropriation in respect thereof by the Parliament of Canada.

4. The Bank shall send all its communications relating to this Agreement to the Government through the Office of the Executive Director of the Bank elected to represent Canada. Communications to the Bank shall be directed to the Office of the Vice-President, Cofinancing. The parties shall promptly inform each other of any modifications to be made in respect of such communication channels.

[For the testimonium and signatures, see p. 334 of this volume.]

DONE at Washington, D.C. on the 15th day of December, 1988 in the English and French languages, both texts being equally authentic, in three copies, one for each party.

FAIT à Washington, D.C. le quinzième jour de décembre 1988, en français et en anglais, les deux textes faisant également foi, en trois exemplaires, un pour chaque partie.

MARGARET CATLEY-CARLSON

For the Government of Canada
Pour le Gouvernement du Canada

MOEEN QURESHI

For International Bank for Reconstruction and Development
International Development Association
Pour la Banque internationale pour la reconstruction et le développement
Pour l'Association internationale de développement
