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(2) Preparing contractual agreements for private projects

Key legal agreements, such as the concession or sales agreements between the government and the project sponsors, need to be prepared before the Bank's formal appraisal of a project.

(3) Bank appraisal

Projects supported by guarantees are required to meet standard Bank appraisal criteria covering the technical, financial, economic and environmental aspects of the project. The Bank's appraisal will also include an evaluation of the project's consistency with the government's sectoral policy objectives. If private lenders or other multilateral financial agencies that may be cofinancing the project undertake their own appraisal, the Bank may accept such third party appraisal if its quality is judged acceptable. In addition, the Bank, private sponsors, and government need to agree on a proposed guarantee agreement between the Bank and lenders, while the Bank and government must agree on the terms of the indemnification agreement to counter-guarantee the Bank.

(4) Requesting financing proposals from the market

Once the nature and structure of the guarantee have been determined, the borrower solicits and evaluates proposals to lead-manage or underwrite the guarantee transaction. The Bank and the government should be kept apprised of any possible changes in guarantee coverage. The borrower evaluates the proposals and awards a conditional mandate subject to the approval of the guarantee transaction by the Bank's Executive Directors.

(5) Negotiating terms and Bank Board approval

The borrowing entity, lead manager(s) or underwriter(s) of the transaction, host government, and Bank negotiate the final terms and conditions of the guarantee and the indemnity agreements. After the Bank and government agree on the final indemnification agreement, the Bank presents the proposed transaction to its Executive Directors for approval.

(6) Procurement

As with its loans, the Bank requires that all procurement under financing mobilized with its guarantee be economical and efficient. For projects supported with a World Bank loan, the Bank normally requires International Competitive Bidding. In