Operational Manual

BP 10.00 - Investment Project Financing

These procedures were prepared for use by World Bank staff and are not necessarily a complete treatment of the subject.

Note: OP/BP 10.00, Investment Project Financing, which together replace OP/BP 10.00, Investment Lending: Identification to Bank Presentation, were revised on April 2013 to take into account the recommendations in “Investment Lending Reform: Modernizing and Consolidating Operational Policies and Procedures [R2012-0204 (IDA/R2012-0248)], which were approved by the Executive Directors on October 25, 2012. As a result of these recommendations, the following OP/BPs and an OMS have been retired, and their content included in this OP/BP: OMS 2.20, Project Appraisal; OP/BP 6.00, Bank Financing; BP 8.00, Rapid Response to Crises and Emergencies; OP/BP 8.10, Project Preparation Facility; OP/BP 8.30, Financial Intermediary Lending; OP/BP 10.02, Financial Management; OP/BP 10.04, Economic Evaluation of Investment Lending; OP/BP 12.00, Disbursement; OP/BP 13.00, Signing of Legal Documents and Effectiveness of Loans and Credits; OP/BP 13.05, Project Supervision; OP/BP 13.20, Additional Financing for Investment Lending; OP/BP 13.25, Use of Project Cost Savings; OP/BP 13.30, Closing Dates; OP/BP 13.40, Suspension of Disbursements; OP/BP 13.50, Cancellations; and OP/BP 13.55, Implementation Completion Reporting.


Questions on Investment Project Financing may be addressed to OPCS Help Desk.

The Bank\(^1\) assesses a Project proposed by the borrower for Investment Project Financing and, upon Investment Project Financing approval, provides implementation support to the borrower in accordance with the requirements set forth in OP 10.00 and this BP.\(^2\)

2. The structure of this BP follows the Project cycle: identification, preparation, appraisal, approval, implementation, and completion. The documentation requirements and decision points differ for the financing depending on Project risk and special considerations, including exceptional arrangements in situations of urgent need of assistance or capacity constraints, Projects that are part of a series, financial intermediary financing, and small grants. Additional financing and restructurings during implementation also have differing documentation requirements and decision points as set out below.

A. Preparation Phase

3. The preparation phase includes identification, assessment and appraisal of the Project, various interim processing and decision steps and approval of the financing.

From Identification through Concept

4. By the end of this stage, the Bank decides whether to proceed with further preparation of the financing.

5. **Identification Stage.** At the identification stage, the Bank consults with the borrower on the proposed Project, and seeks to identify the Project’s overall parameters, objectives, financing requirements, possible level of financing, and other general information. After the Bank and borrower have reached preliminary understanding on the Project concept and parameters, a decision is made to form a task team and allocate resources for further Project preparation leading to the concept decision point.

6. The Bank preliminarily, and in consultation with the borrower:
(a) identifies the Project and its components, assesses its development objectives ("DOs"), and assesses its rationale and relation to the relevant Country Assistance Strategy;

(b) identifies the key results expected to be achieved under the Project, overall expected Project expenditures, type of activities and overall implementation arrangements;

(c) estimates the possible scope of financing;

(d) proposes, in accordance with OP/BP 4.01, an environmental assessment category for the Project and indicates any other potentially applicable requirements under the Bank's social, environmental, and other policies;

(e) briefly identifies the type of economic rationale and/or analysis appropriate for the Project; and

(f) assesses the main risks to achieving the Project's development objectives and results, taking into account the attendant risks of inaction.

After the Project concept is developed, the Bank prepares documentation to be considered at the concept decision point.

7. **Concept Decision.** A decision is made at the concept decision point as to whether the Bank should proceed with the preparation of the financing along with appropriate guidance to teams on the future preparatory work. Decisions are also made on the safeguards classification and scope of safeguards work, and subsequent processing and documentation requirements.

8. Upon the decision to continue with the preparation of the Project, the Bank discloses the Project information document ("PID") and integrated safeguards data sheet ("ISDS").

9. **Preparation Advances.** Management decides on the provision of a preparation advance ("PA") from the Project Preparation Facility and on its refinancing on the following basis:

10. Upon a request from the borrower, the Bank prepares documentation to be considered at the decision point for a PA. Management decides whether to provide the PA and the amount, subject to the limits set out below. When that decision is taken, the PA is made in US dollars and carries either interest on IBRD fixed spread terms, or service charges on IDA credit terms, or is made on IDA grant terms, depending on the country's borrowing status. Payment of interest or service charges, where applicable, is deferred until the PA is refinanced out of the proceeds of the Investment Project Financing or Development Policy Financing or Program-for-Results Financing, as applicable, or other repayment terms take effect.

11. One or more PAs may be made for an operation at any stage before the Bank approves the financing for the operation, up to an aggregate maximum amount of US$6 million for the operation (or for each financing in a regional operation), with the exception of Projects responding to situations in which the borrower is deemed by the Bank to be in urgent need of assistance because of a natural or man-made disaster or conflict or experiences capacity constraints because of fragility or specific vulnerabilities (including for small states) as described in OP 10.00 and in Section C of this BP, in which case the maximum amount of the PA is US$10 million for each Project. Management informs the Executive Directors of approved PAs.

12. When a PA is not refinanced by the refinancing date by an Investment Project Financing, Development Policy Financing, or Program-for-Results Financing, the Bank may prepare documentation for consideration of an extension to the refinancing date. Management decides whether to provide the extension.

13. If a PA is not refinanced or the refinancing date is not extended and the PA is required to be repaid, then, upon notice by the Bank, the PA is repaid by the borrower in ten approximately equal semiannual installments over a five-year period. If the disbursed amount of the PA is US$50,000 or less, the PA borrower is required to repay it within 60 days after receiving the Bank's notice to repay.

14. **Retroactive Financing.** If requested by the borrower, the Bank may agree to provide retroactive financing under the financing. Retroactive financing may be provided when: (a) the activities financed by retroactive financing are related to the DOs and are included in the Project description; (b) the payments are for items procured in accordance with the applicable Bank procurement procedures; (c) the total amount of retroactive
financing is 20 percent or less of the financing amount (40 percent for Projects in situations under paragraph 11 of OP 10.00, in which the borrower is deemed by the Bank to be in urgent need of assistance because of a natural or man-made disaster or conflict or experiences capacity constraints because of fragility or specific vulnerabilities (including for small states)); and (d) the payments are made by the borrower not more than 12 months before the expected date of legal agreement signing.

From Concept through Appraisal

15. By the end of this stage, the Bank decides whether to proceed to negotiation with the borrower on the provision of the financing. If decided at the concept stage, the appraisal stage may incorporate a decision point. The Bank: (a) works with the borrower as the borrower prepares the proposed Project; and (b) conducts various analyses. The level and nature of expected results and risks, as well as the specific nature of the Project, determine the content, methodology, scope, and depth of the analysis.

16. Technical Assessment. The Bank assesses the Project’s technical design or approach, and its appropriateness to the borrower’s needs. This work includes consideration of the borrower’s organizational and managerial structures and capacity, including for monitoring and evaluation.

17. Economic Analysis. The Bank undertakes an economic analysis of the Project. The methodology takes into account the guidance provided at concept stage and focuses on quantitative analysis and, where appropriate, on qualitative analysis and contributions. The three key questions that the economic analysis addresses relate to the Project’s expected contribution to the country’s socioeconomic development, the rationale for the public sector provision, and the value added of the Bank’s support. While these key questions are relevant for all analysis, the specifics take into account country circumstances, Project context, alternatives and risks, information and data availability, including existing knowledge on the economic contributions of similar Projects, as well as time constraints.

18. Financial Management. The financial management assessment considers the degree to which (a) the budgeted expenditures are realistic, prepared with due regard to relevant policies, and executed in an orderly and predictable manner; (b) reasonable records are maintained and financial reports produced and disseminated for decision-making, management, and reporting, (c) adequate funds are available to finance the Project, (d) there are reasonable controls over Project funds, and (e) independent and competent audit arrangements are in place.

19. Procurement, Environmental and Social and Other Safeguard Considerations. The Bank considers the procurement, environmental and social and other safeguard aspects of the proposed Project in accordance with OP/BP 11.00, Procurement, and applicable environmental, social and other safeguard policies.

20. Fraud and Corruption. Investment Project Financing is subject to the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants.

21. Risk Assessment. The Bank analyses the risks to the achievement of the Project’s DOs.

22. Decision. For financing for which a decision on authorizing appraisal is required, once most Project design issues have been addressed, a decision is made—taking into account the above analysis and information on any known breaches by the borrower of its obligations to the Bank under existing Bank financed operations—whether to proceed to appraisal.

23. Prior to Appraisal. The PID and the draft ISDS are disclosed by the Bank prior to appraisal. For Category A Projects (as defined in OP/BP 4.01), the summary of the Environmental and Social Impact Assessment report is provided to Executive Directors before appraisal.

24. Appraisal. The Bank appraises the Project to confirm any relevant Project and financing information and resolve any outstanding legal, design, and implementation issues. After appraisal, the Bank finalizes the draft Project documentation, including draft legal documentation.

25. Generally, the following information is finalized by the Bank following Project appraisal:

(a) the Project’s definition, rationale, DOs, and scope, planned expenditures and their relation to country financing parameters, financing requirements, and implementation and funds flow arrangements;
(b) the results framework and the monitoring and evaluation arrangements;

(c) the economic, financial, financial management, technical, procurement, social and environmental, and risk assessments, and, as necessary, the relevant risk management actions undertaken or to be undertaken;

(d) information regarding proposed Bank financed expenditures that are deemed to raise particular risks (including expenditures for land acquisition, compensation for involuntary resettlement, severance payments, demining, secondhand goods, and compensation for vendors for late payments) to be described in the Project documents along with any related mitigation measures;

(e) the main legal terms and conditions, and disbursement arrangements as set out in a draft disbursement letter, including the provisions of the Bank’s Disbursement Guidelines for Projects;

(f) cofinancing or other collaboration arrangements with other development partners and stakeholders; and

(g) any proposed exceptions to, or waivers from, Bank policies or procedures.

From Appraisal through Approval

26. At the end of this stage, the Bank decides whether to approve the provision of the financing to the borrower.

27. **Negotiation.** Management decides to authorize negotiation of the financing, based on the relevant documentation and taking into account information on any known breaches by the borrower of its obligations to the Bank under existing Bank-financed operations. After the decision to authorize negotiations (which may be taken at the appraisal decision point), the Bank and borrower conduct the negotiations and seek to finalize agreement on the relevant issues and documentation. If new substantive issues or significant changes in the design of the financing are raised during the negotiations, based on a consideration of these issues, Management decides whether to proceed.

28. **Approval.** For financing requiring approval by the Executive Directors, Management informs the Executive Directors when the negotiations have been scheduled and then when they have been completed. After the negotiations, the Bank finalizes the draft Project documents and Management decides on their submission to the Executive Directors. If any information in the Project documents raises issues of confidentiality or sensitivity for the borrower, or may adversely affect relations between the Bank and the borrower, and this information is deemed to be relevant to the Executive Directors in their decision-making process, such information is not included in the Project document and is described in the memorandum of the President. When there are payments under any IBRD loan or IDA credit to the borrower, or to or guaranteed by the member country, that are overdue by 30 days, Project documents are not submitted to the Executive Directors unless an exception is granted by Management. After all requirements for Board presentation have been met, the Executive Directors decide whether to approve the proposed financing.

29. Management decides whether to approve financings that do not require approval by the Executive Directors.

B. Implementation Support

30. The implementation support and monitoring phase starts after approval of the Project and includes signing of the Project’s legal agreements, effectiveness, borrower implementation and completion, and closing of the financing account.

31. **Signing.** After approval of the Investment Project Financing, the Bank arranges for signing of the legal agreements as soon as the signing requirements are met. If the legal agreements are not signed within 18 months following approval, the Bank normally withdraws the offer of the financing. Exceptionally, Management may decide to provide the borrower with additional time to sign.

32. **Effectiveness.** The legal agreements terminate if the conditions for their effectiveness, if any, are not met by the date specified in the agreements. When warranted, Management may decide to extend the effectiveness deadline; normally the deadline is not extended beyond 18 months after the financing approval. When the effectiveness deadline is extended, dated covenants whose dates fall before the new effectiveness deadline become additional conditions of effectiveness. Any decision by Management to declare the legal agreements
effective or to extend the effectiveness deadline is taken before the expiration of the effectiveness deadline. Exceptionally, if the legal agreements have terminated for failure to become effective by the effectiveness deadline, Management may decide to reinstate such agreements with the borrower's agreement.

33. **Informing the Executive Directors.** For financings approved by the Executive Directors, Management informs the Executive Directors as part of regular operational reporting of the following: (a) signing delays of more than six months following approval; (b) withdrawals of the financing offer; (c) effectiveness deadlines; (d) effectiveness delays of more than nine months after approval by the Executive Directors; (e) legal agreements that terminate for failure to become effective; and (f) terminated legal agreements that have been reinstated.

34. **Extensions Following Changes in Conditions Prior to Signing or Effectiveness.** If an extension of the deadline for signing or effectiveness involves a substantial departure from the conditions under which the financing was originally approved, the legal agreements are not signed or declared effective until Bank approval of the new conditions is obtained, through a restructuring.

35. **Borrower's Role.** The borrower is responsible for implementing the Project, monitoring its progress, evaluating results on completion, and meeting the relevant contractual obligations set out or referred to in the legal agreements with the Bank. Unless otherwise agreed by the Bank, the borrower furnishes annual audited Project financial statements six months after the close of the borrower's financial year and unaudited interim financial reports periodically. Audits are carried out by auditors with independence and capacity acceptable to the Bank, under terms of reference acceptable to the Bank.

36. **Bank's Role.** In providing implementation support, the Bank pays particular attention to reviewing the borrower's monitoring of the performance of the Project and the borrower's compliance with its contractual undertakings. The Bank periodically assesses the Project, and reviews the borrower's monitoring of results, risks, and implementation status, updating Project information and identifying follow-up actions needed as appropriate. The Bank monitors the timeliness of the receipt of the annual audited financial statements and audit reports and reviews their content and quality.

37. **Disbursements and Suspension of Disbursements.** After the legal agreements have been declared effective, the Bank disburses the proceeds of the financing in accordance with the terms and conditions set out in the legal agreements and in the disbursement letter. If the Bank decides to suspend disbursements, items whose exemption from suspension is, in the Bank’s judgment, in the interest of the Project, will minimize delays and cost in the event that the suspension is lifted, or permit an orderly termination of the Project, may be exempted from suspension. Special commitments to pay made by the Bank to third parties at the borrower's request are always exempted.

38. **Cancellation.** The borrower or the Bank may decide to cancel an unwithdrawn amount of the financing in accordance with the provisions of the legal agreements. When the borrower decides to cancel an amount of the financing and gives notice to the Bank, the cancellation is effective as of the date of receipt of the request. The Bank does not accept requests for retroactive cancellations.

39. If the Bank cancels an amount of the financing, the cancellation is effective as of the date of the notice, except in the case of cancellation of the remaining unwithdrawn balance of financing after the Closing Date, in which case the cancellation is effective on the latest of: (a) the Closing Date; (b) the final date for receipt of withdrawal applications by the Bank; or (c) the final date the financing account was charged for a disbursement or credited for a refund.

40. **Restructuring.** If the borrower proposes changes to the Project or financing, the Bank determines if this is a Level One or Level Two restructuring (as defined in OP 10.00) and prepares the documentation accordingly. The documentation describes the rationale for the proposed restructuring, and the analysis of associated benefits and risks. Executive Directors or Management decide on the restructuring approval as appropriate. Restructurings take effect through amendments to the legal agreements or, if so established in the original legal agreements, by written notice to the borrower. A list of all approved restructurings is included in regular operational reporting to the Executive Directors. All restructurings are taken into account in conducting self- and independent evaluation.

41. **Closing Date.** During Project implementation, the Bank monitors the approach of the Closing Date and works with the borrower to ensure that closing procedures set out below are followed. After completion, the Bank prepares a report evaluating the performance of the Project.
42. **Extension of Closing Date.** Upon a request from the borrower, the Bank may decide to extend the Closing Date if: (a) the Project DOs remain achievable; (b) the performance of the borrower remains satisfactory; and (c) the Bank and the borrower agree on actions that will be undertaken by the borrower to complete the Project. The Bank processes the extension as a restructuring.

43. **Withdrawals after the Closing Date.** The Bank may decide, without formally extending the Closing Date, to disburse or approve the use of proceeds of the financing for withdrawal applications received within four months after the Closing Date for payments made or payments due for eligible expenditures incurred prior to the Closing Date. Exceptionally, upon the borrower's request, the Bank may decide to extend the period for receipt of such withdrawal applications. In addition, the Bank may decide to finance out of the proceeds of the financing the cost of a final audit that will be completed after the Closing Date.

44. **Closing the Financing Account.** The Bank closes the financing account within two months after the deadline set by the Bank for receipt of withdrawal applications or, if no such additional period is granted, within two months after the Closing Date. Any undisbursed balance of the financing is cancelled. The Bank notifies the borrower of the final disbursement status of the financing account and the cancellation of any undisbursed balance.

45. **Investment Project Financings under Suspension of Disbursements.** If a suspension of disbursements is in effect on the Closing Date, any unwithdrawn financing balance is normally canceled and the financing account is closed. Exceptionally, Management may decide to authorize a delay in canceling the financing balance and closing the financing account if suspension is likely to be lifted imminently and Project and/or country circumstances warrant such a delay. Once the Bank decides to lift the suspension, Management may decide to approve an extension of the Closing Date.

46. **Investment Project Completion Report.** After the completion of the Project, or in certain cases of additional financing (as described in paragraph 52 of this BP) or in certain cases of series of projects, prior to the Project completion, the Bank prepares an implementation completion and results report ("ICR"). The ICR covers, among other things, the degree to which the Project DOs and results have been achieved and the overall Project performance, taking into consideration the Project operating environment. The ICR incorporates the borrower's evaluation of the Project, its own performance and the performance of the Bank, if available. Management decides on the submission of the ICR to the Executive Directors, normally within six months of Project completion, and may decide to authorize an extension for the completion of the ICR and its submission to Executive Directors.

C. **Projects with Special Considerations**

47. **Exceptional Arrangements in Situations of Urgent Need of Assistance or Capacity Constraints.** The borrower may request the use of exceptional arrangements for a financing as set out in OP 10.00, paragraph 11. If Management determines that the borrower is eligible for such arrangements, the following provisions apply:

(a) when compliance with the environmental and social requirements is permitted to be deferred to the Project implementation stage, Project documents include an action plan addressing the application of environmental and social policies.

(b) when exceptional alternative legal and operational implementation arrangements are used, Project documentation sets out the relevant capacity-building measures planned for timely transfer of implementation activities to the borrower; and

(c) the normally sequential stages of identification, preparation and appraisal may be consolidated; and the decision to authorize negotiation may be taken after a single consolidated review of a complete negotiations package.

48. **Series of Projects.** In cases of single-borrower sequential Projects, in addition to regular requirements, the documentation for the first Project presents the rationale for a phased approach, the potential benefits and risks of such an approach, the overarching DOs for the series, overall expected results, and timeline for expected completion of each phase and the series; it also gives an indicative funding envelope for the entire series. Subsequently, each Project in the series is prepared and appraised individually, taking into account the performance to date of the preceding Project(s) in the series.

49. In the case of a multi-borrower series of Projects the documentation for the first financing in the series sets out the rationale for the series, an indicative funding envelope, and the similar criteria and/or common design features, as applicable.
50. **Financial Intermediary Financing.** If a financing is proposed to be made to a financial intermediary, at the concept review a decision is taken on the appropriateness of such financing, taking into consideration the availability and appropriateness of alternative sources of financing.

51. **Small Projects.** For a Project financed by the Bank under a recipient-executed grant of less than US$5 million, the Bank follows simplified procedures set out in internal processing arrangements, requiring simplified assessments and risk analysis, streamlined procedures from appraisal through approval, and streamlined ex-post evaluation.

**D. Additional Financing**

52. When additional financing is requested by the borrower during implementation of a Project, the Bank follows normal Investment Project Financing procedures with the following exceptions. Management decides on proceeding with preparation on the basis of documentation justifying the need for additional financing and summarizing the implementation record and results of the Project to date. The Bank prepares documentation for additional financing, including an updated appraisal-stage PID and ISDS (covering the original Project and the new activities) for a decision point on appraisal and negotiation. Additional financing is provided through an amendment to the original legal agreements and/or new legal agreements. The legal agreements are signed before the Closing Date of the original financing. The ICR for the original financing covers the original Project and additional financings. When an additional financing request is expected to result in an overall Project implementation period that would exceed ten years, an ICR is prepared before Management’s decision on appraisal and negotiation of such additional financing, and a supplemental ICR is prepared upon the full Project completion; provided however, that if the additional financing is solely to address a financing gap or cost overrun, Management may decide to have a single ICR prepared upon the full Project completion.

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1. The terms used in this BP have the meanings set forth in [OP 10.00](http://intranet.worldbank.org/-/contentMDK:20064538~menuPK:51456940~pagePK:51457169~piPK:51457175~theSitePK:210385,00.html[3/6/2014 5:02:45 PM]).
2. BP 10.00 is derived from and accompanies [OP 10.00](http://intranet.worldbank.org/-/contentMDK:20064538~menuPK:51456940~pagePK:51457169~piPK:51457175~theSitePK:210385,00.html[3/6/2014 5:02:45 PM]).
3. In extraordinary circumstances, exceptions to this limit may be approved by Management.
4. Country financing parameters provide the overall framework for cost sharing arrangements to be used, and the extent to which recurrent costs, local costs, and taxes and duties may be financed by the Bank, under Investment Project Financing in the country.