



This OP and BP 10.00, *Investment Project Financing*, were updated on July 1, 2014, to reflect the recommendations in “*Enhancing the World Bank’s Operational Policy Framework on Guarantees*” (R2013-0206[IDA/R2013-0298]), which were approved by the Executive Directors on December 3, 2013. As a result of these recommendations, OP and BP 14.25, *Guarantees*, have been retired and their content reflected in this OP and BP10.00, as well as in the Bank Policy and Directive, *Financial Terms and Conditions*, Bank Policy, *Lending Operations: Choice of Borrower and Contractual Agreement*, and OP and BP8.60, *Development Policy Financing*.

Projects supported by Investment Project Financing are governed by this OP, the related BP, and the following OPs/Policies and BPs/Directives, as appropriate (including any relevant Operational Memoranda and internal [Instructions](#) /Procedures available only to staff): [OP 1.00](#), *Poverty Reduction*; [BP 2.11](#), *Country Assistance Strategies*; [OP/BP 2.30](#), *Development Cooperation and Conflict*; [OP/BP 3.10](#), *Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits*; [OP/BP 4.00](#), *Piloting the Use of Borrower Systems to Address Environmental & Social Safeguard Issues in Bank-Supported Projects*; [OP/BP 4.01](#), *Environmental Assessment*; [OP/BP 4.02](#), *Environmental Action Plans*; [OP/BP 4.04](#), *Natural Habitats*; [OP 4.07](#), *Water Resource Management*; [OP 4.09](#), *Pest Management*; [OP/BP 4.10](#), *Indigenous Peoples*; [OP/BP 4.11](#), *Physical Cultural Resources*; [OP/BP 4.12](#), *Involuntary Resettlement*; [OP/BP 4.20](#), *Gender and Development*; [OP/BP 4.36](#), *Forests*; [OP/BP 4.37](#), *Safety of Dams*; [OP 4.76](#), *Tobacco*; [OP 7.00](#), *Lending Operations: Choice of Borrower and Contractual Arrangements*; [OP 7.20](#), *Security Arrangements*; [OP/BP 7.30](#), *Dealing with De Facto Governments*; [OP/BP 7.40](#), *Disputes Over Defaults on External Debt, Expropriation, and Breach of Contract*; [OP/BP 7.50](#), *Projects on International Waterways*; [OP BP 7.60](#), *Projects in Disputed Areas*; [OP 8.00](#), *Rapid Response to Crises and Emergencies*; [OP/BP 8.40](#), *Technical Assistance* [OP/BP 8.45](#), *Grants*; [OP/BP 10.20](#), *Global Environmental Facility Operations*; [OP/BP 10.21](#), *Montreal Protocol*; [OP/BP 11.00](#), *Procurement*; [OP/BP 13.16](#), *Country Portfolio Performance Reviews*; [OP 13.60](#), *Monitoring and Evaluation*; [OP/BP 14.10](#), *External Debt Reporting and Financial Statements*; [OP/BP 14.20](#), *Cofinancing*; [OP/BP 14.40](#), *Trust Funds* [BP 17.30](#), *Communications with Executive Directors*; and [BP 17.55](#), *Inspection Panel*.

Questions may be addressed to [OPCS Help Desk](#).

Investment Project Financing

1. Investment project financing (“Investment Project Financing”) by the Bank¹ aims to promote poverty reduction and sustainable development of member countries by providing financial and related operational support to specific projects (“Projects”) that promote broad-based economic growth, contribute to social and environmental sustainability, enhance the effectiveness of the public or private sectors, or otherwise contribute to the overall development of member states. Investment Project Financing is comprised of Bank Loans² and Bank Guarantees.³ Investment Project Financing supports Projects with defined development

¹ In this OP, unless the context requires otherwise, the term “Bank” means IBRD and/or IDA (whether acting for its own account or in the capacity as administrator of trust funds funded by donors).

² In this OP, unless the context requires otherwise, the term: (a) “Bank Loan” means any loan, credit or grant made by the Bank from its own resources or from trust funds funded by other donors and administered by the Bank, or a combination of these; (b) “Borrower” means a borrower or recipient of a Bank Loan for a Project, and any other entity involved in the implementation of the Project financed by the Bank Loan; (c) “Member Country Guarantee” means any guarantee provided by the member country to the Bank in connection with a Bank Loan.

³ In this OP, unless the context requires otherwise, the term: (a) “Bank Guarantee” means a guarantee provided by the Bank (i) of financing extended by private entities; or (ii) of non-loan related government payment obligations in favor of private entities or of foreign public entities, and arising from contracts, law or regulation; (b) “Member Country Indemnity” means the counter-guarantee and indemnity provided by a member country to the Bank in connection with a Bank Guarantee; (c) “Implementing Entity” means any entity responsible for the



objectives, activities, and results. The Bank disburses the proceeds of Bank Loans against specific eligible expenditures.

2. Subject to the other applicable requirements of this operational policy statement (OP), Investment Project Financing may be extended for any type of activities and expenditures, provided they are productive and necessary to meet the development objectives of the Project, the impact of the Project on the member country's fiscal sustainability is acceptable, and acceptable oversight arrangements, including fiduciary arrangements, are in place to ensure that the proceeds of the Bank Loan, the proceeds of the Bank-guaranteed debt, or the Bank-guaranteed payments are used only for the purposes for which the financing is granted or the payments are made, with due attention to considerations of economy and efficiency. Under appropriate circumstances, such as to provide the Borrower with resources to allow the Project to start or to facilitate implementation of the Project, the Bank may, at the Borrower's request, disburse a portion of the proceeds of a Bank Loan as an advance.

3. A Bank Guarantee covers, in relation to a Project: (i) loan-related debt service defaults caused by government⁴ failure to meet specific payment and/or performance obligations arising from contract, law or regulation; and/or (ii) payment default on non-loan related government payment obligations. The Bank provides guarantees to the extent necessary to mobilize private financing for the Project and/or to mitigate payment risks of the Project, taking into account country, Project and market circumstances. The member country requesting the Bank Guarantee provides a Member Country Indemnity to the Bank.⁵ The financial costs and benefits, access to private and public financing, and leverage of Bank resources, among other considerations stated in this OP, are considered in deciding on the form of IPF financing, as appropriate.

General Considerations

4. The Bank's assessment of the proposed Project is based on various country and Project-specific considerations, including consistency with the Bank's strategy in support of the country, Project development objectives, taking into account technical, economic, fiduciary, environmental, and social considerations, and related risks.

5. *Technical Analysis.* The Bank assesses technical aspects of the Project, including design issues, appropriateness of design to the needs and capacity of the Borrower and any Project implementation entity, institutional arrangements, and organizational issues for the

implementation of a Project supported by a Bank Guarantee; and (d) "Project Participants" means public or private entities, including the member country and Implementing Entities, participating in the development or implementation of a Project supported by a Bank Guarantee.

⁴ For the purposes of Bank Guarantees, "government" includes a member country's political and administrative subdivisions and all other public sector entities.

⁵ If the Bank Guarantee is backed by a trust fund, and the constituent documents of the trust fund permit, the Bank may forego the requirement of a Member Country Indemnity.



implementation of the Project in the context of the long term development objectives of the Borrower or, as appropriate, the member country.

6. *Economic Analysis.* The Bank undertakes an economic analysis of the Project. Taking into account the Project's expected development objectives, the Bank assesses the Project's economic rationale, using approaches and methodologies appropriate for the Project, sector, and country conditions, and assesses the appropriateness of public sector financing and the value added of Bank support. For Projects supported by a Bank Guarantee, a financial viability analysis is also required.

7. *Financial Management.*⁶ The Borrower or Implementing Entity/ies maintains or causes to be maintained financial management arrangements that are acceptable to the Bank and that, as part of the overall arrangements in place for implementing the Project, provide reasonable assurance that the proceeds of the Bank Loan, the proceeds of the Bank-guaranteed debt or the Bank-guaranteed payments are used for the purposes for which they are granted, or the payments are made. Financial management arrangements are the planning, budgeting, accounting, internal control, funds flow, financial reporting, and auditing arrangements of the Borrower and entity or entities responsible for Project implementation. The financial management arrangements for the Project rely on the Borrower's or Implementing Entity's/ies' existing institutions and systems, with due consideration of the capacity of those institutions.

8. *Procurement.*⁷ Procurement policies applicable to Bank Loans are set out in OP 11.00, except for procurement referred to in paragraph 12 (d)(ii) below, in which case the Bank's Administrative Manual Statement requirements apply.

9. *Environmental and Social.* Environmental and social policies applicable to Investment Project Financing are set out in the following OPs: 4.00, 4.01, 4.02, 4.03, 4.04, 4.07, 4.09, 4.10, 4.11, 4.12, 4.36, and 4.37, as appropriate.

10. *Risks.* The Bank assesses the risks to the achievement of the Project's development objectives with due consideration for the risks of inaction, taking into account the assessments noted above and other relevant information.

Special Considerations

11. The following types of Projects may have specific policy requirements and special considerations.

⁶ The provisions of this paragraph do not apply to private sector parties involved in a Project supported by a Bank Guarantee.

⁷ For procurement requirements applicable to Bank Guarantees, see paragraph 19 of BP 10.00.



12. *Projects in Situations of Urgent Need of Assistance or Capacity Constraints.*⁸ In cases where the Borrower/beneficiary or, as appropriate, the member country is deemed by the Bank to: (i) be in urgent need of assistance because of a natural or man-made disaster or conflict; or (ii) experience capacity constraints because of fragility or specific vulnerabilities (including for small states); the Bank may provide support through Investment Project Financing under normal Investment Project Financing policy requirements with the following exceptions:

- (a) The fiduciary and environmental and social requirements set out in OP/BP 4.01, OP/BP 4.10, OP/BP 4.11, OP/BP 4.12, BP10.00, and OP/BP 11.00 that are applicable during the Project preparation phase may be deferred to the Project implementation phase. The environmental and social requirements exception for Category A Projects under OP 4.01 is only applicable to cases referred to in sub-paragraph 12(i) above of this OP.
- (b) Such Projects financed by a Bank Loan may be processed under special procurement arrangements referred to in paragraph 20 of OP 11.00 and may finance a positive list of goods procured in a manner that satisfies the considerations of economy and efficiency (including national procurement procedures of the Borrower).
- (c) Such Projects are subject to special limits on the use of (i) Preparation Advances (“PAs”) (see paragraphs 17-18 of this OP) and, (ii) in the case of Projects supported by a Bank Loan, retroactive financing.
- (d) When the beneficiary’s capacity to implement the needed activities is insufficient, the Bank may, at the request of the beneficiary, agree to the following alternative legal and operational Project implementation arrangements: (i) the Bank may enter into arrangements with relevant international agencies, including the United Nations, and national agencies, private entities, or other third parties; and (ii) where no viable implementation alternatives exist, the Bank may execute start-up activities financed under a grant from the Project Preparation Facility (see paragraphs 17-18 of this OP) or a trust fund, following applicable internal Bank procurement rules.
- (e) Alternative implementation arrangements referred to under subparagraph (d) above are limited to the time necessary to establish or restore the Borrower’s or the Implementing Entity’s capacity and, in all cases, are adopted in Projects that include capacity-building measures to enable a timely transfer of implementation responsibilities to the Borrower or the Implementing Entity. Proposals for Bank-executed start-up activities are limited to activities which involve the procurement of small contracts for goods and works, and the provision of technical assistance necessary to enable the Borrower or the Implementing Entity to undertake the execution of subsequent Project activities.

⁸ With respect to Bank Guarantees, the provisions of this paragraph only apply to public sector projects.



13. Disaster prevention and preparedness and capacity-building activities may be supported by a stand-alone Project with a contingent financing feature, or may be embedded in a regular Project through a contingent emergency response component that, once triggered, is subject to the exceptional policy requirements set out in paragraph 12 above.

14. For existing Projects supported by a Bank Loan, which are restructured to add contingent emergency response components that meet the requirements of the Immediate Response Mechanism (IRM), the Executive Directors have delegated to Management the authority to approve Level One restructurings (see paragraph 24 of this OP) that require changes in the Project's development objectives.

15. *Series of Projects.* Investment Project Financing may support a series of Projects through several Bank Loans: (a) to a single Borrower, when the Projects' objectives require support designed as part of a program consisting of a series of two or more Projects; and (b) to multiple Borrowers facing a set of common development issues; when two or more Borrowers share common development goals, individual Projects prepared for each Borrower may be designed as part of a series of Projects with similar well-defined eligibility criteria and/or common design features. Investment Project Financing supporting a series of Projects through several Bank Guarantees is designed in an equivalent manner, and may involve: (a) a single Implementing Entity and one or more member countries; or (b) multiple Implementing Entities and one or more member countries.

16. *Projects Involving Financial Intermediaries.* Investment Project Financing may be used (a) to provide Bank Loans to eligible financial intermediaries to be used by them for loans and/or as equity in, final borrowers/beneficiaries for specific sub-projects; or (b) to provide Bank Guarantees to mobilize debt financing for eligible financial intermediaries to be used by them for loans and/or guarantees to, and/or as equity in, final borrowers/beneficiaries, for specific sub-projects. Procurement policies applicable to Projects involving financial intermediaries are set out in OP 11.00, and environmental and social policies applicable to such Projects are set out in the following OPs: 4.00, 4.01, 4.02, 4.03, 4.04, 4.07, 4.09, 4.10, 4.11, 4.12, 4.36, and 4.37, as appropriate.

Preparation Advances

17. The Bank may make a preparation advance ("Preparation Advance" or "PA") from the Project Preparation Facility ("PPF") to a Borrower listed in paragraph 18 to finance: (a) preparatory and limited initial implementation activities for the Project; or (b) preparatory activities for operations to be financed by Development Policy Financing or Program-for-Results Financing. PAs are approved by Management under special authority granted by the Executive Directors, who determine, from time to time, the ceiling on the commitment authority of the PPF and the maximum amount of individual PAs.

18. The following may be Borrowers of PAs: (a) in the case of a PA made by IDA, a member country or a regional organization; and (b) in the case of a PA made by IBRD, any



IBRD-eligible Borrower. If the IBRD Borrower is not a member country, the member country's or countries' guarantee(s) of the repayment of the PA is required. A PA is made only when there is a strong probability that the operation for which the PA is granted will be made, but granting a PA does not obligate the Bank to support the operation for which it is granted. Once approved, a PA is treated as a Bank Loan under Investment Project Financing. The PA may be refinanced from the proceeds of any Bank Loan. If such Bank Loan does not materialize, the PA is repaid by the Borrower, unless at the time of PA approval by the Bank, the Borrower was eligible only to receive IDA grants, in which case the PA becomes a grant and is not repaid, but (unless the PA is made to a regional organization) the amount is deducted from the IDA allocation to the country in question.

Roles and Responsibilities

19. The Borrower prepares the Project for which a Bank Loan is sought. The Project's scope, objectives, and the contractual rights and obligations of the Bank and the Borrower are set out in the legal agreements with the Bank. The obligations include the requirement to carry out the Project with due diligence, maintain appropriate implementation monitoring and evaluation arrangements, comply with procurement, financial management, disbursement, social and environmental obligations, measure and report against the achievement of the Project's development objectives and results and provide agreed financial and audit reports. The Borrower is expected to deal in a timely and effective manner with actual or alleged problems or violations (individual or systemic) in these areas.

20. The Project Participants prepare the Project for which a Bank Guarantee is sought. The Project's scope, objectives, and the contractual rights and obligations of the Bank and the Project Participants are set out in the legal agreements with the Bank, and in the legal agreements among the Project Participants. The obligations of the Project Participants include, as appropriate, the requirement to comply with applicable environmental and social obligations, prepare and provide suitable financial statements and provide specific reports and other Project-related notices and information to the Bank. The member country is responsible for evaluating the Project's development objectives and results.

21. The Bank appraises the proposed Project in accordance with this OP and other applicable policies; and if a Bank Guarantee is proposed, it develops the structure of the Bank Guarantee in consultation with the Project Participants. During Project implementation, the Bank monitors the Borrower's or the Project Participants' compliance, with its (or their) obligations as set out in the legal agreements with the Bank. The Bank also provides implementation support to the Borrower or the member country by reviewing information on implementation progress, progress towards achievement of the Project's development objectives and related results, and updates the risks and related management measures. Project implementation support and monitoring carried out by the Bank ends at the completion of the Project. However, monitoring carried out by the Bank of a Bank Guarantee continues until the Bank Guarantee Expiration Date (see paragraph 26 below).

**Managing Investment Project Financing**

22. *Approval.* The Executive Directors decide whether to approve IBRD and IDA Investment Project Financing proposals.⁹ Except for IDA grants and trust fund-financed grants explicitly requiring approval by the Executive Directors, all other grants are approved by Management. The Executive Directors consider and approve each IDA guarantee as meeting the special cases provision of IDA's Articles of Agreement.¹⁰

23. *Signing.* Signing of legal agreements for Investment Project Financing takes place: (a) after all required authorizations have been issued; and (b) provided there are: (i) no payments on IBRD loans or IDA credits to the Borrower, or to or guaranteed by the member country that are overdue by 30 days or more; and (ii) no payments under a Member Country Indemnity that are overdue by 30 days or more; unless, in exceptional circumstances, Management approves the signing.

24. *Restructuring.* During implementation the Bank, the Borrower, and the member country, as appropriate, may agree to restructure the Project to strengthen its development effectiveness, modify its development objectives, improve Project performance, modify indicators, address risks and problems that have arisen during implementation, make appropriate use of undisbursed proceeds of a Bank Loan, cancel unwithdrawn amounts of a Bank Loan prior to the Loan Closing Date, extend the Closing Date¹¹, or otherwise respond to changed circumstances. A restructuring involving a modification of the original Project's development objectives, an extension of the Bank Guarantee Expiration Date, or a change in safeguard category — from a lesser category to a Category A (as defined in OP 4.01 or OP4.03 as applicable) or the trigger of a safeguard policy not triggered originally by the Project —, is referred to as a level one ("Level One") restructuring and is submitted for consideration by the Executive Directors (or by Management, in cases where the original Investment Project Financing was approved by Management). A restructuring involving any other modification of the Project is referred to as a level two ("Level Two") restructuring. Management has the delegated authority to approve Level Two restructurings. Management periodically informs the Executive Directors of the Level Two restructurings.

25. *Loan Closing Date.* The closing date of a Bank Loan ("Loan Closing Date") is the date after which the Bank may stop accepting withdrawal applications under a Bank Loan and cancel any undisbursed balance. The Loan Closing Date is not extended: (a) for Bank Loans subject to suspension of disbursements, except for items exempted from suspension; or (b) for any Bank Loan to a Borrower with any outstanding audit reports or with audit reports which are not

⁹ For more details, staff may refer to internal guidance from the Corporate Secretariat.

¹⁰ IDA's Articles of Agreement provide that "in special cases" IDA guarantees loans from other sources for purposes not inconsistent with the provisions of the Articles.

¹¹ "Closing Date" refers, collectively or as the context requires, singularly, to a Loan Closing Date and/or a Bank Guarantee Closing Date, as defined in paragraphs 25 and 26 respectively.



satisfactory to the Bank, unless the Borrower and the Bank have agreed on actions to address the deficiencies. In exceptional circumstances, retroactive extensions of a Loan Closing Date may be approved by Management.

26. *Bank Guarantee Closing Date; Bank Guarantee Expiration Date;* The closing date for a Bank Guarantee (“Bank Guarantee Closing Date”) is the expected completion date of the Project. The expiration date of a Bank Guarantee (“Bank Guarantee Expiration Date”) is the date after which the Bank stops accepting calls on the Bank Guarantee.

27. *Investment Project Financing Completion Report.* The Bank evaluates and reports on the performance of the Project. The report seeks to include the Borrower and member country’s evaluation of the Project. For Investment Project Financing approved by the Executive Directors and whose legal agreements do not become effective or for which the Investment Project Financing is canceled before significant implementation is initiated, Management provides the Executive Directors with a summary note explaining the circumstances. For Projects for which the legal agreements are not signed, Management informs the Executive Directors of that as part of periodic reporting.

Recourse and Remedies

28. If the Borrower or a Project Participant does not comply with its contractual obligations to the Bank, or other events occur which give rise to a legal remedy under the legal agreements for the Investment Project Financing, the Bank consults with the Borrower or the Project Participant and requires timely and appropriate corrective measures to be taken. The Bank’s legal remedies are specified in the relevant legal agreements. In the case of Bank Loans, these include suspension of disbursements of, and cancellation of, unwithdrawn amounts of the Bank Loan. In the case of Bank Guarantees, these may, depending on the transaction, include the right to suspend or terminate the Bank Guarantee. The Bank exercises such remedies when warranted and as it deems appropriate, taking into account, among other things, country-, sector-, and investment-specific circumstances, the extent of possible harm caused by circumstances giving rise to the remedy, and the Borrower’s or Project Participant’s commitment and actions to address the identified problems. However, the Bank takes a graduated approach to suspension of Bank Loans for non-payment, and when a payment to the Bank under an IBRD loan, an IDA credit, or a Member Country Indemnity is overdue by 60 days, the Bank suspends all Bank Loans to, or guaranteed by, the member country concerned.

Additional Investment Project Financing

29. The Bank may provide additional Investment Project Financing to an ongoing, well-performing Project for completion of Project activities when there is a financing gap or cost overrun, for scaling up the development effectiveness of the Project, and/or in cases of Project restructuring, when the original Bank Loan or Bank Guarantee is insufficient for the modified or additional activities. The Bank considers the proposed additional Investment Project Financing on the basis of, as necessary, updated or additional assessments of areas specified in paragraphs



4-10 of this OP. Additional Investment Project Financing is submitted for approval by the Executive Directors unless authority for approval of the specific Investment Project Financing rests with Management.

Disclosure of Information

30. During Investment Project Financing preparation and implementation support and in evaluating after closing, the Bank discloses Investment Project Financing-related information in accordance with the Bank's *Policy on Access to Information*.