



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

(Archived April 2006)

Revised to reflect title change to "finance officer" (formerly disbursement officer) that took effect on July 1, 2002.

## Signing of Legal Documents and Effectiveness of Loans and Credits

Note: These OP and BP apply to loans, credits, and grants of more than US\$1 million under the Global Environment Facility (GEF). They do not apply to GEF grants for projects executed by organizations identified by the GEF Council as eligible to work with the GEF through expanded opportunities for project preparation and implementation (such organizations include, inter alia, regional development banks and UN agencies such as FAO and UNIDO); for such operations and for GEF grants of US\$1 million or less, staff should consult the GEF Executive Coordinator, ENVGM, or refer to the [GEF Operations website](#); and for operations financed by the Multilateral Fund for the Implementation of the Montreal Protocol (MP), see [OP/BP 10.21 Investment Operations Financed by the Multilateral Fund for the Implementation of the Montreal Protocol](#). For policies on the signing and effectiveness of legal agreements for Project Preparation Facility advances, see [OP/BP 8.10 Project Preparation Facility](#); for guarantees, see [OP/BP 14.25 Guarantees](#), or consult the Director, Project Finance and Guarantees Department, PSI; for World Bank grants, including grants under the Development Grant Facility, see [OP/BP 8.45 Grants](#), or consult the Manager, Development Grant Facility, TFO; and for grants under trust funds, see [OP/BP 14.40 Trust Funds](#), or consult the Head, Trust Funds Oversight Team, TFO. OP and BP 13.00 replace the versions dated July 1994 and para. 2(a) of the Operational Memorandum *Responsibilities of the Managing Directors, Operations, and Regional Vice Presidents*, March 11, 1996. OP and BP 13.00 are complemented by OPCS Guidelines and [OPCS Templates](#), available online to staff. Questions may be addressed to Operations Policy and Country Services (OPCS).

### Signing

1. The task team leader (TL) consults with the country director and lawyer and the representatives of other signing parties to arrange for signing to take place as soon as the requirements for signing are met.<sup>1</sup> The lawyer clears, and the TL sends to the Corporate Secretariat (SECBO), one initialed copy of the notice of signing that indicates the time and place of signing.<sup>2</sup> SECBO issues the notice of signing to all parties concerned within the Bank.<sup>3</sup>

#### *Preparation for Signing*

2. *Supplemental Letters.* In preparation for signing, the lawyer finalizes the legal agreements for signing by the representatives of the borrowing/guaranteeing member country, borrower other than a member country, or project implementing entities. Supplemental letters<sup>4</sup> prepared for signing include the following: (a) for all loans, a Letter on Financial and Economic Data<sup>5</sup> to be signed by the representative of the borrowing/guaranteeing member country;<sup>6</sup> (b) for loans for which the financial condition of a borrower (other than a member country) or party to Project Agreement or other

agreement with the Bank is a material factor in the Bank's decision to make the loan, a Letter of Representations, to be signed by a representative of such borrower or other party;<sup>7</sup> and (c) any special supplemental letters that are specific to the particular loan, to be signed by the borrower, guarantor, or project implementing entities, as appropriate.

3. *Requirements for Signing.* Close to the scheduled day of signing, the Loan Accounting and Borrower Services Division (LOALA) of the Loan Department reconfirms that neither the borrower nor the country is in default on any other Bank loan.<sup>8</sup>

#### *Document Handling*

4. The lawyer prepares the number of copies of the legal agreements needed for signing and sends them to SECBO. SECBO certifies the copies<sup>9</sup> and returns them to the lawyer.

5. Once the legal agreements are ready for signing, the TL invites the borrower and other parties to the legal agreements to the signing. If signing is to be held in the country office and the lawyer is unable to attend, the country director, in consultation with the lawyer and TL, arranges for a Regional staff member to attend and obtain the required signatures. The lawyer arranges for the legal agreements to be sent to the designated staff with instructions on the procedures to be followed for signing.

6. At the signing, the lawyer or designated Regional staff member delivers the signed legal agreements and the appropriate number of copies to the representatives of the borrower, the guarantor, and any other parties to the legal agreements. The RVP, the country director or any other person designated by the RVP<sup>10</sup> signs the legal agreements for the Bank. For country-based signings not attended by the lawyer, the designated Regional staff member arranges to return the originals of the Bank's documents to the lawyer after they have been signed.

7. After the signing, the lawyer sends the originals of the Bank's legal agreements to the Official Documents Files, conformed copies<sup>11</sup> to the country director and the TL, and the certified conformed copies to LOALA, the finance officer, and SECBO.<sup>12</sup> The country director sends written notification to officials in the country that signing has taken place.<sup>13</sup>

8. The lawyer sends conformed copies of the legal agreements for printing, and the TL sends the printed copies to all the parties concerned.<sup>14</sup>

9. The Board is informed through the *Monthly Operational Summary* that the legal agreements have been signed.

#### **Effectiveness**

10. Early in project preparation, Bank staff address any special country requirements pertaining to effectiveness. Proposed conditions of effectiveness are discussed during project appraisal and described in the Project Appraisal Document or Program Document. The conditions are agreed during negotiations.

11. The borrower and the Bank reach agreement on the nature and content of the necessary legal opinions<sup>15</sup> in advance of the date set for effectiveness, and preferably during negotiations.

12. Following loan approval, the TL monitors the borrower's progress toward compliance with the conditions of effectiveness to ensure that the legal agreements become effective as early as possible, and not later than the specified date, usually 90 days after the signing of the legal agreements.

13. When the country director is satisfied that the conditions have been met, the lawyer verifies the legal aspects of compliance with the conditions of effectiveness, including the legal opinions confirming that all the legal agreements have been duly authorized or ratified. In a note prepared by the TL and cleared by the lawyer, the country director informs the borrower and all the other parties to the legal agreements that the Bank (a) accepts the required evidence of compliance with the conditions of effectiveness, and (b) declares the legal agreements effective.<sup>16</sup> The notice is copied to the finance officer.<sup>17</sup>

### **Delays in Signing and Effectiveness**

#### *Signing*

14. The TL monitors delays in signing and takes appropriate action to prevent delays. The status of the loan is reported in the *Monthly Operational Summary*. If the legal agreements are not signed six months after loan approval, the Region includes the loan in its Table on Signing Date Delays<sup>18</sup> in the *Report to the Executive Directors on Bank and IDA Operations*. The loan remains in this table until it is signed or withdrawn. If the borrower does not meet the requirements for signing before the 18-month deadline from the date of loan approval, the RVP decides whether to (a) give the borrower additional time to sign (see para. 19), or (b) withdraw the loan (see [OP 13.00](#), para. 4). If the loan is withdrawn, the Board is informed through the *Monthly Operational Summary*.

#### *Effectiveness*

15. If the conditions of effectiveness are not likely to be met by the original date specified in the legal agreement, the TL reminds the borrower that the legal agreements will terminate on the date specified unless the borrower requests an extension of the deadline. If the borrower makes such a request, the Bank considers the reasons for the delay and may establish a later effectiveness deadline within the overall 18-month deadline. In exceptional circumstances, the country director may, without a formal request from the borrower, authorize an extension within the overall 18-month deadline.

16. The TL prepares, clears with the lawyer and submits to the country director for signature a notice of extension of the deadline for effectiveness, together with a memorandum describing the status of compliance and the reasons for the extension. These documents are cleared by the lawyer and copied to the finance officer.<sup>19 20</sup>

17. *Dated Covenants*. When the effectiveness deadline is extended, the Bank requires the borrower, guarantor, and other project implementation entities to fulfill dated covenants whose dates fall before the new effectiveness deadline. These covenants thus become conditions of effectiveness, and the Bank may delay the issuance of the notice of effectiveness until these covenants are complied with.<sup>21</sup>

## Board Notification

18. The Region reports extensions of the effectiveness deadline in the *Report to the Executive Directors on Bank and IDA Operations*. If the legal agreement does not become effective within nine months after Board approval, the Region includes the loan in its Table on Effectiveness Date Delays in the *Report to the Executive Directors on Bank and IDA Operations*. For legal agreements that terminate for failure to become effective, the table indicates the date on which the legal agreements terminated.

## Exceptional Extensions of the Signing and/or Effectiveness Deadline

19. In exceptional circumstances, a country department may wish to extend the deadline for signing or effectiveness beyond the 18-month deadline. Before the end of the overall 18-month period, the country director submits to the RVP for approval a memorandum, cleared with the lawyer, proposing a final deadline for signing and/or effectiveness.<sup>23</sup> The memorandum (a) indicates that the borrower is still interested in proceeding with the project; (b) reviews whether the underlying assumptions under which the loan was approved have changed materially; and (c) details any changes that will be required to ensure the project's viability and states when these changes will be made.

## Changes in Conditions Prior to Signing or Effectiveness

20. If an extension of time for signing or effectiveness involves a substantial departure from the conditions under which the loan was originally approved, the legal agreement is not signed or declared effective until Bank approval of the new conditions is obtained.<sup>24</sup> Following approval, the legal agreements are amended, as necessary, to reflect the new agreement with the borrower, guarantor, and other parties involved.

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1. See [OP 13.00](#), para. 1.
  2. The notice is prepared electronically and available at [OPCS Templates](#).
  3. "Bank" includes both IBRD and IDA; "loan" includes IDA credit, IDA grant, and GEF grant to which BP 13.00 applies; and "borrower" includes recipient of IDA and GEF grants to which BP 13.00 applies. "Legal agreements" includes, as applicable, the Loan Agreement, the Development Credit Agreement, Guarantee Agreement, Project Agreement, IDA Grant Agreement and GEF Grant Agreement for GEF grants to which BP 13.00 applies, and, in the context of signing, any other agreement to which the Bank is a party; it also includes the Letter on Financial and Economic Data and any other supplemental letters.
  4. See [OP 7.00](#), *Lending Operations: Choice of Borrower, and Contractual Agreements* for additional information on supplemental letters.
  5. See [OP/BP 14.10](#), *External Debt Reporting and Financial Statements*, and [OP 7.00](#), *Lending Operations: Choice of Borrower, and Contractual Agreements*, for additional information on the Letter of Financial and Economic Data. For samples of a Letter on Financial and Economic Data, see [BP 14.10](#), Annexes [A](#) and [B](#).
  6. This requirement pertaining to the preparation and signature of a Letter on Financial and Economic Data does not apply to GEF grants.
  7. See [OP/BP 14.10](#), *External Debt Reporting and Financial Statements*, and [OP 7.00](#), *Lending Operations, Choice of Borrower, and Contractual Agreements* for additional information on the Letter of Representations. For samples of a Letter of Representations, see [BP 14.10](#), Annex [C](#).
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8. See [OP 13.00](#), para. 1(b), and [BP 13.00](#), para. 1.
9. A certified copy of a document has the official seal of the Bank. The Corporate Secretary certifies that this document is a true copy of the original.
10. Staff should refer to the Administrative Manual Statement 1.30, Annex C, *Designation of Authorized Signatories for Instruments Relating to Lending, Technical Assistance, and Cofinancing Operations*.
11. Conformed copies of the documents indicate the date of signing and the signatories.
12. For GEF grants to which BP 13.00 applies, copies are also sent to the Regional GEF Coordinator and the Trust Funds Division of the Accounting Department (ACTTF).
13. See [OPCS Templates](#) for a sample notification.
14. For restrictions on the distribution of documents, see BP 17.50, *Disclosure of Operational Information* (forthcoming).
15. See [OP 13.00](#), para. 2(c).
16. See [OPCS Templates](#).
17. For GEF grants to which BP 13.00 applies, the notice is copied to the Regional GEF Coordinator, and ACTTF.
18. The table provides the name of the country, name of the project, Bank approval date, expected date of signing, and comments.
19. See [OPCS Templates](#).
20. For GEF grants to which BP 13.00 applies, the memorandum is copied to the Regional GEF Coordinator and ACTTF.
21. See Section 12.03 (b) of the relevant *General Conditions*.
22. See [BP 13.05](#), *Project Supervision*, for rationale and procedures for amendments and waivers.
23. For GEF grants to which BP 13.00 applies, the memorandum is cleared by the Regional GEF Coordinator.
24. See [BP 13.05](#), *Project Supervision*, when changes to a project require Board approval.

