This guidance notes are intended for internal use by Bank staff. The notes will be updated and complemented from time to time.
Contents

Section I. Introduction........................................................................................................................................... 1
Section II. Relevant Considerations Applicable to Additional Financing............................................. 1
A.  Elements to consider when justifying Additional Financing ................................................................. 1
B.  Additional Financing Preparation and Implementation Support.......................................................... 5
## Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AF</td>
<td>Additional Financing</td>
</tr>
<tr>
<td>DO</td>
<td>Development Objective</td>
</tr>
<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>ICR</td>
<td>Implementation Completion and Results (Report)</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IP</td>
<td>Implementation Progress</td>
</tr>
<tr>
<td>IPF</td>
<td>Investment Project Financing</td>
</tr>
<tr>
<td>ISDS</td>
<td>Integrated Safeguards Data Sheet</td>
</tr>
<tr>
<td>ISR</td>
<td>Implementation and Status Results (Report)</td>
</tr>
<tr>
<td>ORAF</td>
<td>Operational Risk Assessment Framework</td>
</tr>
<tr>
<td>OP/BP</td>
<td>Operational Policy/Bank Procedure</td>
</tr>
<tr>
<td>PAD</td>
<td>Project Appraisal Document</td>
</tr>
<tr>
<td>PDO</td>
<td>Project development objective</td>
</tr>
<tr>
<td>PID</td>
<td>Project Information Document</td>
</tr>
<tr>
<td>TF</td>
<td>Trust Fund</td>
</tr>
</tbody>
</table>
Section I. Introduction

1. Operational Policy/Bank Procedure (OP/BP) 10.00, Investment Project Financing (IPF), enables the World Bank, at the borrower’s request, to provide Additional Financing (AF) in the context of ongoing, well-performing projects (a) when there is a financing gap or cost-overrun and additional funds are required for completing the original project activities;¹ (b) for scaling up the development effectiveness of the project;² and/or (c) in cases of project restructuring.³ These are not mutually exclusive criteria and AF justification and use can include one or more of these reasons.

2. This AF guidance note provides assistance to task teams in identifying, appraising, processing, and supporting the implementation of AF requests.⁴ For detailed information on AF processing, refer to AF Instructions. This guidance note should be read together with other guidance notes applicable to IPF projects, particularly those on Project Preparation and Implementation Support given that relevant considerations common to any IPF operation are also applicable to Additional Financing.⁵

Section II. Relevant Considerations Applicable to Additional Financing

A. Elements to consider when justifying Additional Financing

3. When a borrower requests Additional Financing, the team leader, in addition to assessing the suitability of the project on the basis of its performance, assesses whether Additional Financing would be appropriate to cover the cost overrun or financing gap, support the project scale-up, and/or support the project restructuring. In making this determination, the following questions may guide the team leader in each case:

(1) Additional Financing for a cost overrun or financing gap

- What are the causes of the cost overrun or financing gap? Were the causes within or outside the control of the borrower or the project implementing entity? Should the borrower or project implementation entity have taken measures to address the cost overrun or financing gap sooner or in another manner?
- What is the ability of the project to meet its development objectives without additional financing?

¹ Financing gaps normally include shortfalls in co-financing, counterpart financing, or cost recovery that were anticipated at appraisal but did not materialize. Cost overruns normally include cost increases due to inflation, exchange rate changes, and design changes that were not anticipated at appraisal of the ongoing project.
² Scaling-up refers to the implementation of additional activities that are in line with the original project activities.
³ This applies for implementing new or modified project activities included as part of project restructuring when the original loan amount is insufficient to cover such activities.
⁴ Additional financing may be financed from IBRD loans, IDA credits or grants and trust-fund-financed grants.
⁵ Refer to Project Preparation Guidance Note and Implementation Support Guidance Note.
• What impact does the AF proposal have on the continued economic justification of the project?
• What impact from any changes in fiduciary, safeguard, or other aspects — since appraisal of the ongoing project — might affect the justification of the Additional Financing?
• Is there a need for improvements in the results framework and monitoring systems, or the possibility of making such improvements?
• What is the borrower’s commitment/ability to process quickly the Additional Financing to enable smooth and successful completion of the activities it would support?

(2) Additional Financing for project scale-up

• Is Additional Financing for the added or expanded activities the best mechanism to maximize development impact and results in the relevant area or sector, compared to other lending tools such as a new operation or non-lending instruments?
• Is the borrower committed to scaling up the project activities? Would preparing Additional Financing bring procedural or other cost-effectiveness gains for the borrower, as compared to preparing a new project? Can the magnitude or scope of the scale-up be easily accommodated in the context of the ongoing project, relying on the borrower’s existing implementation capacity and other project arrangements?
• What is the impact of the Additional Financing on the continued economic justification of the project?
• What is the impact of any changes in fiduciary, safeguard, or other aspects — since appraisal of the ongoing project — that might affect the justification of the Additional Financing?
• Will the proposed scaling-up require improvements in the results framework and monitoring systems, or is this an opportunity for making such improvements?
• Are the proposed additional or expanded activities expected to be completed within an overall implementation period of 10 years? (Refer to paragraph 22.)
• Do any of the modified or new activities raise the environmental category of the project or trigger any new safeguard policies? If so, does it make sense to address these impacts in the context of the ongoing project? How would they be addressed under the Additional Financing?
• Are the proposed activities consistent with the project development objectives? Are they strategically aligned with the current Country Assistance Strategy?

(3) Additional Financing for project restructuring

• Could the borrower or project entities have taken, or could they still take, other measures to address these circumstances?
• Can the project meet its development objectives without the proposed restructuring?
• Could the modified activities be completed within the existing loan envelope?
• How might the impact of Additional Financing affect the continued economic justification of the project?
• How might the impact of any changes in fiduciary, safeguard, or other aspects — since appraisal of the ongoing project — affect the justification of the Additional Financing?
• Would the proposed restructuring necessitate improvements in the results framework and monitoring systems, or is this an opportunity for making such improvements?
• Can the proposed modified or additional activities be completed within an overall implementation period of 10 years?
• Do any modified or new activities raise the environmental category of the project or trigger any new safeguard policies? If so, does it make sense to address these impacts in the context of the ongoing project? And how would they be addressed under the Additional Financing?
• Are the proposed activities consistent with the project development objectives and strategically aligned with the current Country Assistance Strategy?
• Does the restructuring required for Additional Financing provide an opportunity for improvement in other aspects of the ongoing project?

4. When Additional Financing involves restructuring, note that it is only available for projects with development objectives (DO) or implementation progress (IP) ratings that are “moderately satisfactory” or better (detailed in the following paragraph 5). Hence, in cases of poor performing projects, teams can restructure the ongoing project, but the AF option will not be available.

5. Assessment of project performance. In assessing project performance, the task team takes into consideration the relevant performance indicators/criteria:

• Have Implementation Status and Results Report (ISR) ratings over the most recent 12 months at the time of AF approval, including IP and DO ratings, been consistently rated as “moderately satisfactory” or better? If a project is rated “moderately satisfactory” or better in all respects but has not yet been under implementation for 12 months, the Regional Vice President may consider additional financing on a case-by-case basis. If the project faces fiduciary, safeguard, or other issues that are reflected in the ISR sub-ratings of “moderately unsatisfactory” or worse, the team leader should resolve these issues either before appraising the Additional Financing or (in consultation with the sector manager) under an action plan to be identified in the Concept Memorandum, discussed in the Appraisal Decision Review, and reflected in the Project Paper.
• Is there substantial compliance with key loan covenants, including audit and financial management reporting requirements?
6. **Consideration of other options.** At an early stage the task team and borrower should consider alternatives to Additional Financing — for example, financing provided by other donors, increased counterpart contributions, reallocation of cost savings through appropriate restructuring, and processing of a new operation.

7. **Additional Financing that supports investment project financing in situations of urgent need for assistance and capacity constraints.** Additional Financing may support investment project financing in situations of urgent need for assistance and capacity constraints. In such cases, regular AF procedures and templates apply, but accelerated procedures are available if the Additional Financing is supporting emergency response activities.

8. **Closing date of the original loan.** Requests for Additional Financing are processed, approved, and signed before the original loan closes. Teams should remember that the closing date of the original loan is not extended automatically upon AF approval, but that such an extension may be considered at the request of the borrower. If the original loan or some of its components disburse fully and will not be supported under the Additional Financing, the task team, in consultation with the disbursement officer and lawyer, may consider a full or partial closing of the original loan.

9. **Extension of the closing date for the Additional Financing.** Procedures set out in OP/BP 10, Investment Project Financing, for extension of closing dates apply.

10. **Financing preparation.** Project preparation facility advances are available for Additional Financing. Retroactive financing may be provided when the circumstances warrant and adequate justification is provided.⁶

11. **Application of procurement guidelines.** The Procurement and Consultant Guidelines, which are in effect when the Additional Financing is prepared, apply to all contracts financed with AF funds. With the concurrence of the Regional Procurement Manager, earlier guidelines that were in effect for the original loan could continue to be used if funds are needed for ongoing contracts tendered under the original loan.

12. **Application of environmental and safeguards policies.** The environmental and safeguards policies in effect when the Additional Financing is prepared normally apply. If the Additional Financing triggers safeguards policies or raises safeguard-related issues that were not covered in the original project’s most recent Integrated Safeguards Data Sheet (ISDS), the team leader creates an appraisal-stage ISDS and submits it for disclosure. If no safeguards-related issues or changes are involved, the team leader updates the most recent ISDS with key data and resubmits it for disclosure with the current date.

13. **Economic analysis.** The impact of the Additional Financing on the continued economic justification of the project should be assessed.⁷

---

⁶ For additional guidance, refer to the [Project Preparation Guidance Note](#).
⁷ For additional information, refer to the [Economic Analysis Guidance Note](#).
14. **Results framework.** Key monitoring indicators of the original project, including baseline data and targets, should be updated in the AF results framework to reflect the revised project supported by the original loan and the Additional Financing. The Additional Financing provides an opportunity to review and strengthen any aspects of the results framework, as well as overall monitoring and evaluation arrangements.

15. **Other changes.** The AF documentation and procedures may be used to facilitate other changes. Project restructuring may be processed and approved concurrently with Additional Financing even when the changes involved do not, by themselves, require new funds. For example, restructuring of a project development objective (PDO) or key outcome indicator in line with best practice in the current sector, but unrelated to the Additional Financing, can be elaborated in a Project Paper that concurrently describes and justifies the Additional Financing for approval by the Board, thus avoiding the need for a special restructuring Project Paper. Similarly, corrigenda for the Project Appraisal Document (PAD) and other original project documentation may be described in AF Project Papers, avoiding the need to provide separate documents to the Board on such corrigenda. However, such Project Papers should clearly distinguish among the changes that involve Additional Financing and those that do not. Any changes to the original project likely to be of interest to the Board (i.e., changes to the PDO, new safeguards triggered, or changes from a category C or B to category A) should be highlighted in the Project Paper and noted in the Memorandum of the President, if applicable.

### B. Additional Financing Preparation and Implementation Support

16. The mandatory instructions and processing steps are reflected in the AF Instructions. Following is a description of potential expectations for teams and additional tips for AF processing, highlighting areas where Additional Financing differs from regular IPF operations.

17. **Identification and concept stages.** A short Concept Memorandum with an Operational Risk Assessment Framework (ORAF) is prepared to initiate the process. (When carrying out the risk assessment of an AF operation, teams should have a global perspective in ORAF so as to consider both the risks to the original loan and Additional Financing). A concept-stage Project Information Document (PID) and ISDS are not required. Instead the appraisal-stage PID and ISDS of the original project are updated and disclosed before appraisal. Normally this memorandum includes the following:

- Summary of the project’s implementation record and results to date;
- Description of the cost overrun, financing gap, restructuring, and/or scale-up, as well as any required extension of loan closing dates;
- Rationale and justification for Additional Funding taking into account the considerations referred to in paragraphs 3-7 above depending on the situation or combination of situations justifying the Additional Financing. If the Additional

---

8 For additional guidance on how to assess and manage risks under investment project financing, refer to the Operational Risk Assessment Framework Guidance Note.
Financing supports situations of urgent need for assistance and/or capacity constraints the Concept Memorandum provides justification for triggering the special considerations; and

- An estimate of the incremental resources necessary (budget, financing, time, etc.) to process the Additional Financing on top of originally envisaged implementation support resources.

18. **Appraisal.** Appraisal of the Additional Financing addresses all relevant aspects (economic, financial, technical, institutional, fiduciary, and safeguard) and is subject to all policies that apply to appraisal of IPF operations unless otherwise stated in this guidance note. In particular, an AF appraisal typically entails discussing with the borrower and documenting the following:

- Economic justification for the Additional Financing (this may entail just an update of the original analysis);\(^9\)
- Updated costs, benefits, and financing plan to reflect the Additional Financing;
- Risks to achievement of the project development objective of all supporting loans;
- Financial terms for the Additional Financing;
- Procurement guidelines in effect and the updated procurement plan; and
- Whether an extension of the closing date of the original loan will be necessary to complete the activities to be financed.

19. When changes in fiduciary, safeguard, institutional, or other aspects of the ongoing project affect operational risks that were not or could not have been considered in the appraisal of the ongoing project, the team appraises these aspects and documents their findings. New and/or scaled-up project activities are prepared by the borrower and appraised by the task team.

20. **Approval.** Additional Financing may be approved by the Board or the Regional Vice President depending on (i) the source of financing of the additional project; (ii) the approval authority of the original loan; and (iii) the level of restructuring of the original operation. The possible approval scenarios are described as follows:

- If the Additional Financing is financed from IBRD/IDA or a Board-approved Trust Fund (TF), the Board should approve the AF package. If the parent project is financed from a non-Board-approved Trust Fund, confirmation from task teams may be required to ensure that the parent TF operation complies with all investment lending operational policies.
- If the Additional Financing is financed from a non-Board approved Trust Fund and the Board approved the parent loan, the approval authority specified in the TF umbrella agreement approves the AF package. If the AF package involves a Level 1 restructuring of the parent project, the package is submitted to the Board, regardless of the original approving authority.

---

\(^9\) For additional guidance on appraisal, refer to the [Project Preparation Guidance Note](#).

\(^{10}\) For additional guidance on how to conduct the economic analysis, refer to the [Economic Analysis Guidance Note](#).
If the Additional Financing is financed from a non-Board-approved Trust Fund and the Board did not approve the parent loan, the approval authority specified in the TF umbrella agreement for the Additional Financing will approve the AF package. This case may require confirmation from task teams that the parent TF operation complies with all IPF operational policies.

21. **Implementation support and implementation completion.** The AF-supported project activities are to be monitored as part of the implementation support of the original project and reflected in a single ISR report. Normally, upon project closing, the task team prepares a single Implementation Completion and Results Report (ICR) covering both the original project and the AF activities unless the original project has been under implementation for 10 years or more.

22. **Overall project implementation period and ICR requirements.** When an AF request is expected to result in an overall project implementation period that would exceed 10 years, an ICR is prepared before Bank Management's decision on appraisal and negotiation of such Additional Financing (therefore the ICR should be ready by the time of the decision review of the Additional Financing), and a supplemental ICR is prepared upon the full Project completion. However if the Additional Financing solely addresses a financing gap or cost overrun, the Country Director may decide to have only a single ICR prepared upon project completion. If the Additional Financing is discussed at a Regional Operations Committee or the Operations Committee, the Regional Vice President or Managing Director, respectively, may make this decision.

---

11 For additional guidance, refer to the Implementation Support Guidance Note.
12 ICR Guidance Notes are being revised to include additional guidance on how to prepare these reports.