Briefing for Clients: Introducing Investment Project Financing

In October 25, 2012, the World Bank's Board approved a package of reforms designed to clarify processes and increase the flexibility of our investment financing instrument to better serve our client countries. The reforms are based on extensive consultations with client governments and other partners. The new policy goes into effect on April 8, 2013. A summary of the changes is provided below.

What is changing?

Consolidation of Operational Policies and Bank Procedures

The new policy consolidates numerous policies and procedures into a single clear and coherent policy—now OP/BP 10.00 on *Investment Project Financing*.[1] The new policy statement is drafted to be easier to understand and use, and also reflects a shifting role for Bank staff that is less about "supervision" and more about implementation support.

The consolidation exercise *excludes* the policies dealing with procurement and safeguards, which are undergoing a separate review process.

Provisions for Fragile States

The flexibility provided under OP/BP 8.00, *Rapid Response to Crises and Emergencies* is extended to countries affected by fragility or specific vulnerabilities, including small states. To enable Bank staff to respond as quickly and effectively as possible in these situations, there are special provisions for fiduciary, environmental, and social requirements, a higher limit on Project Preparation Advances (see below), and the option of special procurement arrangements and alternative start-up implementation arrangements.[2]

Changes to Additional Financing Requirements

The new policy eliminates the current provision that the additional loan must close within three years of the original loan's closing date. However, it introduces a new requirement that if the original project has been under implementation for 10 or more years, an Implementation Completion Report (ICR) must be prepared before additional financing can be processed. This will eliminate the risk of extensive delays in the evaluation of projects.

---

[1] See Annexes to *Investment Lending Reform: Modernizing and Consolidating Operational Policies* and Procedures, R2012-0204, October 1, 2012 for the new policies and a mapping of the changes.

[2] The streamlined- ex-ante safeguard requirements for category A operation are allowed to be deferred only in cases of emergency.

Added Flexibility to Audit Requirements

The new policy retains the requirement of annual audits but adds more flexibility to their timing to better take into account country conditions and to allow for the use of country systems when appropriate.

Increased limits for Project Preparation Advances (PPAs)

Under the new policy, the Bank will increase the current PPA limits of $3 million in normal circumstances and $5 million in situations of fragility to $6 million and $10 million, respectively.

Modernization of Economic Analysis

The policy reform reflects changes in the way the Bank will undertake the economic analysis of investment projects. The new policy maintains the requirement of rigorous economic analysis in each operation, but allows for better tailoring to country and sector conditions.

Updated Procedures for a Series of Projects (previously referred to as Adaptable Program Loans—APL)

The triggers currently in use to signal successive phases of projects are being eliminated under the new policy. Instead, approval of financing for follow-on projects will be based on the performance of the initial phase as well as consistency with the development objectives established for the series.

For more information or if you would like a briefing on the consolidated policy, please contact your World Bank Country Office or ***OPCShelpdesk@worldbank.org***