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World Bank Group Directive

Country Engagement

**Bank/IFC/MIGA Access to Information Policy
Designation**
Public

Catalogue Number
OPCS 5.01-DIR.01

Issued and effective
July 1, 2014

Content
Directions for the World Bank Group’s approach to Country Engagement

Applicable to
World Bank Group

Issuers
President, IBRD, IDA, IFC and MIGA

Sponsors
Operations Policy and Country Services (OPCS) Vice President; IFC, Asia Pacific (CAPVP) Vice President; MIGA, Vice President and Chief Operating Officer



SECTION I – PURPOSE AND APPLICATION

1. This Directive provides direction on the development of a framework for each institution of the WBG to engage with member countries.
2. This Directive applies to the WBG.

SECTION II – DEFINITIONS

The terms used in this Directive have the meanings set out below:

- a. Bank: IBRD and IDA.
- b. Board: the Executive Directors of each institution of the WBG, as applicable.
- c. Completion and Learning Review, or CLR: a completion and learning review, as defined below in Section III.
- d. Country Assistance Strategy: a country assistance strategy, as defined in the Bank Procedure 2.11, *Country Assistance Strategies*, dated November 2010.
- e. Country Engagement Note, or CEN: a country engagement note, as defined below in Section III.
- f. Country Partnership Framework, or CPF: a document setting out its country partnership framework with a particular country, as defined below in Section III.
- g. Interim Strategy Note: an interim strategy note, as defined in the Bank Procedure 2.11, *Country Assistance Strategies*, dated November 2010.
- h. IBRD: International Bank for Reconstruction and Development.
- i. IDA: International Development Association.
- j. IFC: International Finance Corporation.
- k. MIGA: Multilateral Investment Guarantee Agency.
- l. Performance and Learning Review, or PLR: a performance and learning review, as defined below in Section III.
- m. Systematic Country Diagnostic, or SCD: a systematic country diagnostic, as defined below in Section III.
- n. World Bank Group or WBG: IBRD, IDA, IFC, and MIGA.

SECTION III – SCOPE

1. The CPF identifies the key objectives and development results through which the WBG intends to support a member country in its efforts to end extreme poverty and boost shared prosperity in a sustainable manner. It is the central tool that guides the WBG's support for the member country's development program.
2. The CPF, which is prepared by the WBG, starts from the member country's vision of its development goals, which is determined by a country-owned and -led strategy process. Then, drawing on the analysis of an SCD, and reflecting the WBG's comparative advantage and dialogue with the country, the CPF identifies the objectives and development results that the WBG expects to help the country

achieve during the implementation period.¹ The CPF then outlines a selective and flexible program – taking into account both ongoing and future indicative activities – that is tailored to the country's needs.

3. In limited circumstances, the WBG may prepare a CEN instead of a CPF. CENs are appropriate for countries where the World Bank Group is unable to define detailed objectives, develop a program, or engage at significant scale in the medium term. A CEN may be appropriate in countries where the WBG is re-engaging after a long absence, in countries affected by conflict or fragility, or other situations that prevent the development of a medium-term program.

Systematic Country Diagnostic

4. The SCD informs the strategic dialogue between the World Bank Group and its clients about priority areas for WBG engagement. The SCD is a diagnostic exercise conducted by the WBG in close consultation with national authorities, the private sector, civil society and other stakeholders. It presents a systematic assessment of the constraints a country has to address and the opportunities it can embrace to accelerate progress toward the goals of ending extreme poverty and promoting shared prosperity in a sustainable way. It is not limited to areas or sectors where the WBG is currently active or where the WBG expects immediate country demand.
5. The SCD presents the best possible analysis based upon available evidence. It includes a thorough discussion of the drivers of sustainable poverty reduction and the constraints the country faces in achieving the inclusive growth needed to attain a sustainable reduction in extreme poverty and increase in shared prosperity. The analysis of sustainability takes into account environmental, social and economic sustainability. The SCD identifies a set of priorities through which a country may most effectively and sustainably achieve the poverty reduction and shared prosperity goals and serves as the reference point for consultations when developing the CPF.

Country Partnership Framework

6. The CPF is not an analytic document, but it is underpinned by the systematic and evidence-based analysis of the SCD. The CPF is a short document that provides an integrated and selective framework for the WBG's partnership with the country. The degree of planned or actual engagement by individual WBG institutions may vary depending on the country's challenges and opportunities and on the ability of individual WBG institutions to engage. As appropriate, the CPF may be complemented by joint implementation plans, which provide more detail on how the different institutions of the WBG intend to collaborate to support objectives in selected priority areas.
7. The CPF is normally prepared every four to six years for each country in which the WBG has planned or ongoing activities financed by IDA, IBRD or Bank administered trust funds. Its timing and duration are aligned with country conditions

¹ The CPF draws upon and discusses the findings of a gender assessment conducted by the WBG or other institutions if the WBG finds the assessment satisfactory (see OP 4.20).

- (e.g., the political cycle or national development strategy preparation). Some flexibility is permitted in the timing of the preparation of CPF and PLRs (see below), to take relevant country developments into account.
8. The CPF identifies a select set of objectives and articulates how this selection is aligned with the priorities of the country's own development program, the priorities identified in the SCD and the WBG's comparative advantages. The CPF process involves a dialogue with the country authorities, as well as citizens and other stakeholders, about the country's development program. The CPF articulates a results-based engagement, centered on a results framework, that lays out the objectives that the WBG activities are expected to help the country achieve, and links those objectives to the country's development goals. The CPF objectives are derived from those country development goals that reflect the WBG's comparative advantage and are aligned with the goals of ending extreme poverty and increasing shared prosperity in a sustainable manner. The CPF indicates the expected lending volume, as well as possible instruments of engagement.
 9. The CPF systematically evaluates risks and identifies any relevant high or substantial risks to achieving the CPF objectives, including any risk that the WBG engagement may result in unintended adverse country impacts. The CPF identifies how the WBG, working with the country, will manage these high or substantial risks.

Performance and Learning Review

10. The WBG engages with the country in a continuous process of results monitoring and learning from implementation. Every two years during the implementation of a CPF, or at midterm, the WBG engages with the country and produces a PLR, which is summarized in a brief document. The PLR focuses on key country developments since the issuance of the CPF, and on program and portfolio progress and performance, with a view to drawing lessons learned from implementation and available evaluative evidence, introducing midcourse adjustments, updating the results framework, and extending the CPF period as necessary. At the end of an original CPF period, and if country and program circumstances warrant, a PLR may be prepared to extend the CPF period for up to two years (up to a maximum of six years in total).

Completion and Learning Review

11. At the end of the CPF period, the World Bank Group engages with the country, completes a self-assessment, and issues a CLR that assesses CPF program performance using the results framework set out in the most recent PLR. If a PLR has not been prepared, the assessment is based on the original CPF results framework. The CLR also assesses CPF design and WBG performance. The CLR serves both as a way to enhance the WBG's knowledge to increase development effectiveness, and as a tool for accountability. The lessons derived from the CLR are reflected in the design of the following CPF or CEN. The Independent Evaluation Group validates the WBG's self-assessment and verifies findings. The results of this validation and other available independent evaluative evidence help inform the subsequent CPF or CEN.

Country Engagement Notes

12. A CEN, a short focused note that describes a short-term engagement, is used while the WBG develops activities with medium-term impact. A CEN is normally prepared for a period of 12 to 24 months. It may be followed by another CEN only if the WBG remains unable to define detailed objectives, develop a program or engage at significant scale in the medium term.
13. Given the short-term focus of the WBG engagement, neither a PLR nor an SCD is produced for a CEN. However, a CEN is based on sufficient analysis to support the preparation of the proposed engagement. While a CEN does not include a detailed results framework, the document describes objectives and the basis for assessing progress. The CEN also includes an assessment of risks to achieving its objectives, which discusses how these risks are to be managed, and indicates the WBG's contingency responses to changes in the country context.
14. The preparation of the subsequent CPF or CEN includes an assessment of the CEN and incorporates lessons learned. However, there is no separate CLR for a CEN.

Consultations and Partnership

15. The CPF, the PLR, the SCD, and, to the extent possible, the CEN are developed in close consultation with the government, usually through several ministries and agencies at various levels. To better inform the CPF, the PLR, the SCD, and, to the extent possible, the CEN, the WBG engages through consultations with the private sector, civil society and other stakeholders. The WBG also seeks opportunities to support the process through collaboration that is suitable to country circumstances.
16. The WBG seeks to promote country-led assistance management and to increase selectivity in line with the WBG's mandates and comparative advantages. The WBG collaborates and coordinates with development partners to leverage resources and seek greater coherence across institutions and alignment with the country's development priorities.

Link with Operations

17. For each lending operation, the Board documentation notes the date of the most recent CPF, PLR, or CEN and outlines how the proposed operation contributes to the results set out in the CPF, PLR, or CEN. If an operation deviates significantly from the CPF, CEN or PLR, the documentation explains why.

SECTION IV – WAIVER

The Issuer delegates the authority to waive any of the provisions of this Directive to the Managing Director and Chief Operating Officer of IBRD. The Managing Director and Chief Operating Officer of IBRD can waive only with concurrence of the Sponsors.

Section VI – TEMPORARY PROVISIONS

1. This Directive applies to all CPFs and CENs for which concept decision reviews are held on or after July 1, 2014, and to all Country Assistance Strategies and Interim Strategy Notes for which concept decision reviews are held prior to that date but which are distributed to the Board on or after January 1, 2015.
2. All midterm reviews and completion reporting undertaken after January 1, 2015, will also follow this Directive. Otherwise, the directions in effect prior to July 1, 2014 (i.e., Bank Procedure 2.11, *Country Assistance Strategies*, dated November 2010) apply to all Country Assistance Strategies and Interim Strategy Notes not covered by the preceding paragraph.

SECTION VII – EFFECTIVE DATE

This Directive is effective July 1, 2014.

SECTION VIII – ISSUER

This Directive is issued by the President of IBRD, IDA, IFC and MIGA.

SECTION IX – SPONSOR

IBRD and IDA, Operations Policy and Country Services (OPCS) Vice President; IFC, Asia Pacific (CAPVP) Vice President; MIGA, Vice President and Chief Operating Officer.

SECTION X – RELATED DOCUMENTS

1. World Bank Group Procedure, "Country Engagement," July 1, 2014, Catalogue Number OPCS5.01-PROC.01.
2. World Bank Group, "Guidance to Staff for Country Partnership Framework Products," July 1, 2014.
3. World Bank Group, "Interim Guidelines for Systematic Country Diagnostic," January 10 2014.
4. Bank Procedure 2.11, *Country Assistance Strategies*, dated November 2010.

Questions regarding this Directive should be addressed to the Sponsors.

Bank Policy

Operational Policy Waivers

Bank Access to Information Policy Designation
Public

Catalogue Number
OPCS5.06-POL.01

Issued and effective
April 7, 2014

Content
Establishes the policy on Waivers of Operational Policies

Applicable to
IBRD and IDA

Issuer
Vice President and Head of Network, OPCS

Sponsor
Director, Operations Policy and Quality Department, OPCS



SECTION I – PURPOSE AND APPLICATION

3. This Policy sets forth mechanisms for waivers of Operational Policies to enable the Bank to balance the need for operational flexibility, responsiveness and risk management on the one hand, and the need for strong corporate governance, oversight and accountability on the other.
4. This Policy applies to the Bank.

SECTION II – DEFINITIONS AND ACRONYMS

1. **Bank:** IBRD and IDA (whether acting in its own capacity or as administrator of trust funds funded by other donors).
2. **Board:** the Executive Directors of IBRD or IDA, or both, as applicable.
3. **Financing:** a loan, credit or grant made, or guarantee issued, by the Bank from its resources or from trust funds funded by other donors and administered by the Bank, or a combination of these.
4. **IBRD:** International Bank for Reconstruction and Development.
5. **IDA:** International Development Association.
6. **Management:** the President or a Manager, or some or all of these persons, as applicable.
7. **Manager:** a person identified as a manager in the Bank’s human resources system.
8. **Operational Policy:** a Policy, as defined in “Bank Policy and Procedure Framework”, January 8, 2014, Catalogue No. EXC4.01POIL.01, that governs Bank operations, and statements issued as Operational Policies (OPs).
9. **OPCS:** Operations Policy and Country Services.
10. **OPCS Help Desk:** the help desk advises task teams across the Bank on operational policies, directives, procedures and related guidance questions.
11. **President:** the President of the Bank.
12. **Waiver:** a deviation from a requirement of an Operational Policy or from another operational requirement not explicitly permitted by the terms of that policy or requirement.

SECTION III – SCOPE

1. **Waiver Identified Prior to Approval of the Financing.** If a Waiver of an Operational Policy requirement relates to a Financing that requires approval by the Board, and the need for the Waiver is identified prior to approval of the Financing, the Board decides whether to approve the Waiver as part of its decision on the Financing. If a Waiver of an Operational

Policy requirement relates to a Financing that requires approval by Management, and the need for the Waiver is identified prior to approval of the Financing, Management decides whether to approve the Waiver. In such cases, Management may, however, decide that the proposed Waiver represents operational risks or policy issues (or both) that warrant consideration by the Board; if so, the proposed Waiver is submitted to the Board for approval on an absence-of-objection basis prior to Management approval of the Financing.

2. **Waiver Identified During Implementation (After Approval of the Financing).** If the need for a proposed Waiver of an Operational Policy requirement is identified during implementation, Management decides whether to approve the Waiver. In cases where Management decides that the proposal represents operational risks or policy issues (or both) that warrant consideration by the Board, the proposed Waiver is submitted to the Board for approval on an absence-of-objection basis.
3. **When May a Waiver Be Granted.** A Waiver may be granted only in response to clearly delineated individual circumstances, so as to allow staff to proceed with processing or implementation steps that are pending at the time the Waiver is requested. A Waiver may not be granted in anticipation of future cases for which the requisite processing or implementation steps are not yet pending.

SECTION IV – WAIVER

Only the Board may grant a Waiver of a provision of this Policy.

SECTION V – EFFECTIVE DATE

This Policy is effective April 7, 2014.

SECTION VI – ISSUER

The Issuer of this Policy is the Vice President and Head of Network, OPCS.

SECTION VII – SPONSOR

The Sponsor of this Policy is the Director, Operations Policy and Quality Department.

SECTION VIII – RELATED DOCUMENTS

1. [“Review of Operational Policy Waivers”](#), R2011-0184 [IDA/R2011-0261]
2. [Bank Procedure, “Waivers of Operational Policies and Other Operational Requirements”](#), April 7, 2014, Catalogue No. OPCS5.06-PRO.01.

Questions regarding this Policy should be addressed to OPCS Help Desk .



Revised July 1, 2014

"OP/BP1.00 " *Poverty Reduction* ", were revised on July 2014 to take into account the recommendations in " World Bank Group A New Approach to Country Engagement" (R2014-0089), which were approved by the Executive Directors on May 22, 2014. As a result of these recommendations, ; [OP/BP 13.16](#), *Country Portfolio Performance Reviews* has been retired, [OP/BP 2.30](#) *Development Cooperation and Conflict* references to ISN were replaced by CEN and included in the Country Engagement Directive; [OP 1.00](#) *Poverty Reduction* footnote 2 has been deleted; [BP 3.10](#), *Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits*, [OP/BP 4.02](#) *Environmental Action Plans*, [OP 8.00](#), *Rapid Response to Crises and Emergencies*, [OP 11.00](#), *Procurement* have also been updated to reflect editorial changes.

Questions on this OP should be referred to the Sector Director, PRMPR.

Poverty Reduction

1. The Bank's mission is sustainable poverty reduction. Poverty encompasses lack of opportunities (including capabilities), lack of voice and representation, and vulnerability to shocks. The Bank's support for poverty reduction is focused on actions, consistent with its mandate, to increase opportunity, enhance empowerment, and strengthen security.¹ Within this broad framework, a critical priority is promoting broad based growth, given its proven importance in reducing poverty.
2. The Bank supports borrowing countries in articulating their vision and strategy for reducing poverty and attaining development results. This vision normally forms the foundation for the Bank's assistance to countries, which the Bank lays out in the Country Partnership Framework (CPF) and supports through economic and sector work and lending operations.²
3. As part of economic and sector work, the Bank periodically prepares poverty assessments for member countries in which it has an active program, in close collaboration with national institutions, partners and civil society groups.³ A poverty assessment includes the following:
 - an analytical synthesis of the existing body of knowledge⁴ on three topics: (a) assessment of the poverty situation; (b) analysis of the impact of growth and public actions on poverty; and (c) appraisal of poverty monitoring and evaluation systems;

1. This approach is consistent with the World Development Report 2000/2001 on *Attacking Poverty*, and with the multidimensional vision of poverty reduction contained in the Millennium Development Goals and the Bank's commitment to accelerating progress towards these goals.
2. Some other Operational Policies that are closely related to the Bank's poverty reduction mission are: [BP 2.11](#), *Country Assistance Strategies* [OP 2.30](#), *Development Cooperation and Conflict*, [OP/BP 8.60](#) *Development Policy Lending*, [OP/BP 9.00](#) *Program-for Results Financing*, and [OP/BP 10.00](#) *Investment Project Financing*.
3. The frequency of poverty assessments is determined as part of the CPF process.
4. This body of knowledge may be based on poverty analysis conducted by the government of the country, the Bank, other donors, research organizations, civil society groups, or other partners.

**Revised July 1, 2014**

- an identification of key knowledge gaps with respect to these three topics;⁵ and
- new analysis that addresses selected identified gaps or complements existing work.

The Bank reflects in the CPF the findings of the poverty assessment and the work program to fill knowledge gaps.

Responsibilities

4. The country director oversees the preparation of the poverty assessment for the country. The Poverty Reduction Board (PRB) reviews poverty assessments to ensure that they satisfy the requirements of paragraph 3. In consultation with the Poverty Reduction Group (PRMPR) in the Poverty Reduction and Economic Management Network, the PRB provides guidance on poverty-focused CPFs, poverty assessments, and poverty analysis. The PRB also carries out occasional reviews to assess the quality of these products.

5. Drawing on input from the Networks and the Regions, the PRB periodically assists management in reporting to the Executive Directors of the World Bank on key aspects of the Bank's work in addressing poverty reduction.

5. For a discussion of how these topics are covered in a good practice poverty assessment, see the "[Guidance Note on Poverty Assessments](#)".



Revised July 1, 2014

" [OP/BP 2.30](#), "*Development Cooperation and Conflict*", were revised on July 2014 to take into account the recommendations in " World Bank Group A New Approach to Country Engagement" (R2014-0089), which were approved by the Executive Directors on May 22, 2014. As a result of these recommendations, ; [OP/BP 13.16](#), *Country Portfolio Performance Reviews* has been retired, [OP/BP 2.30 Development Cooperation and Conflict](#) references to ISN were replaced by CEN and included in the Country Engagement Directive; [OP 1.00 Poverty Reduction](#) footnote 2 has been deleted; [BP 3.10, Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits](#), [OP/BP 4.02 Environmental Action Plans](#), [OP 8.00, Rapid Response to Crises and Emergencies](#), [OP 11.00, Procurement](#) have also been updated to reflect editorial changes.

Questions on this OP/BP may be addressed to the Manager, Fragile and Conflict-Affected Countries (OPCFInfo@worldbank.org).

Development Cooperation and Conflict¹

1. The Bank² recognizes that economic and social stability and human security are pre-conditions for sustainable development. Violent conflict, within or between countries, results in loss of life and destruction of assets, contributes to social and economic disintegration, and reverses the gains of development, thereby adversely affecting the Bank's core mission of poverty reduction. Such conflict not only affects the country or countries of the combatants, but also may spill over to other countries and have regional implications.³
2. The Bank's work in relation to conflict has the following objectives:
 - (a) *in countries that the Bank determines are vulnerable to conflict:* to use its usual instruments (such as the Country Partnership Strategy) to promote economic growth and poverty reduction through development assistance that minimizes potential causes of conflict;
 - (b) *in countries in conflict:* to
 - (i) continue efforts at poverty reduction and maintenance of socioeconomic assets where possible;

¹ Note: OP 2.30 is based on *Post-Conflict Reconstruction: The Role of the World Bank* (Washington, D.C: World Bank, 1998), endorsed by the Executive Directors as *A Framework for World Bank Involvement in Post-Conflict Reconstruction*, May 1997. This OP should be read in conjunction with [OP 8.00, Rapid Response to Crises and Emergencies](#).

² In this OP, unless the context requires otherwise, the term: (a) "Bank" means IBRD and IDA (whether acting in its own capacity or as administrator of trust funds funded by other donors); (b) "financing" means any loan, credit, or grant made by the Bank from its resources or from trust funds funded by other donors and administered by the Bank, or a combination of these; and (c) "borrower" means a borrower or recipient of Development Policy Lending, Program-for-Results Financing or Investment Project Financing, and any other entity involved in the implementation of the operation supported by the financing.

³ Countries affected by conflict may therefore include countries involved in or emerging from conflict as well as countries whose development is affected through their proximity to and/or relations with these countries.



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- (ii) provide--where requested by its partners--information on the socio-economic impacts of emergency assistance;
 - (iii) analyze the impact of conflict on economic and social development; and
 - (iv) prepare for Bank assistance as opportunities arise;.
- (c) *in countries in transition from conflict*: to support economic and social recovery and sustainable development through investment and development policy advice, with particular attention to the needs of war-affected groups who are especially vulnerable by reasons of gender, age, or disability.⁴

Principles of Bank Involvement

3. The Bank is guided by the following principles in undertaking any activity under this policy:
- (a) The Bank is an international organization with a mandate, defined in its Articles of Agreement, to finance and facilitate the reconstruction and development of its member countries by financing or facilitating investment for productive purposes and promoting international trade through loans and guarantees; it is not a world government.⁵ In view of its mandate, the Bank does not engage in peacemaking or peacekeeping, which are functions of the United Nations and certain regional organizations. It also does not provide direct support for disarming combatants. Moreover, it does not provide humanitarian relief, which is a function assumed by other donors.
 - (b) The Bank's Articles of Agreement explicitly prohibit the Bank from interfering in the domestic affairs of a member or from questioning the political character of a member; only economic considerations are relevant to the Bank's decisions.⁶ Thus, the Bank does not operate in the territory of a member without the approval of that member. Its intervention may take place at the request of the government in power. If more than one government asserts power, the Bank follows its policy on de facto governments.⁷ If there is no government in power, Bank assistance⁸ may be initiated by requests from the international community, as properly represented (e.g., by UN agencies), and subject in each case to the prior approval of the Executive Directors.

⁴ Children are especially vulnerable to societal and family disruptions since they depend on others for their care and survival. They suffer special psychosocial trauma and are increasingly recruited as fighters. Other groups of civilians, for example, the elderly, may also deserve special attention. Women who are widowed and, thus, assume new roles as heads of households, or women who have experienced sexual abuse in warfare, may require targeted assistance.

⁵ IBRD Articles of Agreement, Article I. Article I of IDA's Articles of Agreement similarly define IDA's mandate in terms of assisting the development of the less developed territories among its membership.

⁶ IBRD Articles of Agreement, Article IV, Section 10; IDA Articles of Agreement, Article V, Section 6.

⁷ See [OP/BP 7.30, Dealings with De Facto Governments](#).

⁸ In such cases, Bank assistance would not be in the form of loans.

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- (c) Finally, under the Bank's Articles, its resources and facilities may be used only for the benefit of its members.⁹ Thus, the Bank's resources and facilities may be used for the benefit of a country that is not a member only if the Executive Directors approve such assistance as being beneficial to the Bank and its members.

Partnerships

4. To be prepared for timely assistance in member countries that are affected by violent conflict, the Bank works, within its mandate, in close partnership with:

- (a) bilateral and multilateral agencies, particularly the United Nations and other international and regional institutions that have the major responsibility for peacemaking, peacekeeping and security, humanitarian assistance, and reconstruction and development;
- (b) government authorities; and
- (c) civil society and private sector entities that have complementary mandates and common concerns.

Integrating a Sensitivity to Conflict in Bank Assistance

5. The causes of conflict differ from country to country. Recognizing the incomplete state of knowledge of the links between development assistance and conflict, the Bank's analytical work in the area of conflict attempts to increase an understanding of the root causes, catalysts, indicators, and policy implications of conflict and post-conflict recovery.¹⁰ This analytical work focuses not only on groups affected by war but also, as appropriate, on the environmental causes and consequences of conflict.

Bank Engagement in Areas Affected by Conflict

6. When conflict breaks out between countries or within a country in which the Bank has an active lending portfolio, the changed circumstances may require the Bank to review the effectiveness of its risk management, macro-economic analysis, supervision, and monitoring and evaluation in relation to its portfolio. If the severity of the situation warrants, the Bank may undertake a conflict analysis of Bank-supported operations in the country, considering particularly the likelihood that they will be able to achieve their development objectives.¹¹ As appropriate, the Bank and borrower may agree on changes in

⁹ IBRD Articles of Agreement, Article III, Section 1(a); IDA Articles of Agreement.

¹⁰ Conflict analysis incorporates a judgment about the degree to which poverty reduction activities (a) may have a negative effect on stability and human security, and (b) are negatively affected by war-related destruction and destabilization of normal socioeconomic activity as well as by the diversion of public resources from development purposes to military and other expenditures incurred in waging war. Issues relating to military expenditure are addressed in accordance with Bank policy on the matter. Staff may obtain guidance on this policy in Bank Work on Military Expenditure (SecM91-1563), December 9, 1991; and The General Counsel's Statement on Whether Public Expenditure and Military Expenditure in Particular Fall Within the Bank's Mandate, December 13, 1991.

¹¹ The Bank may also undertake a more general conflict impact assessment of poverty alleviation activities in the country. Because problems of access, security, and availability of data often complicate efforts in conflict impact assessment, the Bank may consult with those partners that, because of their mandate, may be better placed to identify key impacts.

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the design of these operations to reflect the changed circumstances, or the Bank may exercise its legal remedies.¹²

7. If the Bank determines that continued assistance in the conflict-affected country is not possible, it may initiate a *watching brief* for all or a part of the country, in order to develop an understanding of the context, dynamics, needs, and institutions of the area to position the Bank to support an appropriate investment portfolio when conditions permit.¹³ This activity normally involves consultations with the Bank's partners. The nature of the watching brief in any given country depends on such factors as the presence or absence of a government in power, access of potential partners, and the ability of Bank staff to visit the country or access specific areas. In the context of a watching brief, the Bank may support additional activities, at the country's request.¹⁴ All such additional activities are subject to the prior approval of the Board.

Support for Countries in Transition from Conflict

Exceptional Financial Assistance

To help a country emerging from conflict meet its transitional financial needs in a timely manner, the Bank may provide exceptional financial assistance, subject to approval by the Board. Any such assistance must be consistent with the Bank's financial policies and its preferred creditor status, and it should be consistent with the principles of burden sharing.¹⁵

¹² See [OP/BP 8.60, Development Policy Lending](#), [OP/BP 9.00, Program-for-Results Financing](#), and [OP/BP 10.00, Investment Project Financing](#). Where new lending activity in the affected area is not likely to contribute effectively to the Bank's development objectives, the Bank may use economic and sector work to maintain a knowledge base and prepare for eventual expansion of activities.

¹³ The Bank may also maintain a watching brief for borrower countries in which it has no active portfolio.

¹⁴ See para. 3(b) for handling requests for support where more than one country asserts power, or no government is in power.

¹⁵ Information on exceptional financial assistance to conflict-affected countries is available from Corporate Finance Credit Risk Group and Resource Mobilization Department.



Revised July 1, 2014

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Development Cooperation and Conflict

1. In a country affected by conflict in which the Bank¹ has an active lending portfolio, Bank assistance is normally defined in the context of the Country Partnership Framework (CPF). When such conflict leads to significant changes in the environment for Bank assistance, the country director determines whether:

- (a) continued assistance in accordance with the CPF is feasible, making allowances as necessary for changed conditions, and giving special consideration to the Bank's fiduciary responsibilities and the impact of the conflict on the continued ability of Bank assistance to accomplish the purposes set out in the CPF;
- (b) conditions warrant initiating a Country Engagement Note (CEN);² or
- (c) continued assistance is no longer possible,³ and a watching brief should be initiated.

Watching Brief

2. On initiating a watching brief, the country director informs the Regional vice president (RVP) through a short strategy note covering the following, as appropriate:

- (a) the Bank's relations with the country in the period leading up to the conflict, and any lessons that can help to guide the Bank's future assistance;
- (b) the impact of potential Bank suspension of lending and other activities in the country on the activities of cofinancing partners, and possible strategies for maintaining key activities important for the coping strategies of the country's population;

¹ The terms used in this BP have the meanings set forth in [OP 2.30](#).

² See World Bank Group Directive, "Country Engagement", July 1, 2014, Catalogue Number OPCS5.01-DIR.01.

³ This may involve suspension of disbursements in accordance with [OP/BP 8.60](#), *Development Policy Lending*, [OP/BP 9.00](#), *Program-for-Results Financing* and [OP/BP 10.00](#), *Investment Project Financing*.

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- (c) the possible modalities of watching brief activities, including potential key partners, areas of activity, and likely funding options;
- (d) any likely consequences of the conflict for the development environment in other countries in the region--for example, outflows of refugees or other spillover effects of the conflict; and
- (e) the proposed frequency of updated situation reports to the RVP (see paragraph 3 below). During the watching brief, the country director periodically provides brief situation reports to the RVP. The reports outline the dynamics of the conflict, note any significant changes in the situation of the country, and summarize any activities carried out by the Bank's country staff and any major initiatives anticipated in the near future. The country director sends a copy of the report to the Post-Conflict Unit for distribution to the Post Conflict Management Steering Group (PCMSG), and to the Executive Directors for information.

Guidance and Reporting

3. A Post Conflict Management Steering Group (PCMSG) reviews the application of the Bank's policy on countries affected by conflict, and provides guidance to staff on specific cases. The PCMSG meets quarterly to identify and discuss global or regional trends in conflict and recommend changes in Bank strategies and procedures to facilitate appropriate responses.
4. Twice a year, the Conflict Prevention and Reconstruction Unit prepares a monitoring report on countries and areas affected by conflict. The report compiles information furnished by the RVPs and:
 - (a) provides the basis for periodic reviews of the Bank's response to conflict;
 - (b) alerts senior management and Executive Directors to patterns in conflict that affect Bank activities;
 - (c) informs Executive Directors about the Bank's work in countries affected by conflict; and assists the Bank in assessing countries' eligibility for special resources.
5. The PCMSG reviews the report, and the Conflict Prevention and Reconstruction Unit finalizes it. The Vice President, Environmentally and Socially Sustainable Development, submits the report to the MD for clearance and then circulates it to the Directors for information.



Revised April 2007

This Operational Policy statement was revised in April 2007 consequent to the issuance of OP/BP 12.00, *Disbursement*. Previously revised in August 2004 to reflect the term "development policy lending" (formerly adjustment lending), in accordance with [OP/BP 8.60](#), issued in August 2004.

Note: OP 3.10 and BP 3.10 replace OP, BP, and GP 3.10, *Loan Charges, Currencies, and Payment Terms of IBRD Loans and IDA Credits* dated January 1995, and the Operational Memoranda *Currency Choice: Existing IBRD Loans*, 6/25/97 and *Currency Choice: New IBRD Loans*, 6/25/97. For guidance, additional information is available at <http://www.worldbank.org/fps>. Information contained on such web sites is for illustration purposes only and does not constitute World Bank policy.

Questions on IBRD financial products may be referred to the Manager, Financial Products and Services Group (BCFBD). Questions on IDA credits may be referred to the Director, Resource Mobilization Department (FRM).

Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits

IBRD Loans

1. Access to IBRD loans is determined primarily by a country's per capita income and creditworthiness.¹ For determining repayment terms, countries are assigned by per capita GNI (formerly GNP) to income categories I-V.
2. IBRD offers two loan products for new loan commitments: fixed-spread loans (FSLs, see paras. 3-23), and variable-spread loans (VSLs, formerly known as variable-rate single currency loans or VSCLs, see paras. 24-34).² These loan products provide borrowers the flexibility to select terms that are consistent with their debt management strategy and suited for their debt servicing capacity.³ They are available for all standard IBRD lending operations.⁴

¹ Exceptionally, other factors (such as size, for certain small island economies) may determine access to IBRD loans. For further information by country, see Annexes [C](#) and [D](#).

² A comparison of FSLs and VSLs can be found in the Frequently Asked Questions (FAQs) section of the BCFBD website: <http://www.worldbank.org/fps>.

³ [Annex A](#) of this OP 3.10 discusses the financial products IBRD offered in the past.

⁴ These loans products are not available for special development policy loans which carry a five-year final maturity, with a three-year grace period, a spread over LIBOR of at least 4 percent, a 1 percent front-end fee, and a 0.75 percent commitment fee, and are not eligible for loan charge waivers that IBRD may grant on other loans on an annual basis.



Revised April 2007

Fixed-Spread Loan (FSL)

Currencies

3. FSLs are committed and repayable in the currency or currencies of the loan selected by the borrower. IBRD offers FSLs in euro, Japanese yen, U.S. dollars, and other currencies that it can efficiently intermediate.⁵ Borrowers may decide to contract FSLs in more than one currency tranche.

Pricing

4. *Lending Rate.*⁶ The initial interest rate on FSLs consists of (a) a *variable base rate* of six-month LIBOR in respect of each interest period for each loan; and (b) a *spread*, fixed for the life of the loan. The lending rate is expressed and interest accrues on a LIBOR day-count convention on daily principal volumes disbursed and outstanding.⁷ Interest continues to accrue on any overdue principal amounts, but IBRD does not charge interest on overdue interest on its loans.

5. The lending rate is reset every six months on the interest payment dates for the loan and applies to the interest period beginning on that date. Semiannual interest payment dates fall on the 1st or 15th day of the month, as specified in the Loan Agreement.

6. *Commitment Charge.* The contractual commitment charge for FSLs is 0.85 percent annually on undisbursed loan amounts for the first four years of the loan's life, and 0.75 percent thereafter. Commitment charges begin accruing 60 days after the Loan Agreement is signed.⁸

7. *Waivers.* In conjunction with the annual review of IBRD's net income, the Board may waive (a) part of the interest charges on its loans in the coming year for all eligible borrowers, and (b) a portion of the commitment charge to be collected in the coming year for all borrowers. To be eligible for the interest rate waiver, a borrower must have serviced all of its IBRD loans and have paid all amounts under IBRD guarantees and hedging products during the preceding six-month period within 30 calendar days of their due dates.⁹ The interest rate and commitment charge waivers apply to all loan products offered by

⁵ If IBRD is unable to obtain a loan currency, it retains the right to substitute another currency or currencies until access to the desired currency is restored.

⁶ Prevailing lending rates, loan charges, and waivers are available at <http://www.worldbank.org/fps>.

⁷ LIBOR is used in markets in which it is the recognized commercial bank reference for floating rate instruments. Where appropriate, different reference rates may be used. The LIBOR day-count conventions are actual/360 days for U.S. dollars, Japanese yen, and euro.

⁸ Although commitment charges begin to accrue 60 days after signing, the Bank does not charge commitment charges for loans that do not become effective.

⁹ Except for any overdue payments that the Vice President and Controller (CTRVP), on the advice of Loan Client and Financial Services Division (ACTCF), determines to be minor in nature or beyond the borrower's control.



Revised April 2007

IBRD for standard lending operations. At the beginning of each fiscal year, IBRD notifies each borrower of the interest rate waiver and commitment charge waiver applicable for that fiscal year.¹⁰

8. *Front-End Fee.* For all loan commitments, IBRD charges a front-end fee of 1 percent of the amount of the loan. At the option of the borrower, the front-end fee can be paid out of the loan proceeds upon loan effectiveness. When the borrower does not finance the front-end fee, the borrower must pay the fee no later than 60 days after the effectiveness date, but before the first withdrawal from the loan. If the loan is partially or fully cancelled on or after effectiveness, no adjustment to the front-end fee is made. This applies equally to loans disbursed in tranches: if a tranche is cancelled after effectiveness, no portion of the front-end fee is refunded to the borrower.¹¹

*Conversion Provisions*¹²

9. *Currency Conversions.* At any time during the life of a loan a borrower may request IBRD to convert all or part of the undisbursed or disbursed balance of an FSL to another currency approved by IBRD. A borrower may request IBRD to convert FSL disbursed and outstanding loan amounts up to the amount relating to local expenditures.¹³

10. *Interest Rate Conversions.* At any time during the life of a loan a borrower may request IBRD to convert the lending rate on all or part of the disbursed balance of an FSL from a variable to a fixed rate, and vice versa. A borrower may exercise this option for all or part of the remaining maturity of the loan. Borrowers may also request IBRD to implement such interest rate conversions automatically (*automatic rate fixings*) by period or by amount.

11. *Interest Rate Caps and Collars.* At any time during the life of the loan a borrower may purchase from IBRD an interest rate cap or collar for all or part of the disbursed amount and for all or part of the remaining maturity of the loan.

12. *Maturities.* Borrower requests for currency conversions, interest rate conversions, interest rate caps, and interest rate collars are subject to the maximum maturity available from time to time in the swap markets for the currency or currencies involved.¹⁴

13. *Pricing.* Pricing of currency conversions, interest rate conversions, interest rate caps, and interest rate collars is at market terms – usually based on execution terms achieved by IBRD in an offsetting swap

¹⁰ Commitment charges, lending rate waivers, and commitment charge waivers are expressed and accrued on an actual/365-366 day-count convention. The BCFBD website sets out these waivers.

¹¹ The Bank does not charge a front-end fee for loans that do not become effective. If the Bank is advised of a partial cancellation by the borrower before effectiveness, the front-end fee is reduced on a pro-rata basis.

¹² Detailed information on the FSL's conversion provisions is provided in [Guidelines for Conversion of Loan Terms for Fixed-Spread Loans](#), available at the BCFBD website.

¹³ See *IBRD General Conditions for Loans* (July 1, 2005), *Appendix*, for a definition of local expenditures.

¹⁴ If a borrower requests a currency conversion for a period less than the full maturity of the loan, information on the implications of a partial maturity conversion should be obtained from BCFBD.



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with financial intermediaries or, in some cases, on terms calculated using prespecified, widely available screen quotes. In addition, IBRD applies a transaction fee¹⁵ as a one-time charge for each transaction.¹⁶

Repayment Terms

14. For all FSLs, there is an absolute final maturity of 25 years. Borrowers may choose between two amortization schedules for FSLs: a commitment-linked schedule or a disbursement-linked schedule. In both types of schedules, repayment installments are calculated as a portion of the disbursed and outstanding amount of the loan.

15. *Commitment-linked Amortization Schedule.* Under this schedule, the timing of principal repayments is linked to the time of loan commitment. The grace period starts running from the time of expected IBRD loan approval. The expected first interest payment date is no more than six months from the expected date of loan approval.¹⁷ Repayment installments are due beginning in the semester following the end of the grace period. Borrowers may choose from a number of principal *repayment types*: (a) level repayment; (b) annuity-type repayment; or (c) customized repayment.¹⁸ Borrowers may also trade off terms across other FSLs within the 25-year final maturity limit.¹⁹

16. For FSLs with a *commitment-linked* repayment schedule, there is a limit on the *average repayment maturity* that varies by country category. [Annex D](#) to OP 3.10 shows the applicable average repayment maturities. Borrowers may select any pattern of principal repayments subject to the limits on average repayment maturity and final maturity. "Standard" country terms (which satisfy these limits) are just one of the many options available.²⁰ The *average repayment maturity* for an FSL with a commitment-linked repayment schedule is defined as the weighted average period of time between expected loan approval and the scheduled repayments.

¹⁵ Current transaction fees are available at the BCFBD web site. IBRD may revise these fees from time to time, and any change applies to conversions implemented after such a revision.

¹⁶ Except that transaction fees are not payable in connection with interest-rate fixings up to the full loan amount and up to the full maturity of the loan.

¹⁷ In the event the actual loan approval date is significantly advanced or delayed from the date expected at negotiations, the grace period provided may no longer be in accordance with these terms. In that case, the first and final principal repayment dates must be changed to comply with these terms.

¹⁸ With level repayment, the principal is repaid in equal installments over time; with annuity-type repayment, the sum of principal and interest of each installment is the same assuming interest rates do not change over the life of the loan (the share of principal of each installment increases through time); with customized repayment, principal is paid using a schedule tailored to the borrower's needs.

¹⁹ For example, to obtain a longer maturity on a new loan not exceeding 25 years, the terms of the new loan may be offset against a loan (with a shorter maturity) signed within the previous 12 months, such that the weighted average repayment maturity of all FSLs to the country within that 12-month period is not increased beyond the country limit. Trade-offs of repayment terms across FSLs exclude special development policy loans.

²⁰ For example, loans for countries in income categories I or II may have level repayment of principal with a grace period of 8 years and overall repayment period of 20 years.



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17. *Disbursement-linked Amortization Schedule.* Under this option, the schedule has a level pattern of repayment, and the timing of principal repayments depends on the timing of actual disbursements. Cumulative disbursements during each interest period (a "Disbursed Amount") are repayable on a schedule that commences at the beginning of the interest period following the date of such disbursement. The grace period and amortization period selected by the borrower must be the same for all Disbursed Amounts under the loan.

18. For FSLs with a *disbursement-linked* repayment schedule, there is a limit on the *sum of the loan's expected average disbursement period and its average repayment maturity*. This limit varies by country category and applies to the repayment schedule for each Disbursed Amount. [Annex D](#) to OP 3.10 shows the policy limits for this type of repayment schedule. The expected average disbursement period²¹ for a loan, which is defined as the weighted average period of time between loan approval and expected disbursements, is based on a reasonable estimate determined jointly by IBRD and the borrower.²² Also, for an FSL with a disbursement-linked repayment schedule, the *average repayment maturity* is defined as the weighted average period of time between the date of disbursement and the scheduled repayments for each Disbursed Amount.²³

19. *Amendment of Approved Terms.* Borrowers must choose the repayment terms before IBRD approves the loan. Repayment terms cannot be changed once IBRD has approved the loan. Also, IBRD normally does not reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. However, under extraordinary country or project circumstances, IBRD loan repayment terms may be amended (see [BP 3.10](#), para. 10 (b) for procedures).

Prepayment

20. FSLs may be prepaid in full or in part. IBRD may charge a prepayment premium to cover the cost to IBRD of redeploying prepaid funds. The prepayment premium charged is based on the difference between the fixed spread payable on the prepaid loan and the fixed spread in effect for FSLs in the relevant currency at the date of prepayment (see para. 1 (a) of [Annex B](#) to OP 3.10).

21. *Prepayment during Currency Substitution.* If IBRD is unable to fund itself in a particular currency, it may provide the borrower with a substitute currency. No prepayment premium is charged on an FSL if the loan is prepaid while a substitute currency is outstanding.

22. *Prepayment during Conversion.* In the event of prepayment of any amount that has been converted under an FSL, the prepayment premium includes the components described in para. 1 (b) of [Annex B](#) to this OP 3.10.

²¹ The expected average disbursement period is based on the estimated disbursement profile specified in the Project Appraisal Document.

²² For example, a loan expected to disburse evenly over a 6-year period would have an expected average disbursement period of three years.

²³ For example, if each disbursed amount is scheduled to be repaid with a four-year grace period and 12-year final maturity on the basis of level repayment of principal, the average repayment maturity is eight years.



Revised April 2007

23. *Partial Prepayment.* Borrowers may prepay the principal amount of one or more maturities of the loan. The borrower may specify which loan maturities are to be prepaid. If the borrower does not so specify, any such prepayment is applied as follows: (a) if the Loan Agreement provides for the separate amortization of Disbursed Amounts (as defined in para. 17), the prepayment is applied in the inverse order of such Disbursed Amounts, with the Disbursed Amount that had been withdrawn last being prepaid first and with the latest maturity of such Disbursed Amount being prepaid first; and (b) in all other cases, the prepayment is applied in the inverse order of maturity of the loan, with the latest maturity being repaid first.

Variable Spread Loan (VSL)²⁴

Currencies

24. Same as for FSLs (see para. 3). VSLs or VSL tranches committed in Deutsche mark, French francs, or Netherlands guilders before the introduction of the euro on January 1, 1999, were redenominated by IBRD in euro on December 1, 2001.

Pricing

25. *Lending Rate.*²⁵ The lending rate on VSLs consists of: (a) a *variable base rate* of six-month LIBOR in respect of each interest period for each loan; and (b) a *variable spread*.

26. The lending rate is reset every six months, on each interest payment date, and applies to the interest period beginning on that date. All VSL interest payment dates fall on the 15th of the month. The lending rate is expressed and interest accrues on a LIBOR day-count convention on daily principal volumes disbursed and outstanding.²⁶ Interest continues to accrue on any overdue principal, but IBRD does not charge interest on overdue interest on its loans.

27. *Commitment Charge.* The contractual commitment charge for a VSL is 0.75 percent annually on the undisbursed amount of the loan. Commitment charges begin accruing 60 days after the Loan Agreement is signed.²⁷

²⁴ The VSL was formerly known as Variable-Rate Single Currency Loan or VSCL. A comparison of the FSL and VSL can be found in the Frequently Asked Questions (FAQs) section at the BCFBD website.

²⁵ Prevailing lending rates, loan charges, and waivers are available at <http://www.worldbank.org/fps>.

²⁶ The LIBOR day-count conventions are actual/360 days for U.S. dollars, Japanese yen, and euro, and actual/365 days for pounds sterling.

²⁷ However, the Bank does not charge commitment charges for loans that do not become effective.



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28. *Waivers.* VSLs for which the invitation to negotiate was issued on or after July 31, 1998, are subject to the same interest and commitment charge waivers as FSLs (see para. 7).²⁸

29. *Front-End Fee.* Same as for FSLs (see para. 8).

Repayment Terms

30. *Standard Repayment Terms.* [Annex C](#) and [Annex D](#) to OP 3.10 set out the standard country terms for VSLs for each country category.

31. *Determination of Terms.* The amortization, grace period, and final maturity of the loan are set at the time of IBRD approval of the loan. Grace periods and final maturities are expressed in periods of six or 12 months, with the first and final principal repayment dates identified as follows:

- a. The first principal repayment date generally occurs six months after the expiration of the grace period.²⁹
- b. The final principal repayment date is calculated as the first interest payment date plus the number of years to final maturity, less six months.

32. *Flexibility in Setting Terms.* If justified by the Region on the grounds of project or country needs, the standard terms may be modified as follows:³⁰

- a. For countries in all income categories, the grace period may be extended if the final maturity of the loan is shortened from the standard terms to compensate for any such extension (at the rate of one year of final maturity for every six months of grace).
- b. For countries in income categories I and II, the grace period and final maturity of a loan may be modified as long as the loan's average life³¹ remains within the standard set for borrowers in that category. (c) For countries in all income categories, the grace periods and final maturities on particular loans may be extended, provided that compensating reductions are made in the grace periods and final maturities of other loans made to or guaranteed by the

²⁸ The waivers applicable to VSLs for which the invitation to negotiate was issued before that date are listed in the BCFBD website (<http://www.worldbank.org/fps>).

²⁹ The first principal repayment date is the semiannual interest payment date agreed upon by IBRD and the borrower at negotiations, such that the interval from the expected date of Board approval of the loan to the first principal repayment date is three to nine months longer than the grace period. If the actual loan approval date is significantly earlier or later than the date expected at negotiations, the grace period provided may no longer be in accordance with these terms. In that case, the first and final principal repayment dates are changed to comply with these terms.

³⁰ See [BP 3.10](#), para. 7, for clearances needed.

³¹ Average loan life is a measure of the period during which the borrower has use of the loan proceeds, and is calculated as the sum of the annual loan balances divided by the face value of the loan.



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country in the same fiscal year. The weighted average grace period and final maturity for all loans committed to a country in the same fiscal year must remain within the country limit.

33. *Amendment of Approved Terms.* Borrowers must choose the repayment terms before IBRD approval; repayment terms cannot be changed once IBRD has approved the loan. Also, IBRD normally does not reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. However, IBRD may amend existing repayment terms under extraordinary country or project circumstances or when the principal disbursed and outstanding is less than the scheduled principal repayment (see [BP 3.10](#), para. 10(b) for procedures).

Prepayment

34. IBRD charges a prepayment premium based on the cost of redeploying the amount to be prepaid from the date of prepayment to the maturity date. The amount of the prepayment premium is based on the difference between the contractual lending spread of the prepaid loan and the contractual lending spread in effect for VSLs in the currency of the prepaid loan at the date of prepayment. Prepaid amounts are applied to the latest amortization payments due under the loan (see para. 3 of [Annex B](#)).³²

IBRD Hedging Products

35. Hedging products are intended to provide borrowers with the tools to protect themselves from financial risk over the life of the loan. IBRD offers the following hedging products in connection with IBRD loans: interest rate swaps, interest rate caps and collars, currency swaps, and, on a case-by-case basis, commodity swaps. FSL hedges (currency conversions, interest rate conversions, swaps, caps, and collars) are embedded in the Loan Agreement. Before entering into a hedging transaction with the IBRD with respect to IBRD loan products that are not FSLs, borrowers must enter into a Master Derivatives Agreement (MDA) with IBRD.^{33, 34} Transaction fees are charged in connection with these hedging products.

³² If a borrower fully prepays a VSL with an undisbursed balance remaining, amortization payments will be due immediately after the grace period on any future disbursements. Thus the borrower may prefer to cancel any undisbursed balance on a loan for which the disbursed balance would be prepaid in full.

³³ Detailed information about which IBRD hedging products can be used with different IBRD loans and about the process for submitting hedge requests is included in the [Guidelines for Using IBRD Hedging Products, the Hedging Products](#) brochure, and the BCFBD set of Frequently Asked Questions (FAQs), all of which can be found at <http://www.worldbank.org/fps>.

³⁴ IBRD offers free-standing currency swaps to transform disbursed and outstanding loan balances related to local expenditures under IBRD loans into a borrower's local currency, subject to the availability of liquid swap markets in the local currency.



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IDA Credits*Currencies*

36. IDA credits approved by the World Bank on or after August 1, 1980, are denominated in Special Drawing Rights (SDRs). Also denominated in SDRs are the amounts disbursed, service and commitment charges, and repayments. Principal payments and service/commitment charges are due in the currency (U.S. dollars, pounds sterling, or euros) specified in the Development Credit Agreement in an amount equivalent to the SDRs required under the Agreement.³⁵

Credit Charges

37. *Interest and Service Charges.* No interest is charged on credits, but a service charge is levied at the rate of 0.75 percent per annum on the principal amount withdrawn and outstanding.

38. *Commitment Charge.* In 1982, the Executive Directors approved the introduction of a commitment charge, payable on the undisbursed amount of the credit and beginning to accrue 60 days after the Development Credit Agreement is signed. Each year, the Board approves the commitment charge that will apply for that fiscal year (from 0 to and including 0.50 percent). At the beginning of each fiscal year, IDA notifies each borrower of the commitment charge applicable for that year. The service and commitment charges are payable on the semiannual payment dates specified in the Development Credit Agreement.

Repayment Terms

39. IDA credits approved by the Board through June 30, 1987, have a final maturity of 50 years. IDA credits approved after that date have three different final maturities and repayment schedules (for the countries' current maturities and repayment schedules, see [Annex D](#)):

- a. For IDA-only countries or countries classified as least developed by the United Nations (LDCs), credits are repayable over 40 years, with principal repayment at the rate of two percent of the credit amount per year from the 11th to the 20th year, and four percent per year thereafter. (See [Annex D](#) for IDA-only and LDC classifications.)
- b. For other IDA-eligible countries, credits are repayable over 35 years, with repayments of 2.5 percent of the credit amount per year from the 11th to the 20th year, and 5 percent per year thereafter.
- c. For credits approved after June 30, 2002, for IDA-eligible countries with a GNI per capita, that has been above the operational cut off for IDA eligibility for more than two consecutive years, credits are repayable over 20 years, with principal repayment at the rate of 10 percent per year from the 11th to the 20th year.

40. The first amortization payment on a credit is due on the semiannual payment date immediately following the 10th anniversary of the date the credit was approved by IDA. For credits approved through

³⁵ Before August 1, 1980, IDA credits were denominated in current U.S. dollars and were repayable in amounts equivalent, at their repayment dates, to the value at the time of disbursements of the currencies disbursed in terms of 1960 U.S. dollars.



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June 30, 1987, the last amortization payment is due on the semiannual payment date immediately preceding the 50th anniversary. For credits approved after that date, the last amortization payment is due on the semiannual payment date immediately preceding the 20th, 35th or 40th anniversary, as the case may be.

41. *Modifying Terms.* For Development Credit Agreements approved after June 30, 1987, the terms of outstanding credits extended to a particular borrower are modified if both the following conditions are met:

- a. the annual per capita GNI of the borrower has remained above the historical ceiling³⁶ for five consecutive years, and
- b. the borrower has achieved creditworthiness for IBRD borrowing.

42. For Development Credit Agreements for which invitations to negotiate were issued on or after August 1, 1996, subject to the Board's review and approval, the terms of outstanding credits extended to a particular borrower are modified if both the following conditions are met:

- a. the annual per capita GNI of the borrower has remained above the operational per capita income cutoff³⁷ for three consecutive years, and
- b. the borrower has achieved creditworthiness for IBRD borrowing.

43. When the two conditions for adjusting terms (under paras. 41 or 42 above) have been met, IDA may, subject to the Board's review and approval, require the borrower to repay twice the amount of each principal installment not yet due, until the credit is fully repaid. Alternatively, the borrower may request that IDA substitute an interest charge for some or all of the higher principal repayments, provided the new terms have a grant element equivalent to that resulting from doubling of the principal payments alone. If a borrower's economic condition deteriorates significantly after terms have been adjusted, IDA may, if the borrower request's, revert to the original repayment schedule.

³⁶ See the front notes to [Annex D](#) to this OP 3.10 for the current equivalent of the historical per capita income ceiling figure.

³⁷ See the front notes and footnote 2 to [Annex D](#) to this OP 3.10 for the current equivalent of the operational cutoff figure and exceptions to the cutoff.



Past Loans of IBRD

1. For new loans, IBRD only offers the fixed-spread loan (FSL) and variable spread loan (VSL) financial terms set out in [OP 3.10](#). This annex presents the terms and conditions of the loans IBRD has offered in the past, which still govern some outstanding loans.

Fixed-Rate Single Currency Loans (FSCLs)

2. FSCLs were available to all IBRD borrowers for which the invitation to negotiate was issued after May 11, 1995 and before December 1, 1999.

Eligibility and Currencies

3. Same as for VSLs (see [OP 3.10](#), para. 24).

Pricing

4. *Lending Rate.* The fixed rate of the FSCL is set on the semiannual rate-fixing date for loan amounts disbursed during the preceding six-month period (the "Disbursed Amount") and remains fixed for each Disbursed Amount until that amount is repaid.

5. During the period from the date of each disbursement until the next rate-fixing date, interest accrues at the same rate as applicable to VSLs for that period. In effect, an FSCL is like a series of fixed-rate subloans, comprising as many fixed-rate subloans as there are semesters in which disbursements occur.

6. All FSCL interest payment dates fall on the 15th of the month. Interest continues to accrue on any overdue principal, but IBRD does not charge interest on overdue interest on its loans. Once the rate of the Disbursed Amount is fixed on the rate-fixing date, it remains fixed for the life of the loan. The FSCL lending rate is expressed, and interest accrues, on a 30/360 day-count convention on daily principal volumes disbursed and outstanding.¹

7. *Commitment Charge.* Same as for VSLs (see [OP 3.10](#), para. 27).²

8. *Waivers.* Same as for VSLs (see [OP 3.10](#), para. 28).

9. *Front-End Fee.* Same as for FSLs and VSLs (see [OP 3.10](#), para. 8).

¹ Current FSCL lending rates are given at <http://www.worldbank.org/fps>.

² The BCFBD website shows the waiver, if any, for eligible IBRD borrowers.

*Repayment*

10. Each Disbursed Amount has a three-year grace period and amortizes in level repayments of principal. The final maturity of each Disbursed Amount is based on the expected total disbursement period for the loan, measured from the loan approval date to the loan closing date (see table below).

Maturities for Fixed-Rate Single Currency Loans

Expected total disbursement period	Final maturity for each Disbursed Amount	Final loan maturity from date of loan approval
0 up to and including three years (fast-disbursing loan)	12 years	12-15 years
More than three and up to and including six years (medium-disbursing loan)	9 years	12-15 years
More than 6 years (slow-disbursing loan)	6 years	12-20 years*
*For Category III borrowing countries, overall loan maturities are limited to 17 years, and for those in Categories IV and V they are limited to 15 years.		

Prepayment

11. IBRD charges a prepayment premium based on the cost of redeploying the full amount of the loan to be prepaid from the date of prepayment to the original maturity date (see para. 4 of [Annex B](#) to OP 3.10).

Variable Lending Rate 1989 (VLR89) Currency Pool Loans (CPLs)*Eligibility*

12. VLR89 CPLs were available to all IBRD borrowers for which the invitation to negotiate was issued before March 1, 2001.

Currencies

13. VLR89 CPLs are multicurrency loan obligations expressed in U.S. dollar equivalent terms. The currency composition of borrowers' currency pool loan obligations reflects that of the currency pool and is the same for all borrowers. At least 90 percent of the U.S. dollar equivalent value of the currency pool is maintained in a target currency ratio of one U.S. dollar: 125 Japanese yen: one euro. Before the introduction of the euro on January 1, 1999, the currency pool was maintained in a target currency ratio of



Operational Policies

one U.S. dollar: 125 Japanese yen: two Deutsche mark group currencies (Deutsche mark group consisted of Deutsche marks, Swiss francs, and Netherlands guilders).

Pricing

14. *Lending Rate: Cost Basis and Lending Spread.* The interest rate on VLR89 loans passes through to borrowers IBRD's average cost of outstanding funding allocated for these loans, plus a lending spread. The rate is based on the semester average cost of outstanding IBRD debt issued since 1982, excluding debt allocated to fund IBRD's liquidity portfolio or other loan products offered after 1989. This cost basis for IBRD's borrowings in each of the currencies in the pool is recalculated every six months for the semesters ending June 30 and December 31.³ The currency-specific average costs are then weighted by the U.S. dollar equivalent share of each currency in the currency pool.⁴

15. IBRD's contractual lending rate for VLR89 loans for which the invitation to negotiate was issued on or after July 31, 1998, is determined by adding a spread of 0.75 percent to this weighted average semester cost. For VLR89 loans for which the invitation was issued before July 31, 1998, IBRD's lending rate is determined by adding a spread of 0.50 percent. The lending rate for VLR89 loans is reset every six months and applies to six-month interest periods beginning on or after January 1 and July 1. Interest accrues on an actual/365-366 day basis on daily principal volumes disbursed and outstanding. It continues to accrue on any overdue principal, but IBRD does not charge interest on overdue interest on its loans.

16. *Commitment Charge, Front-End Fee, Waivers.* Same as for VSLs (see [OP 3.10](#), paras. 27-29).

Repayment Terms

17. Subject to the same repayment terms as VSLs (see [OP 3.10](#), paras. 30-33).

Prepayment

18. VLR89 loans may be prepaid. IBRD charges a prepayment premium, calculated as described in paras. 4-5 and 7-8 of [Annex B](#) to OP 3.10.

Offer of Currency Choice for existing CPLs as of September 1996

19. Between September 1, 1996, and June 1, 1998, IBRD offered borrowers the option to amend the terms of their existing CPL (VLR89, VLR82, or fixed-rate) Loan Agreements to change their currency obligation. Borrowers could request the following:

- a. conversion of undisbursed loan amounts to single currency loan terms (VSL or FSCL); or

³ VLR89 Loan Agreements provide for the possibility of quarterly calculation of the lending rate upon reasonable notice to the borrower.

⁴ For the current VLR89 lending rate, see the BCFBD website at <http://www.worldbank.org/fps>.



Operational Policies

- b. conversion of disbursed loan balances and undisbursed loan amounts (not converted to single currency loan terms) to one of four single currency pools (SCPs); or(c) a combination of (a) and (b).

Conversion of Undisbursed Loan Amounts to Single Currency Loan (SCL) Terms

20. Borrowers could convert undisbursed balances into any currency or currencies of sufficient borrower demand that the IBRD could efficiently intermediate. They could also choose between VSL or FSCL terms.

21. *LIBOR-based SCL Terms (presently known as VSL terms).* The lending rate for loan amounts converted to VSL terms is determined in the same manner as for new VSLs less any applicable waivers (see [OP 3.10](#), paras. 25-26).

22. Undisbursed loan amounts converted to VSL terms retained the same remaining maturity as the original currency pool loan had before its terms were amended. The amortization schedule was adjusted using a pro rata share of the amortization schedule of the original loan, such share being the ratio of converted amounts to the sum of converted and unconverted balances.

23. *Fixed-Rate SCL (FSCL) Terms.* The lending rate for loan amounts converted to fixed-rate SCL (FSCL) terms is determined in the same manner as for existing FSCLs, as described in paras. 4-6, less any applicable waivers.

24. Loans converted to FSCL terms have maturities, grace periods, and amortization schedules set in the same manner as for newly contracted FSCLs, and in no case do they exceed the final maturity of the original currency pool loan.

Conversion of Disbursed and Undisbursed Loan Amounts to Single Currency Pool (SCP) Terms

25. *Currencies.* Loans that were converted to single currency pool (SCP) terms were to be multicurrency obligations initially and would continue to be expressed in U.S. dollar equivalents. SCPs were offered in four designated currencies: Deutsche mark, Japanese yen, Swiss franc, and U.S. dollar. Deutsche mark SCPs were re-denominated to euro on December 31, 2001.

26. Since January 1, 1999, IBRD has established a currency composition for each SCP that is 100 percent in the borrower's designated currency.

Lending Rates

27. *Fixed-Rate SCP Loans.* The original lending rate applicable to each fixed-rate currency pool loan (see para. 38) converted to SCP terms continues to apply, less any applicable waivers.

28. *Variable-Rate SCP Loans.* All variable-rate currency pool loans (i.e., VLR89 and VLR82) that were converted to SCP terms accrue interest at a variable interest rate determined separately for each SCP. This rate, which is reset every six months, is a direct pass-through to borrowers of IBRD's cost of funding allocated to that SCP. It is the weighted average cost of IBRD's outstanding borrowings allocated



to fund that SCP, as recalculated each June 30 and December 31, plus IBRD's lending spread of 0.50 percent (which was in effect when the Loan Agreements were signed), less any applicable waivers.

Amortization

29. For borrowers that converted entire loans to SCP terms, the maturities, grace periods, and amortization schedules remained unchanged from the original Loan Agreement. If undisbursed amounts were converted to SCL terms and only disbursed loan balances were converted to SCP terms, the remaining maturities and amortization schedules of the disbursed balances were adjusted pro rata, with the share determined by the ratio of balances converted to SCP terms to the sum of those converted to SCP and SCL terms.

Prepayment

30. Same as for VLR89 currency pool loans (see paras. 4-8 of [Annex B](#) to OP 3.10).

Variable Lending Rate 1982 (VLR82) Currency Pool Loans and Conversion to VLR89 Loans

31. All IBRD loans that were approved after June 30, 1982, and for which invitations to negotiate were issued before May 18, 1989, were made as variable lending rate 1982 (VLR82) loans.

Currencies

32. Borrowers' currency obligations under VLR82 loans are the same as those under VLR89 loans (see para. 13).

Pricing

33. *Lending Rate.* The lending rate for VLR82 loans is based on the weighted semester average cost of all IBRD debt issued and outstanding since July 1982 (qualified borrowings), plus a contractual lending spread of 0.50 percent. The pool of qualified borrowings reflects all of IBRD's outstanding debt. The lending rate is recalculated on or about June 30 and December 31 and applies to interest periods beginning on or after July 1 and January 1. Interest accrues on an actual/365-366 day basis.

34. *Lending Rate Waiver.* Until January 1, 1996, the VLR82 lending rate was subject to the same interest waiver as the rate on VLR89 loans. After January 1, 1996, the interest waiver on VLR82 loans was adjusted as described in para. 37(b).



Operational Policies

35. *Commitment Charge and Waiver.* For VLR82 loans, the contractual commitment charge on undisbursed amounts⁵ and the annual commitment charge waiver are the same as those for VSLs and VLR89 loans.

Prepayment

36. Same as for VLR89 currency pool loans (see paras. 4-5 and 7-8 of [Annex B](#) to OP 3.10).

*Conversion to VLR89 Terms*⁶

37. When VLR89 loans were introduced, IBRD's Board authorized the conversion of VLR82 loans to VLR89 terms for borrowers that amended their Loan Agreements. In 1994, the Executive Directors approved two actions to promote conversions of loan terms from VLR82 to VLR89:⁷

- a. *Conversion waiver.* IBRD would grant each borrower converting all its VLR82 loans a one-time 0.10 percent waiver of annual interest for two interest periods (regardless of whether the borrower was eligible for the annual interest waiver). Borrowers that converted all of their VLR82 loans before January 1, 1995, received the reduction in annual interest charges on converted loan balances outstanding for the two consecutive six-month interest periods beginning on or after January 1, 1995. Other borrowers receive this reduction for the first two full six-month interest periods beginning after the date on which they convert all their VLR82 loans.
- b. *Adjustment of annual interest waiver on VLR82 loans.* At the time of the annual allocation of net income (effective FY95), IBRD would reduce the annual interest waiver for VLR82 loans to borrowers eligible for the waiver whenever the VLR82 lending rate is below the VLR89 lending rate, in order to equalize the two rates.

Fixed-Rate Currency Pool Loans

38. All IBRD loans approved before June 30, 1982, were made as fixed-rate loans. Interest rates, determined at the time of loan approval, were fixed for the life of the loan.

39. All fixed-rate loans committed until June 30, 1980, were *non-pooled*. The currency composition of each loan depended on the currencies disbursed on that loan. These currencies formed the borrower's repayment obligation to the IBRD. Fixed-rate loans committed after June 30, 1980, were *pooled*: the

⁵ Some VLR82 loans were subject to a front-end fee, due by the loan effectiveness date, that borrowers could finance from their loan proceeds. When this fee was approved by the Executive Directors in January 1982 it was set at 1.5 percent of the loan amount. It was reduced to 0.75 percent in December 1982 and to 0.25 percent in March 1983, and then was phased out.

⁶ VLR82 loans differ from VLR89 loans in that the lending rate is based on a pool of qualified IBRD borrowings reflecting all of IBRD's outstanding debt, not just the currency pool referred to in connection with the 1989 currency pool loans (VLR89 CPLs).

⁷ *A Proposal to Promote Conversion of Loan Terms from VLR82 to VLR89* (R94-215), November 1, 1994.



currency composition of all borrowers' loan obligations was the same, as determined by the composition of the currency pool.

Currencies

40. Borrowers repay non-pooled fixed-rate loans in the various currencies in which the loans were disbursed.⁸ Borrowers' currency obligations on pooled loans are shares of the currency pool.

Pricing

41. *Lending Rate: Cost Basis and Lending Spread.* The lending rate for the earliest fixed-rate loans was based on IBRD's marginal cost of borrowing in the currency or currencies expected to be disbursed on these loans, plus a lending spread. Beginning in 1976, the lending spread was fixed at 0.50 percent.

42. *Commitment Charge.* Contractual commitment charges on undisbursed amounts of fixed-rate loans were specified in the Loan Agreements, within a range from 0.375 percent to 0.75 percent per annum.⁹

43. *Waivers.* Same as for VLR89 currency pool loans.

Repayment Terms

44. Repayment terms, specified in each Loan Agreement, were based principally on the per capita income of member countries, although initially they were based on project characteristics as well.

Prepayment

45. Fixed-rate currency pool loans may be prepaid in the same way as VLR89 currency pool loans (see para. 6 of [Annex B](#) to OP 3.10).

⁸ In January 1989, the Executive Directors approved a policy that increased the predictability of the order in which currencies are recalled for payment. The currencies that make up less than 2.5 percent of a non-pooled loan's outstanding balance are recalled first. Major currencies are then recalled on a pro rata basis.

⁹ Fixed-rate loans approved after January 1982 were assessed a front-end fee of 1.5 percent of loan amount until they were phased out on June 30, 1982.



Prepayment of IBRD Loans

1. IBRD may charge a prepayment premium to cover the cost to IBRD of redeploying prepaid funds.¹ The calculation of the redeployment cost for all or any portion of an FSL that has not been converted is carried out in accordance with para.2 (a) below and, for all or any portion of an FSL that has been converted, in accordance with para.2 (b) below.
 - a. Prepayment of unconverted portions of FSLs
 - i. The amount of the prepayment premium is based on the difference between the fixed spread payable on the prepaid loan and the fixed spread in effect for FSLs in the relevant loan currency at the date of prepayment.
 - ii. Compute the present value of the cash flows using the difference in the fixed spread computed in (i). This present value computation takes into account current market rates and the fixed spread in effect for FSLs in the initial loan currency at the date of prepayment.
 - iii. The present value computed in (ii) is the premium the borrower is charged by the Bank
 - b. Prepayment of converted portions of FSLs
2. If all or any portion of an FSL has been converted, the prepayment premium will be calculated based on the following components:
 - a. prepayment premium on account of the underlying floating rate FSL as outlined in (a) above;
 - b. an "Unwinding Amount"² in connection with the early termination of any conversion. The "Unwinding Amount" is the mark-to-market value of any swap effected for the relevant conversion³ and can result in a cost or gain to the Bank. Any such cost results in an additional

¹ A loan to a borrower may be funded by IBRD by a combination of debt and equity. The calculation of redeployment cost covers both portions, debt and equity. If IBRD does a market transaction or applies a screen rate in order to effect a conversion, it does so only with respect to the debt-funded portion of the loan. Thus, for portions of FSLs that have been converted, any calculation of redeployment cost has to be adjusted so as to include the redeployment cost of the equity funded portion. This is detailed in component (ii) of para. 1 (b).

² "Unwinding Amount" is defined in the General Conditions Applicable to Loan and Guarantee Agreements for Fixed Spread Loans dated September 1, 1999, Article 2.01 (46).

³ The Bank may have effected the relevant conversion by entering into a hedge transaction with a market counterparty or, by applying a screen rate (in the circumstances described in the Conversion Guidelines). In both cases an Unwinding Amount may be payable either by the Bank or the borrower as the Bank would have taken a position in order to effect the conversion that would have to be reversed or undone because of a loan prepayment.



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- amount payable by the borrower to the Bank, and any such gain is subtracted from the amount to be prepaid or paid by the borrower.⁴
- c. if an Unwinding Amount is payable by the borrower to the Bank, an amount computed by ascertaining the percentage rate that the Unwinding Amount bears to the debt-funded portion of the loan to be prepaid and then applying such rate to any equity-funded portion of the loan to be prepaid;
 - d. transaction fee, which is applied to the amount of the principal that is being prepaid (see BCFBD website for transaction fee information: <http://www.worldbank.org/fps>).

Variable Spread Loans (VSLs)

3. The total spread on the VSL consists of a contractual lending spread⁵ and a variable margin (adjusted every six months on the basis of the weighted average cost margin of the debt allocated to VSLs). The prepayment premium is based on IBRD's redeployment cost of the prepaid funds which is derived from the difference between the contractual lending spread of the prepaid loan and the contractual lending spread in effect for VSLs in the currency of the prepaid loan at the date of prepayment.⁶ The net present value of the cash flows is computed by taking into account current market rates and the total spread in effect for VSLs at the date of prepayment. Prepaid amounts are applied first to the latest maturities due on the loan.

Fixed Rate Single Currency Loans (FSCLs)

4. IBRD charges prepayment premium based on the cost of redeploying the full amount of the loan to be prepaid from the date of prepayment to the original maturity date. Under an FSCL, IBRD enters into rate-fixing swap transactions to provide the borrower with a fixed rate. At the end of each disbursement period, through a rate-fixing swap transaction, IBRD fixes the rate for the amount of the loan disbursed during that period. Thus an FSCL consists of multiple tranches, each with its own fixed rate. Upon a prepayment IBRD unwinds the rate fixing swap transaction(s) entered into in connection with the amount

⁴ The Bank will effect a market transaction or use a screen rate calculation on the prepayment date or shortly thereafter, and it generally takes two business days to settle a swap.

⁵ As approved by the Board of Executive Directors from time to time.

⁶ Article III, Section 3.04 (c) of the General Conditions applicable to VSLs provides that the premium payable on prepayment of any maturity shall be an amount reasonably determined by the Bank to represent any cost to the Bank of redeploying the amount to be prepaid from the date of prepayment to the maturity date. Although the spread on the VSL includes a variable margin that is adjusted every six months on the basis of the weighted average cost margin of the debt allocated to VSLs, under current practices, the calculation of the redeployment cost derived from the difference in the variable margins would result in a de minimis amount being payable to the Bank (being the difference in spreads for the period from the date of prepayment until the next following interest payment date). As this amount is not likely to be significant, under current practices, the difference in the VSL's variable margin is not included in the calculation of the prepayment premium.



Operational Policies

of the loan to be prepaid.⁷ The degree of off-marketness of each such rate-fixing swap issued to determine the redeployment cost of the full amount of the loan to be prepaid. If IBRD enters into more than one rate fixing swap transaction in connection with the loan amount to be prepaid, IBRD nets out any gains and losses resulting from the unwinding of such swap transactions. The borrower pays to IBRD the net amount, so calculated, as the prepayment premium; provided, however that if such netting results in a negative amount (i.e., in an amount due to the borrower), such amount is deemed to be zero. Prepaid amounts are applied in the inverse order of the disbursed amounts under the loan, with the disbursed amount, that was withdrawn last being prepaid first, and with the latest maturity of such disbursed amount being prepaid first. Within each tranche, the amount to be prepaid is applied in inverse order of maturity.

Pre-Pool Loans, Currency Pool Loans (CPLs), and Single Currency Pool Loans (SCPs)

5. Assessment of the prepayment premium waiver on Currency Pool Loans (CPLs), Single Currency Pool Loans (SCPs), and pre-pool loans is based on the following procedure:

- a. The latest available carrying values and estimated values for loans in various categories, as reported semiannually in IBRD's audited financial statements, are the basis for assessing whether a waiver of the contractual prepayment premium can be granted.⁸
- b. The prepayment premium on the loan is waived in its entirety if the estimated value of all loans in a particular category is less than or equal to the carrying value. However, the premium is applied if the estimated value is greater than the carrying value—with the added proviso that it will be the smaller of the computed contractual premium on the loan and the premium over the carrying value as determined by the estimated value. If interest rates were to rise, the "off-marketness" of the lending rates would be narrowed, and the contractual prepayment premium on these loans could be higher than the premium of the estimated value over the carrying value. In that case, the borrower would pay the latter as the premium, thus receiving a partial prepayment premium waiver.
- c. For pre-pool loans with interest rates lower than 7 percent, prepayment premia waivers may be granted on a loan-by-loan basis. (All pre-pool loans are fixed-rate loans).
- d. For financial intermediary loans with flexible amortization schedules, IBRD waives the premium if the financial intermediaries make the prepayments after receiving the prepayments from the sub-borrowers.

⁷ The Bank effects a market transaction or uses a screen rate calculation on the prepayment date or shortly thereafter, and it generally takes two business days to settle a swap.

⁸ "Carrying" value and "estimated" value are terms used in IBRD's financial statements. The "carrying" value of an IBRD loan is synonymous with the book value of the loan and is expressed in USD equivalent terms. It can be defined as the historical value of currencies in USD equivalents outstanding on the loan, plus the translation adjustment on the loan. IBRD loans do not have a secondary market. "Estimated" values of IBRD loans published in IBRD's financial statements are used as a proxy for the market-to-market value of IBRD loans.



Operational Policies

6. Prepayment premium schedules for pre-pool loans, CPLs, and SCPs are included in the Loan Agreements for those loans. Premia are calculated in accordance with these schedules as illustrated below. *Pre-Pool Loans, Fixed-Rate CPLs, Fixed-Rate SCPs*

7. For fixed rate pre-pool loans, fixed-rate CPLs, and fixed-rate SCPs, the premium is computed in the following manner: for each of the maturities of a loan being prepaid, the premium is calculated by multiplying the amount of the maturity by the appropriate premium rate appearing in the Loan Agreement. The total prepayment premium for the loan is the sum of the premia computed for all maturities being prepaid.

Variable-Rate CPL and Variable-Rate SCPs

8. For a variable rate CPL or SCP, for each of the maturities being prepaid, the premium rate is calculated by multiplying the current interest rate on the loan with the appropriate factor from the "Premiums on Prepayment" schedule in the Loan Agreement. The premium rate so computed is then applied to the appropriate maturity to arrive at the prepayment premium for that maturity. Premia computed for all maturities being prepaid are added together to arrive at the prepayment premium for the loan.

9. As an illustration, assume a Category III country prepays any variable-rate pool loan with four remaining maturities. Each maturity is \$1 million and the total prepayment is US\$4 million. Assume further that the current interest rate on the loan is 6.5 percent and the factor from the "Premiums on Prepayment" schedule in the Loan Agreement is 0.18. The premium rate for the maturities being prepaid is $(.065 \times .18)$, which is .0117, or 1.17 percent. Multiplying \$4 million by the premium rate of 1.17 percent, produces the total premium of \$46,800 for the loan.



Note: This OP 3.10, Annex C replaces the version dated July 2014. The financing terms below are effective for all loans that are approved by the Executive Directors on or after July 1, 2015.

Countries Ranked by Per Capita Income

A. IBRD Only ¹			
Category iv (over \$7,175)			
Korea, Republic of	27,090	Mexico	9,980
Uruguay	16,360	Lebanon	9,880
Chile	14,900	Costa Rica	9,750
Argentina ⁶	14,560	Mauritius	9,710
St. Kitts and Nevis	14,540	Romania	9,370
Seychelles	13,990	Gabon	9,320
Poland	13,730	Turkmenistan	8,020
Antigua and Barbuda	13,360	Libya	7,920
Equatorial Guinea	13,340	Botswana	7,880
Russian Federation ⁷	13,210	Colombia	7,780
Croatia	13,020	Azerbaijan	7,590
Venezuela, RB de	12,820	Bulgaria	7,420
Brazil	11,760	China	7,380
Kazakhstan	11,670	Belarus	7,340
Palau	11,110	Montenegro	7,240
Panama	10,970	Suriname	NA
Turkey	10,850	Trinidad and Tobago	NA
Malaysia	10,660		
Category iii (\$1,215 - \$7,175)			
South Africa	6,800	Armenia	3,810
Iraq	6,410	El Salvador	3,780
Peru	6,410	Georgia	3,720
Ecuador	6,040	Indonesia	3,650
Dominican Republic	5,950	Ukraine ⁷	3,560
Namibia	5,820	Guatemala	3,440
Serbia	5,820	Philippines	3,440
Thailand	5,410	Egypt, Arab Republic of	3,280
Algeria	5,340	Morocco	3,020
Angola	5,300	Swaziland	2,700



Jordan	5,160	India ⁵	1,610
Macedonia, FYR of	5,070	Belize	NA
Bosnia and Herzegovina	4,770	Iran, Islamic Republic of	NA
Fiji	4,540	Jamaica	NA
Albania	4,460	Syrian Arab Republic ³	NA
Paraguay	4,150	Tunisia	NA
B. Blend ²			
Category iv (over \$7,175)			
Grenada ⁴	7,850		
Category iii (\$1,215 - \$7,175)			
St. Lucia ⁴	7,090	Bolivia	2,830
Dominica ⁴	7,070	Congo, Republic of	2,680
St. Vincent and the Grenadines ⁴	6,560	Moldova	2,550
Mongolia	4,320	Uzbekistan	2,030
Cabo Verde ⁴	3,520	Vietnam	1,890
Sri Lanka	3,400	Pakistan	1,410
Timor-Leste	3,120	Cameroon	1,350
Nigeria	2,950	Papua New Guinea	NA
Category i (\$1,045 or less)			
Zimbabwe ³	860		
C. IDA ²			
Category iv (over \$7,175)			
Maldives ⁴	7,290		
Category iii (\$1,215 - \$7,175)			
Tonga ⁴	4,280	Sao Tome and Principe ⁴	1,570
Samoa ⁴	4,050	Cote d'Ivoire	1,550
Kosovo, Republic of	4,000	Lesotho	1,350
Guyana	3,970	Kenya	1,280
Bhutan	2,390	Myanmar	1,270
Kiribati ⁴	2,280	Mauritania	1,260
Honduras	2,190	Kyrgyz Republic	1,250
Nicaragua	1,830	Djibouti	NA
Solomon Islands	1,830	Marshall Islands ⁴	NA
Zambia	1,760	Micronesia, Fed. Sts Of ⁴	NA
Sudan ³	1,740	Tuvalu ⁴	NA
Ghana	1,620	Vanuatu ⁴	NA
Lao PDR	1,600	Yemen, Republic of	NA



Category ii (\$1,215 or less)			
Bangladesh	1,080	Senegal	1,050
Tajikistan	1,060		

Category i (\$1,045 or less)			
Cambodia	1,010	Togo	580
Chad	1,010	Guinea-Bissau	570
South Sudan	960	Ethiopia	550
Tanzania	930	Eritrea ³	530
Comoros	840	Guinea	480
Haiti	830	Gambia, The	450
Benin	810	Madagascar	440
Nepal	730	Niger	430
Mali	720	Congo, Democratic Republic	410
Sierra Leone	720	Liberia	400
Burkina Faso	710	Central African Republic	330
Afghanistan	680	Burundi	270
Uganda	660	Malawi	250
Rwanda	650	Somalia ³	NA
Mozambique	630		

Key

NA = Estimates are available in ranges only

Changes during previous fiscal year

1. Angola, Armenia, Bosnia and Herzegovina, Georgia and India changed from a Blend borrower to IBRD borrower status, effective FY15.

1. World Bank Atlas methodology; 2014 per capita GNI (Gross National Income, formerly GNP) figures are in U.S. dollars.
2. Countries are eligible for IDA on the basis of (a) relative poverty and (b) lack of creditworthiness. The operational cutoff for IDA eligibility for FY16 is a 2014 GNI per capita of US\$1,215, using Atlas methodology. To receive IDA resources, countries must also meet tests of performance. An exception has been made for small island economies. In exceptional circumstances, IDA extends eligibility temporarily to countries that are above the operational cutoff and are undertaking major adjustment efforts but are not creditworthy for IBRD lending.
3. Loans/credits in nonaccrual status as of July 1, 2015. General information on countries with loan/credits in nonaccrual status is available from the Credit Risk Department in Finance Partners.
4. The country represents a small island economy exception and receives financing on IDA terms.
5. During IDA17 India will receive exceptional transitional support from IDA.
6. Based on data officially reported by the National Statistics and Censuses Institute of Argentina. The International Monetary Fund (IMF) has called on Argentina to adopt measures to address the quality of official GDP and consumer price index data, and issued an updated statement on Argentina's progress on June 3, 2015:



- <http://www.imf.org/external/np/sec/pr/2015/pr15252.htm>
7. These calculations are based on numbers and data from official statistics of Ukraine and the Russian Federation; by relying on those numbers and data, the Bank does not intend to make any judgment on the legal or other status of the territories concerned or to prejudice the final determination of the parties' claims.



Note: This OP 3.10, Annex D replaces the version dated September 24, 2014. The financing terms below are effective for all loans that are approved by the Executive Directors on or after July 1, 2015.

IBRD/IDA and Blend Countries: Per Capita Incomes, Lending Eligibility, and Repayment Terms

- For questions on per capita income estimates, please contact the Director, DECDG
- For questions on IDA eligibility and IDA terms, the Director, DFIRM
- For questions on creditworthiness and IBRD terms, the Director, CROCR
- For questions on customized IBRD repayment terms, the Director, FABDR

The following 2014 per capita income guidelines apply for operational purposes:

- US\$1,045 or less for granting civil works preference to eligible domestic contractors in evaluating civil works bids procured under international competitive bidding (see OP/BP 11.00, Procurement);
- US\$1,215 or less as the operational cutoff for IDA eligibility;
[US\$1,985 as the historical ceiling for IDA eligibility;]
- Over US\$1,215 for IBRD terms;
- US\$7,175 or more for initiating the IBRD graduation process.

Country	GNI per Capita ¹ (US\$)	Income Categories	Lending Eligibility	LDC ⁴	IBRD Repayment Terms ¹³		IDA Repayment Terms		
					Average repayment maturity (years)	Years to maturity (years)	Grace Period (years) ⁵	Years to maturity ⁶	Grant (%) ¹²
Afghanistan	680	i	IDA ^{2,3}	LDC	-	-	6	38	100%
Albania	4,460	iii	IBRD		20	35	-	-	-
Algeria	5,340	iii	IBRD		20	35	-	-	-
Angola	5,300	iii	IBRD	LDC	20	35	-	-	-
Antigua and Barbuda	13,360	iv	IBRD		20	35	-	-	-
Argentina ¹⁶	14,560	iv	IBRD		20	35	-	-	-
Armenia	3,810	iii	IBRD		20	35	-	-	-
Azerbaijan	7,590	iv	IBRD		20	35	-	-	-
Bangladesh	1,080	ii	IDA ^{2,3}	LDC	-	-	6	38	0%
Belarus	7,340	iv	IBRD		20	35	-	-	-
Belize	NA	iii	IBRD		20	35	-	-	-
Benin	810	i	IDA ^{2,3}	LDC	-	-	6	38	0%
Bhutan ⁹	2,390	iii	IDA ^{2,3}	LDC	-	-	5	25	0%
Bolivia ¹¹	2,830	iii	Blend ²		20	35	5	25	0%
Bosnia and Herzegovina	4,770	iii	IBRD		20	35	-	-	-



Country	GNI per Capita ¹ (US\$)	Income Categories	Lending Eligibility	LDC ⁴	IBRD Repayment Terms ¹³		IDA Repayment Terms		
					Average repayment maturity (years)	Years to maturity (years)	Grace Period (years) ⁵	Years to maturity ⁶	Grant (%) ¹²
Botswana	7,880	iv	IBRD		20	35	-	-	-
Brazil	11,760	iv	IBRD		20	35	-	-	-
Bulgaria	7,420	iv	IBRD		20	35	-	-	-
Burkina Faso	710	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Burundi	270	i	IDA ^{2,3}	LDC	-	-	6	38	100%
Cabo Verde ⁸	3,520	iii	Blend ²		20	35	10	40	0%
Cambodia	1,010	i	IDA ^{2,3}	LDC	-	-	6	38	0%
Cameroon ¹¹	1,350	iii	Blend ²		20	35	5	25	0%
Central African Republic	330	i	IDA ^{2,3}	LDC	-	-	6	38	100%
Chad	1,010	i	IDA ^{2,3}	LDC	-	-	6	38	100%
Chile	14,900	iv	IBRD		20	35	-	-	-
China	7,380	iv	IBRD		20	35	-	-	-
Colombia	7,780	iv	IBRD		20	35	-	-	-
Comoros	840	i	IDA ^{2,3}	LDC	-	-	10	40	50%
Congo, Democratic Republic	410	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Congo, Republic of ¹¹	2,680	iii	Blend ²		20	35	5	25	0%
Costa Rica	9,750	iv	IBRD		20	35	-	-	-
Cote d'Ivoire ⁹	1,550	iii	IDA ^{2,3}		-	-	5	25	0%
Croatia	13,020	iv	IBRD		20	35	-	-	-
Djibouti ⁹	NA	iii	IDA ^{2,3}	LDC	-	-	5	25	0%
Dominica ⁸	7,070	iii	Blend ²		20	35	10	40	0%
Dominican Republic	5,950	iii	IBRD		20	35	-	-	-
Ecuador	6,040	iii	IBRD		20	35	-	-	-
Egypt, Arab Republic of	3,280	iii	IBRD		20	35	-	-	-
El Salvador	3,780	iii	IBRD		20	35	-	-	-
Equatorial Guinea	13,340	iv	IBRD	LDC	20	35	-	-	-
Eritrea ⁷	530	i	IDA ^{2,3}	LDC	-	-	6	38	-
Ethiopia ¹⁴	550	i	IDA ^{2,3}	LDC	-	-	6	38	0%
Fiji	4,540	iii	IBRD		20	35	-	-	-
Gabon	9,320	iv	IBRD		20	35	-	-	-

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



Country	GNI per Capita ¹ (US\$)	Income Categories	Lending Eligibility	LDC ⁴	IBRD Repayment Terms ¹³		IDA Repayment Terms		
					Average repayment maturity (years)	Years to maturity (years)			
Gambia, The	450	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Georgia	3,720	iii	IBRD		20	35	-	-	-
Ghana ⁹	1,620	iii	IDA ^{2,3}		-	-	5	25	0%
Grenada ⁸	7,850	iv	Blend ²		20	35	10	40	0%
Guatemala	3,440	iii	IBRD		20	35	-	-	-
Guinea	480	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Guinea-Bissau	570	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Guyana ⁹	3,970	iii	IDA ^{2,3}		-	-	5	25	0%
Haiti	830	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Honduras ⁹	2,190	iii	IDA ^{2,3}		-	-	5	25	0%
India ¹⁵	1,610	iii	IBRD		20	35	5	25	0%
Indonesia	3,650	iii	IBRD		20	35	-	-	-
Iran, Islamic Republic of	NA	iii	IBRD		20	35	-	-	-
Iraq	6,410	iii	IBRD		20	35	-	-	-
Jamaica	NA	iii	IBRD		20	35	-	-	-
Jordan	5,160	iii	IBRD		20	35	-	-	-
Kazakhstan	11,670	iv	IBRD		20	35	-	-	-
Kenya ¹⁰	1,280	iii	IDA ^{2,3}		-	-	6	38	0%
Kiribati ⁸	2,280	iii	IDA ^{2,3}	LDC	-	-	10	40	100%
Korea, Republic of	27,090	iv	IBRD		20	35	-	-	-
Kosovo, Republic of ⁹	4,000	iii	IDA ^{2,3}		-	-	5	25	0%
Kyrgyz Republic ¹⁰	1,250	iii	IDA ^{2,3}		-	-	6	38	50%
Lao PDR ⁹	1,600	iii	IDA ^{2,3}	LDC	-	-	5	25	0%
Lebanon	9,880	iv	IBRD		20	35	-	-	-
Lesotho ⁹	1,350	iii	IDA ^{2,3}	LDC	-	-	5	25	0%
Liberia	400	i	IDA ^{2,3}	LDC	-	-	6	38	0%
Libya	7,920	iv	IBRD		20	35	-	-	-
Macedonia, FYR of	5,070	iii	IBRD		20	35	-	-	-
Madagascar	440	i	IDA ^{2,3}	LDC	-	-	6	38	0%
Malawi	250	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Malaysia	10,660	iv	IBRD		20	35	-	-	-
Maldives ⁸	7,290	iv	IDA ^{2,3}		-	-	10	40	50%

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



Country	GNI per Capita ¹ (US\$)	Income Categories	Lending Eligibility	LDC ⁴	IBRD Repayment Terms ¹³		IDA Repayment Terms		
					Average repayment maturity (years)	Years to maturity (years)	Grace Period (years) ⁵	Years to maturity ⁶	Grant (%) ¹²
Mali	720	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Marshall Islands ⁸	NA	iii	IDA ^{2,3}		-	-	10	40	100%
Mauritania ¹⁰	1,260	iii	IDA ^{2,3}	LDC	-	-	6	38	100%
Mauritius	9,710	iv	IBRD		20	35	-	-	-
Mexico	9,980	iv	IBRD		20	35	-	-	-
Micronesia, Fed. Sts. Of ⁸	NA	iii	IDA ^{2,3}		-	-	10	40	100%
Moldova ¹¹	2,550	iii	Blend ²		20	35	5	25	0%
Mongolia ¹¹	4,320	iii	Blend ²		20	35	5	25	0%
Montenegro	7,240	iv	IBRD		20	35	-	-	-
Morocco	3,020	iii	IBRD		20	35	-	-	-
Mozambique	630	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Myanmar ¹⁰	1,270	iii	IDA ^{2,3}	LDC	-	-	6	38	0%
Namibia	5,820	iii	IBRD		20	35	-	-	-
Nepal	730	i	IDA ^{2,3}	LDC	-	-	6	38	0%
Nicaragua ⁹	1,830	iii	IDA ^{2,3}		-	-	5	25	0%
Niger	430	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Nigeria ¹¹	2,950	iii	Blend ²		20	35	5	25	0%
Pakistan ¹¹	1,410	iii	Blend ²		20	35	5	25	0%
Palau	11,110	iv	IBRD		20	35	-	-	-
Panama	10,970	iv	IBRD		20	35	-	-	-
Papua New Guinea ¹¹	NA	iii	Blend ²		20	35	5	25	0%
Paraguay	4,150	iii	IBRD		20	35	-	-	-
Peru	6,410	iii	IBRD		20	35	-	-	-
Philippines	3,440	iii	IBRD		20	35	-	-	-
Poland	13,730	iv	IBRD		20	35	-	-	-
Romania	9,370	iv	IBRD		20	35	-	-	-
Russian Federation ¹⁷	13,210	iv	IBRD		20	35	-	-	-
Rwanda	650	i	IDA ^{2,3}	LDC	-	-	6	38	0%
Samoa ⁸	4,050	iii	IDA ^{2,3}		-	-	10	40	50%
Sao Tome and Principe ⁸	1,570	iii	IDA ^{2,3}	LDC	-	-	10	40	100%
Senegal	1,050	ii	IDA ^{2,3}	LDC	-	-	6	38	0%
Serbia	5,820	iii	IBRD		20	35	-	-	-

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



Country	GNI per Capita ¹ (US\$)	Income Categories	Lending Eligibility	LDC ⁴	IBRD Repayment Terms ¹³		IDA Repayment Terms		
					Average repayment maturity (years)	Years to maturity (years)	Grace Period (years) ⁵	Years to maturity ⁶	Grant (%) ¹²
Seychelles	13,990	iv	IBRD		20	35	-	-	-
Sierra Leone	720	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Solomon Islands ¹⁰	1,830	iii	IDA ^{2,3}	LDC	-	-	10	40	50%
Somalia ⁷	NA	i	IDA ^{2,3}	LDC	-	-	6	38	-
South Africa	6,800	iii	IBRD		20	35	-	-	-
South Sudan	960	i	IDA ^{2,3}	LDC			6	38	50%
Sri Lanka ¹¹	3,400	iii	Blend ²		20	35	5	25	0%
St. Kitts and Nevis	14,540	iv	IBRD		20	35	-	-	-
St. Lucia ⁸	7,090	iii	Blend ²		20	35	10	40	0%
St. Vincent and the Grenadines ⁸	6,560	iii	Blend ²		20	35	10	40	0%
Sudan ⁷	1,740	iii	IDA ^{2,3}	LDC	-	-	6	38	-
Suriname	NA	iv	IBRD		20	35	-	-	-
Swaziland	2,700	iii	IBRD		20	35	-	-	-
Syrian Arab Republic ⁷	NA	iii	IBRD		20	35	-	-	-
Tajikistan	1,060	ii	IDA ^{2,3}		-	-	6	38	0%
Tanzania	930	i	IDA ^{2,3}	LDC	-	-	6	38	0%
Thailand	5,410	iii	IBRD		20	35	-	-	-
Timor-Leste ¹¹	3,120	iii	Blend ²	LDC	20	35	5	25	0%
Togo	580	i	IDA ^{2,3}	LDC	-	-	6	38	50%
Tonga ⁸	4,280	iii	IDA ^{2,3}		-	-	10	40	50%
Trinidad and Tobago	NA	iv	IBRD		20	35	-	-	-
Tunisia	NA	iii	IBRD		20	35	-	-	-
Turkey	10,850	iv	IBRD		20	35	-	-	-
Turkmenistan	8,020	iv	IBRD		20	35	-	-	-
Tuvalu ⁸	NA	iii	IDA ^{2,3}	LDC	-	-	10	40	100%
Uganda	660	i	IDA ^{2,3}	LDC	-	-	6	38	0%
Ukraine ¹⁷	3,560	iii	IBRD		20	35	-	-	-
Uruguay	16,360	iv	IBRD		20	35	-	-	-
Uzbekistan ¹¹	2,030	iii	Blend ²		20	35	5	25	0%
Vanuatu ⁸	NA	iii	IDA ^{2,3}	LDC	-	-	10	40	50%
Venezuela, RB de	12,820	iv	IBRD		20	35	-	-	-

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



Country	GNI per Capita ¹ (US\$)	Income Categories	Lending Eligibility	LDC ⁴	IBRD Repayment Terms ¹³		IDA Repayment Terms		
					Average repayment maturity (years)	Years to maturity (years)	Grace Period (years) ⁵	Years to maturity ⁶	Grant (%) ¹²
Vietnam ¹¹	1,890	iii	Blend ²		20	35	5	25	0%
Yemen, Republic of ¹⁰	NA	iii	IDA ^{2,3}	LDC	-	-	6	38	50%
Zambia ⁹	1,760	iii	IDA ^{2,3}	LDC	-	-	5	25	0%
Zimbabwe ⁷	860	i	Blend ²		20	35	5	25	-

Key

NA = Estimates are available in ranges only

A = Annuity

LRP = Level repayments of principal

1. World Bank Atlas methodology; 2014 per capita GNI (Gross National Income, formerly GNP) figures are in U.S. dollars.
2. Countries are eligible for IDA on the basis of (a) relative poverty and (b) lack of creditworthiness. The operational cutoff for IDA eligibility for FY16 is a 2014 GNI per capita of US\$1,215, using Atlas methodology. To receive IDA resources, countries must also meet tests of performance. An exception has been made for some small island economies (see footnote 8). In exceptional circumstances, IDA also extends eligibility temporarily to countries that are above the operational cutoff and are undertaking major adjustment efforts but are not creditworthy for IBRD lending.
3. IDA-only countries except for limited IBRD lending for enclave projects.
4. Countries that are classified as least developed countries (LDCs) by the United Nations (see OP 3.10, para. 39).
5. IDA regular term credits approved on or after July 1, 2015 will have a 6-year grace period. IDA blend term and hard-term credits will continue to have a 5-year grace period, and IDA regular term credits for small island economies will continue to have a 10-year grace period.
6. Effective from July 1, 2015, the maturity for IDA regular credits is 38 years with principal repayable at 3.125 percent per annum for years 7-38. The maturity for IDA regular credits for small island economies will continue to be 40 years with principal repayable at 2 percent per annum for years 11-20 and 4 percent per annum for years 21-40. Effective from July 1, 2011, the formerly blend and hardened terms have been consolidated into one blend credit instrument with a maturity of 25 years, a grace period of 5 years, a 1.25 interest charge, and with principal repayable at 3.3 percent per annum for years 6-15 and 6.7 percent per annum for years 16-25. The new blend terms apply to credits approved on or after July 1, 2011. In addition to credits in new blend terms, some countries are also eligible for hard-term IDA credits; please refer to footnote 11 for further information. IDA credits include an acceleration clause, providing for the possibility of doubling of principal payments from creditworthy borrowers where per capita income remains above eligibility thresholds.
7. Loans/credits in nonaccrual status as of July 1, 2015. Their grant eligibility will be determined when these countries reengage with IDA/IBRD. General information on countries with loan/credits in nonaccrual status is available from the Credit Risk Department in Finance Partners.
8. IDA eligible countries under the small island economy exception. For credits approved on or after July 1, 2011, the financing terms for the small island blend countries are changed from blend credit terms to regular IDA credit terms.
9. The GNI per capita has been above the operational cutoff for IDA eligibility for more than two consecutive years, therefore the borrower will be subject to IDA lending on blend terms.
10. The country's GNI per capita has been above the IDA operational cutoff for either one or two years, and the borrower will continue to access IDA resources on regular terms. Once the GNI per capita has been above the operational cutoff for IDA eligibility for more than two consecutive years, the borrower will be subject to IDA lending on blend terms.



11. Countries eligible for hard-term IDA credits as defined in IDA16, effective July 1, 2011. These are all countries eligible for IBRD/IDA blend financing, excluding small islands. These resources are additional to a country's regular performance based allocation. The access to hard-term credits is expanded in proportion to the countries' performance-based allocation. The maturity of hard-term credits is 25 years, with a 5 year grace period, and a 3.3 percent of principal repayable per annum for years 6-15 and 6.7 percent per annum for years 16-25. Standard IDA service and commitment charges apply plus a fixed interest charge for the life of each credit. The interest rate is set annually and applies to new credits approved in that year, then fixed for the duration of that credit. For credits approved on or after July 1, 2015 and before July 1, 2016, the interest rate is 1.08 percent.
12. Grant eligibility varies by fiscal year and is based on the IDA grant framework in accordance with the IDA16 Agreement entitled "Additions to IDA Resources: Sixteenth Replenishment—IDA16: Delivering Development Results" (February 15, 2011).
13. The new IBRD maturity structure will not apply to loans that meet both the following conditions: (i) the Invitation to Negotiate is issued on or before June 30, 2014; and (ii) the Executive Directors approve the loan on or before September 30, 2014.
14. IDA's financing terms reflect the application of NCBP remedies.
15. During IDA17 India will receive exceptional transitional support from IDA. The maturity for transitional support credits is 25 years, with a 5 year grace period and principle repayable at 5 percent per annum for years 6-25. Transitional support credits are exempt from the accelerated repayment clause.
16. Based on data officially reported by the National Statistics and Censuses Institute of Argentina. The International Monetary Fund (IMF) has called on Argentina to adopt measures to address the quality of official GDP and consumer price index data, and issued an updated statement on Argentina's progress on June 3, 2015: <http://www.imf.org/external/np/sec/pr/2015/pr15252.htm>
17. These calculations are based on numbers and data from official statistics of Ukraine and the Russian Federation; by relying on those numbers and data, the Bank does not intend to make any judgment on the legal or other status of the territories concerned or to prejudice the final determination of the parties' claims.

Changes during previous fiscal year

1. Angola, Armenia, Bosnia and Herzegovina, Georgia and India changed from a Blend borrower to IBRD borrower status, effective FY15.



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"OP/BP3:10" *Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits* were revised on July 2014 to take into account the recommendations in "World Bank Group A New Approach to Country Engagement" (R2014-0089), which were approved by the Executive Directors on May 22, 2014. As a result of these recommendations; [OP/BP 13.16](#), *Country Portfolio Performance Reviews* has been retired, [OP/BP 2.30](#) *Development Cooperation and Conflict* references to ISN were replaced by CEN and included in the Country Engagement Directive; [OP 1.00](#) *Poverty Reduction* footnote 2 has been deleted; [BP 3.10](#), *Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits*, [OP/BP 4.02](#) *Environmental Action Plans*, [OP 8.00](#), *Rapid Response to Crises and Emergencies*, [OP 11.00](#), *Procurement* have also been updated to reflect editorial changes

Questions on this OP/BP may be addressed to the Manager, Fragile and Conflict-Affected Countries (OPCFCinfo@worldbank.org).

Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits

1. Bank staff include discussions on the optimal use of IBRD's financial products as an integral part of IBRD's dialogue with the borrower to help it strengthen its sovereign asset-liability management capacity or devise a coherent risk management strategy if it does not have one. The Country Partnership Framework preparation provides an opportunity to review debt management issues and strategies and to discuss the choice of financial instrument(s) for upcoming operations.

New Loan Commitments

2. IBRD's financing options allow the borrower a choice of financial terms both before Board approval and during the life of the loan. The borrower is solely responsible for choosing the financial terms of the IBRD loan. IBRD staff are responsible for ensuring that the borrower is aware of available financing options at the appropriate time. IBRD staff provide information but do not recommend specific loan terms or advise the borrower in their selection.

3. As early as possible during loan preparation, IBRD staff ensure that the borrower is aware of the following sequence of decisions: (a) choice of loan product; (b) choice of the currency or currencies of loan denomination; (c) whether to pay the front-end fee up front or finance it out of the loan proceeds; (d) repayment schedule choices; and (e) if fixed-spread loan (FSL) terms are selected, choice of the conversion options to be included in the Loan Agreement and, if the interest rate conversion option is chosen, whether to instruct the Bank to periodically fix the rate on disbursed loan amounts through inclusion of an Automatic Rate Fixing (ARF) clause in the Loan Agreement.

4. *Appraisal.* Before project/program appraisal, the task team leader (TL) provides to the representative of the borrower/guarantor in charge of making financial term choices the Banking and Debt Management Group's (BCFBD's) information package, including a loan choice

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worksheet outlining the options mentioned above.¹ Once the borrower indicates its selection by completing the loan choice worksheet and sending it back to the BCFBD, BCFBD forwards the worksheet to Loan Department and Legal Department for their use in preparing the applicable draft legal documentation.

5. The task team describes the selected loan terms on the front page of the Project/Program Appraisal Document (PAD) and includes them in the financial analysis for the project/program. For a revenue-generating project/program, the appropriate section of the PAD discusses the selected terms and their effect on the project's/program's risks and benefits. When the borrower chooses disbursement-linked repayment of an FSL, the task team defines the expected disbursements in semester increments on the basis of IBRD's fiscal year, reliable expenditure forecasts, and sound cost analysis.

6. *Negotiations.* The borrower confirms its choice of financial terms during negotiations, and a final version of the loan choice worksheet reflecting the borrower's final choices is attached to the Minutes of Negotiation. The borrower's rationale for its choice of currency, interest rate basis, and repayment schedule are reflected in the Minutes of Negotiation.

7. On the basis of the agreed repayment terms, the finance officer prepares the amortization schedule for inclusion in the draft Loan Agreement annexed to the Minutes of Negotiations. For variable-spread loans (VSLs), the country director clears any deviation from standard country terms with the Regional vice president (RVP); Director, Corporate Finance Department (SFRCF); Director, Loan Department (LOA); and the chief counsel of the relevant Regional Practice Group, Legal Vice Presidency (LEG).²

8. *Implementation, Monitoring, and Evaluation.* During project/program implementation and through the life of the loan, Bank staff ensure that the borrower has sufficient information on the options available to convert to a different currency or interest rate basis or use an IBRD hedging product. CPPR mission reports include updated assessments of the extent to which selected loan terms are actually assisting the borrower in reducing its financial risks by more closely matching the currency and interest rate characteristics of its assets and liabilities. For a direct loan or a subloan to a revenue-earning entity, the Implementation Completion Report assesses the impact of the selected loan on the entity's financial risk management.

Conversion and Hedging Requests³

9. When the Loan Client and Financial Services Division of the Accounting Department (ACTCF) receives the borrower's signed request for FSL conversion or hedging products, it

¹ The loan choice worksheet can be downloaded from <http://www.worldbank.org/fps>.

² See [OP 3.10](#), para. 32.

³ Detailed information on and procedures for FSL conversions and use of hedging products are set out in the Guidelines for Conversion of Loan Terms for Fixed-Spread Loans (the Conversion Guidelines) and Guidelines for Using IBRD Hedging Products (the Hedging Guidelines), respectively. Both are available at <http://www.worldbank.org/fps>. Each contains an annex providing the request forms.



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sends the request, through the Loan Tracking System (LTS),⁴ to the country director, LEG, and the Banking and Debt Management Group (BCFBD) for clearance. The country director (or a designated representative) reviews the borrower's rationale for the conversion or hedge request and discusses any concerns with BCFBD, seeking further clarification from the borrower as necessary. Ultimately, if IBRD is not satisfied with the rationale for the transaction, it retains the right (under the legal documentation) to decline the request. Following internal clearance, ACTCF sends the request to the Asset-Liability Management Group (ALM) in the Bank's Treasury for trade execution within 15 business days. ALM then returns the request to ACTCF for the necessary financial recording and borrower notification.

Changes to Approved Repayment Terms of IBRD Loans

10. Under exceptional circumstances, IBRD may, upon receiving a request by the borrower, change existing repayment terms for a loan using the following procedures:
- If the principal disbursed and outstanding under a loan is less than the scheduled maturity payment*, ACTCF advises the TL of the adjustments required, and the TL informs the borrower of the adjustment. ACTCF bills the borrower an amount equal to the full disbursed and outstanding balance and adds the balance of the scheduled maturity payment to the next scheduled maturity payment. This process continues until the disbursed and outstanding balance exceeds the scheduled maturity payment plus any additions due to such deferrals.⁵
 - If there are extraordinary country or project/program circumstances*, requests to change existing repayment terms are endorsed by the country director and cleared by the RVP; Director, SFRCF; Director, ACTCF; and the chief counsel of the relevant Regional Practice Group, LEG.

Prepayment Requests

11. When the borrower submits a signed prepayment request to ACTCF, ACTCF requests ALM to compute the prepayment premium.⁶ ACTCF then communicates the amount of any premium to the borrower. ACTCF monitors the level of prepayment requests during the year and notifies SFRCF if the Bank receives a large volume of such requests. Moreover, if any prepayment gives rise to a financial policy issue, ACTCF consults SFRCF.
12. *Prepayment.* In consultation with the Region and the borrower as required, ACTCF administers the actual prepayment (e.g., currency of payment, date of payment). If sold or

⁴ Internal clearance within the Bank is handled through the LTS, a web-based tracking system that also helps monitor the various processes involved in implementing a request. ACTCF maintains the database of Regional representatives designated to review and authorize through the LTS, FSL conversions and hedge requests from borrowers.

⁵ This case is not applicable to FSLs as repayment installments for FSLs are calculated as a portion of the disbursed and outstanding loan amount.

⁶ For calculation of the prepayment premium see [Annex B](#) of OP 3.10.

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converted portions of the loan are included in the prepayment, ACTCF also informs ALM of the transaction details on those portions, before the agreed date of prepayment.

Responsibilities

13. Each Region has appointed a Regional Product Delivery Team (RDT), led by an RDT Coordinator, to assist other operational staff in the Region in carrying out their responsibilities with respect to the IBRD financial products.⁷

14. The RDT may request support from a Central Resource Team (CRT) led by BCFBD in close collaboration with LEG and LOA. The CRT provides expert support on the application of the financial products and develops operational procedures for delivering new products to borrowers, in collaboration with the Regions. BCFBD supports informed borrower decisionmaking and IBRD staff delivery capacity by offering training and information programs for Bank clients and Bank staff on IBRD loan and hedging products; modeling alternative loan repayment term cash flows and helping clients customize loan terms that meet their financing needs and project/program objectives; and issuing informational materials describing the loan and hedging products and tools to analyze IBRD financial product choices.⁸

⁷ RDT members and designated staff in country units are expected to become thoroughly familiar with the financial product menu by participating in BCFBD's training and certification program.

⁸ Such materials include: (a) product brochures describing the products and their use; (b) a Principal Amortization Generator (PAG) spreadsheet, which allows the user to create different principal repayment schedules specifying the country category and the desired loan repayment terms; (c) an "IBRD Financial Product Workbook" (FPW) model supporting evaluation of product alternatives under various assumptions; and (d) a distance education program with accompanying material. These and other materials are available in hard copy or on the BCFBD website at <http://www.worldbank.org/fps>. Product brochures are available in English and other selected languages.



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Note: OP/BP 4.00, *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects*, 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, OP/BP 10.00, *Investment Project Financing*, have been updated to incorporate the content of OP/BP 13.05, *Supervision*, which have consequently been retired (among other changes). OP/BP 4.00 have consequently also been updated to reflect these changes. General questions on using country systems in World Bank-supported projects should be addressed to the [OPCS Help Desk](#).

Questions on environmental and social safeguards aspects of pilot operations should be directed to the Safeguard Policies Helpdesk in OPCS (safeguards@worldbank.org).

Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects

1. The Bank's¹ environmental and social ("safeguard") policies² are designed to avoid, mitigate, or minimize adverse environmental and social impacts of projects supported by the Bank. The Bank encourages its borrowing member countries to adopt and implement systems³ that meet these objectives while ensuring that development resources are used transparently and efficiently to achieve desired outcomes. To encourage the development and effective application of such systems and thereby focus on building borrower capacity beyond individual project settings, the Bank is piloting the use of borrower systems in Bank-supported projects. The key objective of the pilot program is to improve overall understanding of implementation issues related to greater use of country systems.
2. **Equivalence and Acceptability.** The Bank considers a borrower's environmental and social safeguard system to be equivalent to the Bank's if the borrower's system is designed to achieve the objectives and adhere to the applicable operational principles set out in [Table A1](#). Since equivalence is determined on a policy-by-policy basis, the Bank may conclude that the borrower's system is equivalent to the Bank's in specific environmental or social safeguard areas in particular pilot projects, and not in other such areas. Before deciding on the use of borrower systems, the Bank also assesses the acceptability of the borrower's implementation practices, track record, and capacity.⁴

¹ "Bank" includes IBRD and IDA; "loan" includes IDA credit and IDA grant; and "borrower" includes grant recipient.

² The Bank's environmental and social safeguards policies and procedures are: [OP/BP 4.01](#), *Environmental Assessment*; [OP/BP 4.04](#), *Natural Habitats*; [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 4.36](#), *Forests*; and [OP/BP 4.37](#), *Safety of Dams*.

³ When used in this policy statement "country systems" means a country's legal and institutional framework, consisting of its national, subnational, or sectoral implementing institutions and applicable laws, regulations, rules, and procedures.

⁴ As the applicable statement for the pilots, this OP and BP will apply only to those areas where the Bank has determined equivalence. The Bank's environmental and social safeguard policies will apply to the areas which the Bank has determined not to be equivalent to its applicable policy framework and will continue to apply to



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3. **Addressing Gaps.** If the borrower has to fill gaps in its system to meet the objectives and applicable principles in [Table A1](#) and is committed to doing so, the Bank may, when determining equivalence take account of measures to improve the borrower's system. Similarly if the borrower has to fill gaps in implementation practices and capacity to achieve acceptability and is committed to doing so, the Bank may, when determining acceptability, take account of measures to strengthen borrower implementation practices and capacity. Such measures are to be carried out before the borrower undertakes implementation of the relevant project activities, and may include Bank-supported efforts to strengthen relevant capacity, incentives and methods for implementation.

4. **Borrower Role and Obligations.** The borrower is responsible for achieving and maintaining equivalence as well as acceptable implementation practices, track record, and capacity, in accordance with the Bank's assessment. For each project, the borrower identifies those provisions of the country system that are necessary to ensure that the requirements of [Table A1](#) are met. These provisions may vary from project to project, depending on such factors as the structure of the country's system and the type of operation. In all cases, the specific provisions of the country system and any additional actions that the borrower needs to undertake to achieve and maintain equivalence and acceptable implementation become part of the borrower's contractual obligations to the Bank, subject to the Bank's normal contractual remedies (e.g., suspension of disbursements).

5. **Bank Responsibility.** The Bank is responsible for determining the equivalence and acceptability of borrower systems, and for appraising and supervising pilot projects that use these systems. The Bank carries out its responsibility, including supervision⁵ of borrower implementation practices, track record, and capacity, in a manner proportional to potential impacts and risks. The Bank may explore with the borrower (and, as appropriate, third-parties) the feasibility of arrangements to strengthen ownership and country capacity to implement specific operational principles in [Table A1](#). Without limitation to its responsibility under this paragraph, the Bank may also explore with the borrower (and, as appropriate, third-parties) the feasibility of establishing alternative monitoring arrangements for overseeing the implementation of the project.

6. **Changes in Borrower Systems and Bank Remedies.** If, during project implementation, there are changes in applicable legislation, regulations, rules or procedures, the Bank assesses the effect of those changes and discusses them with the borrower. If, in the judgment of the Bank, the changes reflect a further improvement in the country systems, and if the borrower so requests, the Bank may agree to revise the legal framework applicable to the operation to reflect these improvements, and to amend the legal agreement as necessary. Management documents, explains, and justifies any changes to such framework, and submits them for Board approval (normally on an absence of objection basis). If the country system is changed in a manner inconsistent with the legal framework agreed with the Bank, the Bank's contractual remedies apply.

7. **Disclosure.** To promote transparency and facilitate accountability, the Bank makes public, through the PID early in the project cycle, its intent to use country systems in a proposed pilot operation. It updates this information as project development proceeds. At a later stage, but prior to beginning appraisal, the Bank makes publicly available its analysis of equivalence of borrower systems and Bank

all projects that are not part of the pilot program. Pilot projects will be subject to all other applicable policies and procedures.

⁵ [OP/BP 10.00](#), *Investment Project Financing*, applies to pilot projects.

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requirements and its assessment of the acceptability of borrower implementation practices, track record, and capacity (including a description of the applicable borrower systems and of actions that would achieve and sustain equivalence and acceptability). In addition, the Bank ensures that relevant project-related environmental and social safeguard documents (see [Table A1](#)), including the procedures prepared for projects involving subprojects, are disclosed in a timely manner before project appraisal formally begins, in an accessible place and understandable form and language to key stakeholders.



Environmental and Social Safeguard Policies—Policy Objectives and Operational Principles

<i>Objectives</i>	<i>Operational Principles</i>
A. Environmental Assessment	
To help ensure the environmental and social soundness and sustainability of investment projects.	1. Use a screening process for each proposed project, as early as possible, to determine the appropriate extent and type of environmental assessment (EA) so that appropriate studies are undertaken proportional to potential risks and to direct, and, as relevant, indirect, cumulative, and associated impacts. Use sectoral or regional environmental assessment when appropriate.
To support integration of environmental and social aspects of projects into the decision making process.	2. Assess potential impacts of the proposed project on physical, biological, socio-economic and physical cultural resources, including transboundary and global concerns, and potential impacts on human health and safety.
	3. Assess the adequacy of the applicable legal and institutional framework, including applicable international environmental agreements, and confirm that they provide that the cooperating government does not finance project activities that would contravene such international obligations.
	4. Provide for assessment of feasible investment, technical, and siting alternatives, including the "no action" alternative, potential impacts, feasibility of mitigating these impacts, their capital and recurrent costs, their suitability under local conditions, and their institutional, training and monitoring requirements associated with them.
	5. Where applicable to the type of project being supported, normally apply the Pollution Prevention and Abatement Handbook (PPAH). ¹ Justify deviations when alternatives to measures set forth in the PPAH are selected.

¹ The 1998 Pollution Prevention and Abatement Handbook is being updated. For complete reference, consult the [World Bank Group Environmental Health and Safety Guidelines](http://www1.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Sustainability+Framework/Environmental,+Health,+and+Safety+Guidelines/). The EHS Guidelines are intended as living documents and may be amended and supplemented from time to time. Please check the website [http://www1.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Sustainability+Framework/Environmental,+Health,+and+Safety+Guidelines/] for the most recent version.



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<i>Objectives</i>	<i>Operational Principles</i>
A. Environmental Assessment	
	6. Prevent and, where not possible to prevent, at least minimize, or compensate for adverse project impacts and enhance positive impacts through environmental management and planning that includes the proposed mitigation measures, monitoring, institutional capacity development and training measures, an implementation schedule, and cost estimates.
	7. Involve stakeholders, including project-affected groups and local nongovernmental organizations, as early as possible, in the preparation process and ensure that their views and concerns are made known to decision makers and taken into account. Continue consultations throughout project implementation as necessary to address EA-related issues that affect them.
	8. Use independent expertise in the preparation of EA where appropriate. Use independent advisory panels during preparation and implementation of projects that are highly risky or contentious or that involve serious and multi-dimensional environmental and/or social concerns.
	9. Provide measures to link the environmental assessment process and findings with studies of economic, financial, institutional, social and technical analyses of a proposed project.
	10. Provide for application of the principles in this Table to subprojects under investment and financial intermediary activities.
	11. Disclose draft EA in a timely manner, before appraisal formally begins, in an accessible place and in a form and language understandable to key stakeholders.

<i>Objectives</i>	<i>Operational Principles</i>
B. Natural Habitats	
To promote environmentally sustainable development by supporting the protection, conservation,	1. Use a precautionary approach to natural resources management to ensure opportunities for environmentally



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<i>Objectives</i>	<i>Operational Principles</i>
B. Natural Habitats	
maintenance, and rehabilitation of natural habitats and their functions.	sustainable development. Determine if project benefits substantially outweigh potential environmental costs.
	2. Avoid significant conversion or degradation of critical natural habitats, including those habitats that are (a) legally protected, (b) officially proposed for protection, (c) identified by authoritative sources for their high conservation value, or (d) recognized as protected by traditional local communities.
	3. Where projects adversely affect non-critical natural habitats, proceed only if viable alternatives are not available, and if appropriate conservation and mitigation measures, including those required to maintain ecological services they provide, are in place. Include also mitigation measures that minimize habitat loss and establish and maintain an ecologically similar protected area.
	4. Whenever feasible, give preference to siting projects on lands already converted.
	5. Consult key stakeholders, including local nongovernmental organizations and local communities, and involve such people in design, implementation, monitoring, and evaluation of projects, including mitigation planning.
	6. Provide for the use of appropriate expertise for the design and implementation of mitigation and monitoring plans.
	7. Disclose draft mitigation plan in a timely manner, before appraisal formally begins, in an accessible place and in a form and language understandable to key stakeholders.

<i>Objectives</i>	<i>Operational Principles</i>
C. Pest Management	
[This text refers to Integrated Pest Management (IPM) as defined in OP 4.09].	
To minimize and manage the environmental and health risks associated with pesticide use and	1. Promote use of demand driven, ecologically based biological or environmental pest management practices (Integrated Pest Management [IPM] in agricultural projects



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<i>Objectives</i>	<i>Operational Principles</i>
C. Pest Management	
[This text refers to Integrated Pest Management (IPM) as defined in OP 4.09].	
promote and support safe, effective, and environmentally sound pest management.	and Integrated Vector Management [IVM] in public health projects) and reduce reliance on synthetic chemical pesticides. Include assessment of pest management issues, impacts and risks in the EA process.
	2. Procure pesticides contingent on an assessment of the nature and degree of associated risks, taking into account the proposed use and intended users. Do not procure formulated products that are in WHO Classes IA and IB, or formulations of products in Class II unless there are restrictions that are likely to deny use or access to lay personnel and others without training or proper equipment Reference: WHO's "Recommended Classification of Pesticides by Hazard and Guidelines to Classification" (IOMC, 2000-2002).
	3. Follow the recommendations and minimum standards as described in the United Nations Food and Agriculture Organization (FAO) International Code of Conduct on the Distribution and Use of Pesticides (Rome, 2003) and procure only pesticides that are manufactured, labeled, handled, stored, applied and disposed of according to acceptable standards as described in FAO Pesticide Guidelines on Storage, Labeling, and Disposal (Rome, 1985).
	4. Support policy reform and institutional capacity development to (a) enhance implementation of IPM- and IVM-based pest management, and (b) regulate and monitor the distribution and use of pesticides.
	5. Disclose draft mitigation plan in a timely manner, before appraisal formally begins, in an accessible place and in a form and language that are understandable to key stakeholders.

<i>Objectives</i>	<i>Operational Principles</i>
D. Involuntary Resettlement	
To avoid or minimize involuntary resettlement and, where this is not	1. Assess all viable alternative project designs to avoid, where feasible, or minimize involuntary resettlement.



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<i>Objectives</i>	<i>Operational Principles</i>
D. Involuntary Resettlement	
feasible, to assist displaced persons in improving or at least restoring their livelihoods and standards of living in real terms relative to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher.	
	2. Through census and socio-economic surveys of the affected population, identify, assess, and address the potential economic and social impacts of the project that are caused by involuntary taking of land (e.g., relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, whether or not the affected person must move to another location) or involuntary restriction of access to legally designated parks and protected areas.
	3. Identify and address impacts also if they result from other activities that are (a) directly and significantly related to the proposed project, (b) necessary to achieve its objectives, and (c) carried out or planned to be carried out contemporaneously with the project.
	4. Consult project-affected persons, host communities and local nongovernmental organizations, as appropriate. Provide them opportunities to participate in the planning, implementation, and monitoring of the resettlement program, especially in the process of developing and implementing the procedures for determining eligibility for compensation benefits and development assistance (as documented in a resettlement plan), and for establishing appropriate and accessible grievance mechanisms. Pay particular attention to the needs of vulnerable groups among those displaced, especially those below the poverty line, the landless, the elderly, women and children, Indigenous Peoples, ethnic minorities, or other displaced persons who may not be protected through national land compensation legislation.
	5. Inform displaced persons of their rights, consult them on options, and provide them with technically and economically feasible resettlement alternatives and needed assistance, including (a) prompt compensation at full replacement cost for loss of assets attributable to the project; (b) if there is



<i>Objectives</i>	<i>Operational Principles</i>
D. Involuntary Resettlement	
	relocation, assistance during relocation, and residential housing, or housing sites, or agricultural sites of equivalent productive potential, as required; (c) transitional support and development assistance, such as land preparation, credit facilities, training or job opportunities as required, in addition to compensation measures; (d) cash compensation for land when the impact of land acquisition on livelihoods is minor; and (e) provision of civic infrastructure and community services as required.
	6. Give preference to land-based resettlement strategies for displaced persons whose livelihoods are land-based.
	7. For those without formal legal rights to lands or claims to such land that could be recognized under the laws of the country, provide resettlement assistance in lieu of compensation for land to help improve or at least restore their livelihoods.
	8. Disclose draft resettlement plans, including documentation of the consultation process, in a timely manner, before appraisal formally begins, in an accessible place and in a form and language that are understandable to key stakeholders.
	9. Apply the principles described in the involuntary resettlement section of this Table, as applicable and relevant, to subprojects requiring land acquisition.
	10. Design, document, and disclose before appraisal of projects involving involuntary restriction of access to legally designated parks and protected areas, a participatory process for: (a) preparing and implementing project components; (b) establishing eligibility criteria; (c) agreeing on mitigation measures that help improve or restore livelihoods in a manner that maintains the sustainability of the park or protected area; (d) resolving conflicts; and (e) monitoring implementation.
	11. Implement all relevant resettlement plans before project completion and provide resettlement entitlements before displacement or restriction of access. For projects involving restrictions of access, impose the restrictions in accordance with the timetable in the plan of actions.



Operational Policies

<i>Objectives</i>	<i>Operational Principles</i>
D. Involuntary Resettlement	
	12. Assess whether the objectives of the resettlement instrument have been achieved, upon completion of the project, taking account of the baseline conditions and the results of resettlement monitoring.

<i>Objectives</i>	<i>Operational Principles</i>
E. Indigenous Peoples	
To design and implement projects in a way that fosters full respect for Indigenous Peoples' dignity, human rights, and cultural uniqueness and so that they: (a) receive culturally compatible social and economic benefits; and (b) do not suffer adverse effects during the development process.	1. Screen early to determine whether Indigenous Peoples are present in, or have collective attachment to, the project area. Indigenous Peoples are identified as possessing the following characteristics in varying degrees: self-identification and recognition of this identity by others; collective attachment to geographically distinct habitats or ancestral territories and to the natural resources in these habitats and territories; presence of distinct customary cultural, economic, social or political institutions; and indigenous language.
	2. Undertake free, prior and informed consultation with affected Indigenous Peoples to ascertain their broad community support for projects affecting them and to solicit their participation: (a) in designing, implementing, and monitoring measures to avoid adverse impacts, or, when avoidance is not feasible, to minimize, mitigate, or compensate for such effects; and (b) in tailoring benefits in a culturally appropriate manner.
	3. Undertake social assessment or use similar methods to assess potential project impacts, both positive and adverse, on Indigenous Peoples. Give full consideration to options preferred by the affected Indigenous Peoples in the provision of benefits and design of mitigation measures. Identify social and economic benefits for Indigenous Peoples that are culturally appropriate, and gender and inter-generationally inclusive and develop measures to avoid, minimize and/or mitigate adverse impacts on Indigenous Peoples.
	4. Where restriction of access of Indigenous Peoples to parks and protected areas is not avoidable, ensure that the affected Indigenous Peoples' communities participate in the design,



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<i>Objectives</i>	<i>Operational Principles</i>
E. Indigenous Peoples	
	implementation, monitoring and evaluation of management plans for such parks and protected areas and share equitably in benefits from the parks and protected areas.
	5. Put in place an action plan for the legal recognition of customary rights to lands and territories, when the project involves: (a) activities that are contingent on establishing legally recognized rights to lands and territories that Indigenous Peoples traditionally owned, or customarily used or occupied; or (b) the acquisition of such lands.
	6. Do not undertake commercial development of cultural resources or knowledge of Indigenous Peoples without obtaining their prior agreement to such development.
	7. Prepare an Indigenous Peoples Plan that is based on the social assessment and draws on indigenous knowledge, in consultation with the affected Indigenous Peoples' communities and using qualified professionals. Normally, this plan would include a framework for continued consultation with the affected communities during project implementation; specify measures to ensure that Indigenous Peoples receive culturally appropriate benefits, and identify measures to avoid, minimize, mitigate or compensate for any adverse effects; and include grievance procedures, monitoring and evaluation arrangements, and the budget for implementing the planned measures.
	8. Disclose the draft Indigenous Peoples Plan, including documentation of the consultation process, in a timely manner before appraisal formally begins, in an accessible place and in a form and language that are understandable to key stakeholders.
	9. Monitor implementation of the Indigenous Peoples Plan, using experienced social scientists.



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<i>Objectives</i>	<i>Operational Principles</i>
F. Forests	
To realize the potential of forests to reduce poverty in a sustainable manner, integrate forests effectively into sustainable economic development, and protect the vital local and global environmental services and values of forests.	1. Screen as early as possible for potential impacts on forest health and quality and on the rights and welfare of the people who depend on them. As appropriate, evaluate the prospects for new markets and marketing arrangements.
	2. Do not finance projects that would involve significant conversion or degradation of critical forest areas or related critical natural habitats, or that would contravene applicable international environmental agreements.
	3. Do not finance natural forest harvesting or plantation development that would involve any conversion or degradation of critical forest areas or related critical natural habitats.
	4. Support projects that adversely impact non-critical natural forests or related natural habitats only if viable alternatives to the project are not available and only if appropriate conservation and mitigation measures are in place.
	5. Support commercial, industrial-scale forest harvesting only when the operation is certified, under an independent forest certification system, as meeting, or having a time-bound action plan to meet, internationally recognized standards of responsible forest management and use.
	6. Ensure that forest restoration projects maintain or enhance biodiversity and ecosystem functionality and that all plantation projects are environmentally appropriate, socially beneficial and economically viable.
	7. Give preference to small-scale community-level management approaches where they best reduce poverty in a sustainable manner.
	8. Support commercial harvesting by small-scale landholders, local communities or entities under joint forest management where monitoring with the meaningful participation of local communities demonstrates that these operations achieve a standard of forest management consistent with internationally recognized standards of



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<i>Objectives</i>	<i>Operational Principles</i>
F. Forests	
	responsible forest use or that they are adhering to an approved time-bound plan to meet these standards.
	9. Use forest certification systems that require: (a) compliance with relevant laws; (b) recognition of, and respect for, legal or customary land tenure and use rights as well as the rights of Indigenous Peoples and workers; (c) measures to enhance sound community relations; (d) conservation of biological diversity and ecological functions; (e) measures to maintain or enhance environmentally sound multiple benefits from the forest; (f) prevention or minimization of environmental impacts; (g) effective forest management planning; (h) active monitoring and assessment of relevant forest management areas; and (i) independent, cost effective, third-party assessment of forest management performance against measurable performance standards defined at the national level and compatible with internationally accepted principles and criteria of sustainable forest management through decision making procedures that are fair, transparent, independent, designed to avoid conflict of interest and involve the meaningful participation of key stakeholders, including the private sector, Indigenous Peoples, and local communities.
	10. Disclose any time-bound action plans in a timely manner, before appraisal formally begins, in an accessible place and in a form and language that are understandable to key stakeholders.

<i>Objectives</i>	<i>Operational Principles</i>
G. Physical Cultural Resources	
To assist in preserving physical cultural resources and avoiding their destruction or damage. PCR includes resources of archaeological, paleontological, historical, architectural, religious (including graveyards and burial sites), aesthetic, or other cultural significance.	1. Use an environmental assessment (EA) or equivalent process to identify PCR and prevent or minimize or compensate for adverse impacts and enhance positive impacts on PCR through site selection and design.



Operational Policies

<i>Objectives</i>	<i>Operational Principles</i>
G. Physical Cultural Resources	
	2. As part of the EA, as appropriate, conduct field based surveys, using qualified specialists.
	3. Consult concerned government authorities, relevant non-governmental organizations, relevant experts and local people in documenting the presence and significance of PCR, assessing the nature and extent of potential impacts on these resources, and designing and implementing mitigation plans.
	4. For materials that may be discovered during project implementation, provide for the use of "chance find" procedures in the context of the PCR management plan or PCR component of the environmental management plan.
	5. Disclose draft mitigation plans as part of the EA or equivalent process, in a timely manner, before appraisal formally begins, in an accessible place and in a form and language that are understandable to key stakeholders.

<i>Objectives</i>	<i>Operational Principles</i>
H. Safety of Dams	
To assure quality and safety in the design and construction of new dams and the rehabilitation of existing dams, and in carrying out activities that may be affected by an existing dam.	1. Identify existing dams and dams under construction that can influence the performance of the project and implement necessary safety measures/remedial works.
	2. Use experienced and competent professionals to design and supervise the construction, operation, and maintenance of dams and associated works.
	3. Develop detailed plans, including for construction supervision, instrumentation, operation and maintenance and emergency preparedness.
	4. Use independent advice on the verification of design, construction, and operational procedures and appoint independent panels of experts for large or high hazard dams.



<i>Objectives</i>	<i>Operational Principles</i>
H. Safety of Dams	
	5. Use contractors that are qualified and experienced to undertake planned construction activities.
	6. Carry out periodic safety inspections of new/rehabilitated dams after completion of construction/rehabilitation, review/monitor implementation of detailed plans and take appropriate action as needed.



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Note: **OP/BP 4.00, *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects***, 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, **OP/BP 10.00, *Investment Project Financing***, have been updated to incorporate the content of OP/BP 13.05, *Supervision*, which have consequently been retired (among other changes). OP/BP 4.00 have consequently also been updated to reflect these changes. General questions on using country systems in World Bank-supported projects may be addressed to the [OPCS Helpdesk](#).

Questions on environmental and social safeguards aspects of pilot operations may be directed to the Safeguard Policies Helpdesk in OPCS (safeguards@worldbank.org).

Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects

1. **Roles and Responsibilities.** The country director, supported by the technical teams, consults with the borrower and proposes piloting the use of country safeguard systems. The country director reaches agreement on the proposal with the Operations Policy and Country Services Vice Presidency which collaborates with the relevant Sector Board, the Quality Assurance and Compliance Unit (QACU) in the Environmentally and Socially Sustainable Development (ESSD), and the ESSD and International Law Practice Group (LEGEN). OPCS, QACU, and LEGEN provide broad corporate oversight of the development, implementation, supervision, and evaluation of the pilot operations.

2. **Assessing Equivalence and Acceptability.** A proposal to use country safeguard systems is based on (a) upstream analysis carried out by the Bank, in cooperation with the borrower and possibly development partners,¹ as part of the ongoing country work program or as part of preparing for the Country Assistance Strategy (CAS) or for the operation itself, and (b) borrower agreement on the safeguard procedures proposed for the operation. The scope of such analysis is as follows:

Review of the requirements-and, specifically, of their intent and application-of the national or subnational legislation, regulations, rules, and procedures the borrower has identified as relevant to the operation;²

- Assessment (e.g., through discussion with experts, field visits, or interviews, as appropriate) of borrower implementation practices, track record, and institutional capacity;
- Identification of aspects of the proposed country systems that would need to be strengthened for them to satisfy the objectives and applicable operational principles set out in OP 4.00, [Table A1](#) and of aspects of implementation that need to be improved for acceptability, and the time needed to put them in place successfully; and
- Specification of any actions the borrower is required to take to (a) achieve and maintain equivalence and (b) achieve and maintain acceptable implementation practices, track record,

¹ All such analysis carried out by third parties must be of appropriate quality in the Bank's judgment.

² The applicable laws and regulations are explicitly cited in the project documentation.



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and capacity. Specification of whether those actions are to be taken before the implementation of relevant project activities.

- The Bank's decision on the use of borrower safeguard systems is based on this analysis. The process involves Bank staff with appropriate policy, environmental, social, and legal expertise.

3. **Early Notification and Disclosure.** To the extent possible, the proposal to pilot the use of borrower environmental and social safeguard systems, together with its justification, is presented in the CAS or CAS Progress Report. If the subject is not discussed in the country's current CAS, the country director notifies Executive Directors of the proposal to use country systems by circulating to them the Project Information Document (PID)-the initial version and all substantive updates-for the first project in a sector in which such use is being considered. The PID is also made publicly available in accordance with the disclosure policy.

4. **Further Documentation and Disclosure.** Staff discuss the proposal to use country systems in the PID, Project Appraisal Document (PAD), and legal agreement.

- **PID.** Because the PID is prepared and disclosed early in the project cycle (after concept review), details on the proposal to use country systems may not be available at first. However, the PID signals and justifies the Bank's intention to use such an approach. As staff update the PID during project preparation, they elaborate on the proposal to use country systems.
- **Analysis.** The analysis of equivalence and acceptability may be undertaken as a safeguard diagnostic review, an element of CEA/CSA, a freestanding study, or project preparatory work. This analysis would include (a) the process followed in determining equivalence and acceptability, (b) the findings on equivalence and acceptability, (c) a description of the main elements of the legal framework that has been or will be applied in the project as well as any supplemental actions that the borrower needs to take to achieve and maintain equivalence and acceptability, (d) the criteria against which compliance will be judged, and (e) risks and risk mitigation measures. The analysis is disclosed in a timely manner before appraisal formally begins.
- **Environmental and Social Safeguard Documents.** As part of due diligence, the Bank confirms that these documents are acceptable to it and disclosed before appraisal formally begins.
- **PAD.** The main text of the PAD specifies which policies apply to the project. It also contains the principal findings of the upstream analysis, justifies the proposal for using country systems in the operation, clarifies any differences between Bank policy and the proposed legal framework, and indicates any actions the borrower or the Bank must take to achieve and maintain equivalence and acceptability. An annex to the PAD provides the analysis of equivalence of the relevant borrower systems and assessment of the acceptability of borrower implementation practices, track record, and capacity as well as additional details, including (a) project supervision modalities, and (b) the arrangements for monitoring and evaluation.



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- **Legal Agreement.** The legal agreement³ reflects, as appropriate, the key features of the country systems and any additional measures, as described in the PAD, that the borrower would be required to undertake during project implementation. The legal agreement sets out the remedies available to the Bank if the provisions of the agreement are not followed. Because one of the objectives of the use of country systems is to assist borrowers in improving their legal frameworks, the borrower also undertakes to inform the Bank of any developments in relevant legislation, regulations, rules, or procedures.

5. **Changes in Borrower Systems.** When the borrower is obliged to carry out the project in accordance with specific laws, regulations, rules, or procedures, the legal agreement specifies that the Bank's contractual remedies apply if the laws, regulations, rules or procedures are changed in a manner inconsistent with the agreed legal framework. If during project implementation the borrower amends applicable national laws, but the implementation of the policy framework is not adversely affected, the Bank and the borrower could agree to amend the legal agreements to reflect these changes, or refrain from any action if it is determined by the Bank that the changes are not significant enough to warrant an amendment. If, however, the Bank determines that the agreed borrower systems or their implementation are not achieving the agreed objectives, it discusses with the borrower, as part of Bank-country dialogue, the implementation of additional measures (beyond the pilot project) to meet those objectives.

6. **Supervision.** As for any Bank-financed operation, the project results framework provides the basis for monitoring implementation and for project supervision, and Bank staff document their findings in aide-mémoire and Implementation Status and Results reports.⁴

³ The Loan/Credit Agreement sets forth the amount of the loan/credit and the terms and conditions on which it is being made. It includes undertakings of the borrower to carry out the project and to take other actions necessary to ensure project implementation in accordance with requirements under Bank policies, including procurement and safeguards actions, as appropriate.

⁴ See [OP/BP 10.00](#), *Investment Project Financing*.



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Note: OP/BP 4.01 *Environmental Assessment*, 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, OP/BP 10.00, *Investment Project Financing*, have been revised, among other things, to incorporate and expand parts of OP/BP 8.00, *Rapid Response to Crises and Emergencies*, and to incorporate OP/BP 8.30, *Financial Intermediary Lending* and OP/BP 13.05, *Supervision*, (which have accordingly been retired). OP/BP 4.01 have consequently been updated to reflect these changes.

Additional information related to these statements is provided in the *Environmental Assessment Sourcebook* (Washington, D.C.: World Bank, 1991) and subsequent updates available from the Environment Sector Board, and in the [World Bank Group Environment, Health and Safety Guidelines \(EHSs\)](#).¹ Other Bank statements that relate to the environment include OP/BP 4.02, *Environmental Action Plans*; OP/BP 4.04, *Natural Habitats*; OP 4.07, *Water Resources 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 4.36, *Forests*; and OP/BP 10.00, *Investment Project Financing*.

Questions may be addressed to the Safeguard Policies Helpdesk in OPCS (Safeguards@worldbank.org).

Environmental Assessment

1. The Bank² requires environmental assessment (EA) of projects proposed for Bank financing to help ensure that they are environmentally sound and sustainable, and thus to improve decision making.
2. EA is a process whose breadth, depth, and type of analysis depend on the nature, scale, and potential environmental impact of the proposed project. EA evaluates a project's potential environmental risks and impacts in its area of influence;³ examines project alternatives; identifies ways of improving project selection, siting, planning, design, and implementation by preventing, minimizing, mitigating, or compensating for adverse environmental impacts and enhancing positive impacts; and includes the

¹ World Bank Group Environment, Health and Safety Guidelines (EHSs) have replaced the 1998 Pollution Prevention and Abatement Handbook (PPAH). Guidelines as to what constitutes acceptable pollution prevention and abatement measures and emission levels in a Bank financed project can be found in the EHSs. For complete reference, consult the [World Bank Group Environmental Health and Safety Guidelines](#). Please check the website [www1.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Sustainability+Framework/Environmental,+Health,+and+Safety+Guidelines/] for the most recent version.

² "Bank" includes IBRD and IDA; "EA" refers to the entire process set out in OP/BP 4.01; "loans" includes IDA credits and IDA grants; "borrower" includes, for guarantee operations, a private or public project sponsor receiving from another financial institution a loan guaranteed by the Bank; and "project" covers all operations financed by Investment Project Financing or Bank guarantees ("project" does not cover operations supported by Development Policy lending (for which the environmental provisions are set out in OP/BP 8.60, *Development Policy Lending*), or operations supported by Program-for-Results Financing (for which environmental provisions are set out in OP/BP 9.00, *Program-for-Results Financing*) and also includes projects and components funded under the Global Environment Facility. The project is described in the Loan/Credit/Grant Agreement. This policy applies to all components of the project, regardless of the source of financing.

³ For definitions, see [Annex A](#). The area of influence for any project is determined with the advice of environmental specialists and set out in the EA terms of reference.

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process of mitigating and managing adverse environmental impacts throughout project implementation. The Bank favors preventive measures over mitigatory or compensatory measures, whenever feasible.

3. EA takes into account the natural environment (air, water, and land); human health and safety; social aspects (involuntary resettlement, indigenous peoples, and physical cultural resources);⁴ and transboundary and global environmental aspects.⁵ EA considers natural and social aspects in an integrated way. It also takes into account the variations in project and country conditions; the findings of country environmental studies; national environmental action plans; the country's overall policy framework, national legislation, and institutional capabilities related to the environment and social aspects; and obligations of the country, pertaining to project activities, under relevant international environmental treaties and agreements. The Bank does not finance project activities that would contravene such country obligations, as identified during the EA. EA is initiated as early as possible in project processing and is integrated closely with the economic, financial, institutional, social, and technical analyses of a proposed project.

4. The borrower is responsible for carrying out the EA. For Category A projects,⁶ the borrower retains independent EA experts not affiliated with the project to carry out the EA.⁷ For Category A projects that are highly risky or contentious or that involve serious and multidimensional environmental concerns, the borrower should normally also engage an advisory panel of independent, internationally recognized environmental specialists to advise on all aspects of the project relevant to the EA.⁸ The role of the advisory panel depends on the degree to which project preparation has progressed, and on the extent and quality of any EA work completed, at the time the Bank begins to consider the project.

5. The Bank advises the borrower on the Bank's EA requirements. The Bank reviews the findings and recommendations of the EA to determine whether they provide an adequate basis for processing the project for Bank financing. When the borrower has completed or partially completed EA work prior to the Bank's involvement in a project, the Bank reviews the EA to ensure its consistency with this policy. The Bank may, if appropriate, require additional EA work, including public consultation and disclosure.

⁴ See [OP/BP 4.12, *Involuntary Resettlement*](#); [OP/BP 4.10, *Indigenous Peoples*](#); and [OP/BP 4.11, *Physical Cultural Resources*](#).

⁵ Global environmental issues include climate change, ozone-depleting substances, pollution of international waters, and adverse impacts on biodiversity.

⁶ For screening, see para. 8.

⁷ EA is closely integrated with the project's economic, financial, institutional, social, and technical analyses to ensure that (a) environmental considerations are given adequate weight in project selection, siting, and design decisions; and (b) EA does not delay project processing. However, the borrower ensures that when individuals or entities are engaged to carry out EA activities, any conflict of interest is avoided. For example, when an independent EA is required, it is not carried out by the consultants hired to prepare the engineering design.

⁸ The panel (which is different from the dam safety panel required under [OP/BP 4.37, *Safety of Dams*](#)) advises the borrower specifically on the following aspects: (a) the terms of reference for the EA, (b) key issues and methods for preparing the EA, (c) recommendations and findings of the EA, (d) implementation of the EA's recommendations, and (e) development of environmental management capacity.

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6. The *Pollution Prevention and Abatement Handbook*⁹ describes pollution prevention and abatement measures and emission levels that are normally acceptable to the Bank. However, taking into account borrower country legislation and local conditions, the EA may recommend alternative emission levels and approaches to pollution prevention and abatement for the project. The EA report must provide full and detailed justification for the levels and approaches chosen for the particular project or site.

EA Instruments

7. Depending on the project, a range of instruments can be used to satisfy the Bank's EA requirement: environmental impact assessment (EIA), regional or sectoral EA, strategic environmental and social assessment (SESA), environmental audit, hazard or risk assessment, environmental management plan (EMP) and environmental and social management framework (ESMF).¹⁰ EA applies one or more of these instruments, or elements of them, as appropriate. When the project is likely to have sectoral or regional impacts, sectoral or regional EA is required.¹¹

Environmental Screening

8. The Bank undertakes environmental screening of each proposed project to determine the appropriate extent and type of EA. The Bank classifies the proposed project into one of four categories, depending on the type, location, sensitivity, and scale of the project and the nature and magnitude of its potential environmental impacts.

- a. *Category A*: A proposed project is classified as Category A if it is likely to have significant adverse environmental impacts that are sensitive,¹² diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. EA for a Category A project examines the project's potential negative and positive environmental impacts, compares them with those of feasible alternatives (including the "without project" situation), and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. For a Category A project, the borrower is responsible for preparing a report, normally an EIA (or a suitably comprehensive regional or sectoral EA) that includes, as necessary, elements of the other instruments referred to in para. 7.
- b. *Category B*: A proposed project is classified as Category B if its potential adverse environmental impacts on human populations or environmentally important areas--including wetlands, forests, grasslands, and other natural habitats--are less adverse than those of

⁹ See footnote 1.

¹⁰ These terms are defined in [Annex A](#).

¹¹ Annexes Guidance on the use of sectoral and regional EA is available in [EA Sourcebook Updates 4 and 15](#).

¹² A potential impact is considered "sensitive" if it may be irreversible (e.g., lead to loss of a major natural habitat) or raise issues covered by [OP 4.04, Natural Habitats](#); [OP/BP 4.10, Indigenous Peoples](#); [OP/BP 4.11, Physical Cultural Resources](#) or [OP 4.12, Involuntary Resettlement](#).

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- Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigatory measures can be designed more readily than for Category A projects. The scope of EA for a Category B project may vary from project to project, but it is narrower than that of Category A EA. Like Category A EA, it examines the project's potential negative and positive environmental impacts and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. The findings and results of Category B EA are described in the project documentation (Project Appraisal Document and Project Information Document).¹³
- c. *Category C*: A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental impacts. Beyond screening, no further EA action is required for a Category C project.
 - d. *Category FI*: A proposed project is classified as Category FI if it involves investment of Bank funds through a financial intermediary, in subprojects that may result in adverse environmental impacts.

EA for Special Project Types

Projects Involving Subprojects

9. For projects involving the preparation and implementation of annual investment plans or subprojects, identified and developed over the course of the project period during the preparation of each proposed subproject, the project coordinating entity or implementing institution carries out appropriate EA according to country requirements and the requirements of this policy.¹⁴ The Bank appraises and, if necessary, includes in the SIL components to strengthen, the capabilities of the coordinating entity or the implementing institution to (a) screen subprojects, (b) obtain the necessary expertise to carry out EA, (c) review all findings and results of EA for individual subprojects, (d) ensure implementation of mitigation measures (including, where applicable, an EMP), and (e) monitor environmental conditions during project implementation.¹⁵ If the Bank is not satisfied that adequate capacity exists for carrying out

¹³ When the screening process determines, or national legislation requires, that any of the environmental issues identified warrant special attention, the findings and results of Category B EA may be set out in a separate report. Depending on the type of project and the nature and magnitude of the impacts, this report may include, for example, a limited environmental impact assessment, an environmental mitigation or management plan, an environmental audit, or a hazard assessment. For Category B projects that are not in environmentally sensitive areas and that present well-defined and well-understood issues of narrow scope, the Bank may accept alternative approaches for meeting EA requirements: for example, environmentally sound design criteria, siting criteria, or pollution standards for small-scale industrial plants or rural works; environmentally sound siting criteria, construction standards, or inspection procedures for housing projects; or environmentally sound operating procedures for road rehabilitation projects.

¹⁴ In addition, if there are sectorwide issues that cannot be addressed through individual subproject EAs (and particularly if the project is likely to include Category A subprojects), the borrower may be required to carry out sectoral EA before the Bank appraises the project.

¹⁵ Where, pursuant to regulatory requirements or contractual arrangements acceptable to the Bank, any of these review functions are carried out by an entity other than the coordinating entity or implementing institution, the

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EA, all Category A subprojects and, as appropriate, Category B subprojects--including any EA reports--are subject to prior review and approval by the Bank.

Projects Involving Financial Intermediaries

10. For a project involving a financial intermediary (FI), the Bank requires that each FI screen proposed subprojects and ensure that subborrowers carry out appropriate EA for each subproject. Before approving a subproject, the FI verifies (through its own staff, outside experts, or existing environmental institutions) that the subproject meets the environmental requirements of appropriate national and local authorities and is consistent with this OP and other applicable environmental policies of the Bank.¹⁶

11. In appraising a proposed FI operation, the Bank reviews the adequacy of country environmental requirements relevant to the project and the proposed EA arrangements for subprojects, including the mechanisms and responsibilities for environmental screening and review of EA results. When necessary, the Bank ensures that the project includes components to strengthen such EA arrangements. For FI operations expected to have Category A subprojects, prior to the Bank's appraisal each identified participating FI provides to the Bank a written assessment of the institutional mechanisms (including, as necessary, identification of measures to strengthen capacity) for its subproject EA work.¹⁷ If the Bank is not satisfied that adequate capacity exists for carrying out EA, all Category A subprojects and, as appropriate, Category B subprojects--including EA reports--are subject to prior review and approval by the Bank.¹⁸

Projects in Situations of Urgent Need of Assistance or Capacity Constraints under [OP 10.00](#)

12. The policy set out in OP 4.01 normally applies to projects processed under paragraph 11 of [OP/BP 10.00, Investment Project Financing](#). However, when compliance with any requirement of this policy would prevent the effective and timely achievement of the objectives of such a project, the Bank may (subject to the limitations set forth in paragraph 11 of [OP 10.00](#)) exempt the project from such a requirement. The justification for any such exemption is recorded in the project documents. In all cases, however, the Bank requires at a minimum that (a) the extent to which the situation of urgent need of assistance or the capacity constraints were precipitated or exacerbated by inappropriate environmental practices be determined as part of the preparation of such projects, and (b) any necessary corrective measures be built into either the project or a future lending operation.

Bank appraises such alternative arrangements; however, the borrower/coordinating entity/implementing institution remains ultimately responsible for ensuring that subprojects meet Bank requirements.

¹⁶ The requirements for projects involving FI are derived from the EA process and are consistent with the provisions of para. 6 of this OP. The EA process takes into account the type of finance being considered, the nature and scale of anticipated subprojects, and the environmental requirements of the jurisdiction in which subprojects will be located.

¹⁷ Any FI included in the project after appraisal complies with the same requirement as a condition of its participation.

¹⁸ The criteria for prior review of Category B subprojects, which are based on such factors as type or size of the subproject and the EA capacity of the financial intermediary, are set out in the legal agreements for the project.



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Institutional Capacity

13. When the borrower has inadequate legal or technical capacity to carry out key EA-related functions (such as review of EA, environmental monitoring, inspections, or management of mitigatory measures) for a proposed project, the project includes components to strengthen that capacity.

Public Consultation

14. For all Category A and B projects proposed for IBRD or IDA financing, during the EA process, the borrower consults project-affected groups and local nongovernmental organizations (NGOs) about the project's environmental aspects and takes their views into account. The borrower initiates such consultations as early as possible. For Category A projects, the borrower consults these groups at least twice: (a) shortly after environmental screening and before the terms of reference for the EA are finalized; and (b) once a draft EA report is prepared. In addition, the borrower consults with such groups throughout project implementation as necessary to address EA-related issues that affect them.¹⁹

Disclosure

15. For meaningful consultations between the borrower and project-affected groups and local NGOs on all Category A and B projects proposed for IBRD or IDA financing, the borrower provides relevant material in a timely manner prior to consultation and in a form and language that are understandable and accessible to the groups being consulted.

16. For a Category A project, the borrower provides for the initial consultation a summary of the proposed project's objectives, description, and potential impacts; for consultation after the draft EA report is prepared, the borrower provides a summary of the EA's conclusions. In addition, for a Category A project, the borrower makes the draft EA report available at a public place accessible to project-affected groups and local NGOs. For projects described in paragraph 9 above, the borrower/FI ensures that EA reports for Category A subprojects are made available in a public place accessible to affected groups and local NGOs.

17. Any separate Category B report for a project proposed for IDA financing is made available to project-affected groups and local NGOs. Public availability in the borrowing country and official receipt by the Bank of Category A reports for projects proposed for IBRD or IDA financing, and of any Category B EA report for projects proposed for IDA funding, are prerequisites to Bank appraisal of these projects.

18. Once the borrower officially transmits the Category A EA report to the Bank, the Bank distributes the summary (in English) to the executive directors (EDs) and makes the report available through its InfoShop. Once the borrower officially transmits any separate Category B EA report to the Bank, the Bank makes it available through its InfoShop.²⁰ If the borrower objects to the Bank's releasing an EA

¹⁹ For projects with major social components, consultations are also required by other Bank policies--for example, [OP/BP 4.10, Indigenous Peoples](#), and [OP/BP 4.12, Involuntary Resettlement](#).

²⁰ For a further discussion of the Bank's disclosure procedures, see [The World Bank Policy on Access to Information](#) which as of July 1, 2010, replaced *The World Bank Policy on Disclosure of Information*. Specific

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report through the World Bank InfoShop, Bank staff (a) do not continue processing an IDA project, or (b) for an IBRD project, submit the issue of further processing to the EDs.

Implementation

19. During project implementation, the borrower reports on (a) compliance with measures agreed with the Bank on the basis of the findings and results of the EA, including implementation of any EMP, as set out in the project documents; (b) the status of mitigatory measures; and (c) the findings of monitoring programs. The Bank bases supervision of the project's environmental aspects on the findings and recommendations of the EA, including measures set out in the legal agreements, any EMP, and other project documents.²¹

requirements for disclosure of resettlement plans and indigenous peoples development plans are set out in [OP/BP 4.10, *Indigenous Peoples*](#), and [OP/BP 4.12, *Involuntary Resettlement*](#).

²¹ See [OP/BP 10.00, *Investment Project Financing*](#).

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This Operational Policy statement was updated in February 2011 to clarify the use of framework instruments and to add strategic environmental and social assessment (SESA) to the list of available instruments.

Questions on this policy may be addressed to [OPCS Quality Assurance and Compliance \(OPCQC\)](#).

Definitions

1. *Environmental audit*: An instrument to determine the nature and extent of all environmental areas of concern at an existing facility. The audit identifies and justifies appropriate measures to mitigate the areas of concern, estimates the cost of the measures, and recommends a schedule for implementing them. For certain projects, the EA report may consist of an environmental audit alone; in other cases, the audit is part of the EA documentation.
2. *Environmental impact assessment (EIA)*: An instrument to identify and assess the potential environmental impacts of a proposed project, evaluate alternatives, and design appropriate mitigation, management, and monitoring measures. Projects and subprojects need EIA to address important issues not covered by any applicable regional or sectoral EA.
3. *Environmental management plan (EMP)*: An instrument that details (a) the measures to be taken during the implementation and operation of a project to eliminate or offset adverse environmental impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures. The EMP is an integral part of Category A EAs (irrespective of other instruments used). EAs for Category B projects may also result in an EMP.
4. *Environmental and social management framework (ESMF)*: An instrument that examines the issues and impacts associated when a project consists of a program and/or series of sub-projects, and the impacts cannot be determined until the program or sub-project details have been identified. The ESMF sets out the principles, rules, guidelines and procedures to assess the environmental and social impacts. It contains measures and plans to reduce, mitigate and/or offset adverse impacts and enhance positive impacts, provisions for estimating and budgeting the costs of such measures, and information on the agency or agencies responsible for addressing project impacts. The term "Environmental Management Framework" or "EMF" may also be used.
5. *Hazard assessment*: An instrument for identifying, analyzing, and controlling hazards associated with the presence of dangerous materials and conditions at a project site. The Bank requires a hazard assessment for projects involving certain inflammable, explosive, reactive, and toxic materials when they are present at a site in quantities above a specified threshold level. For certain projects, the EA report may consist of the hazard assessment alone; in other cases, the hazard assessment is part of the EA documentation.
6. *Project area of influence*: The area likely to be affected by the project, including all its ancillary aspects, such as power transmission corridors, pipelines, canals, tunnels, relocation and access roads, borrow and disposal areas, and construction camps, as well as unplanned developments induced by the project (e.g., spontaneous settlement, logging, or shifting agriculture along access roads). The area of influence may include, for example, (a) the watershed within which the project is located; (b) any affected estuary and coastal zone; (c) off-site areas required for resettlement or compensatory tracts; (d) the airshed (e.g., where airborne pollution such as smoke or dust may enter or leave the area of influence;



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(e) migratory routes of humans, wildlife, or fish, particularly where they relate to public health, economic activities, or environmental conservation; and (f) areas used for livelihood activities (hunting, fishing, grazing, gathering, agriculture, etc.) or religious or ceremonial purposes of a customary nature.

7. *Regional EA*: An instrument that examines environmental issues and impacts associated with a particular strategy, policy, plan, or program, or with a series of projects for a particular region (e.g., an urban area, a watershed, or a coastal zone); evaluates and compares the impacts against those of alternative options; assesses legal and institutional aspects relevant to the issues and impacts; and recommends broad measures to strengthen environmental management in the region. Regional EA pays particular attention to potential cumulative impacts of multiple activities.

8. *Risk assessment*: An instrument for estimating the probability of harm occurring from the presence of dangerous conditions or materials at a project site. Risk represents the likelihood and significance of a potential hazard being realized; therefore, a hazard assessment often precedes a risk assessment, or the two are conducted as one exercise. Risk assessment is a flexible method of analysis, a systematic approach to organizing and analyzing scientific information about potentially hazardous activities or about substances that might pose risks under specified conditions. The Bank routinely requires risk assessment for projects involving handling, storage, or disposal of hazardous materials and waste, the construction of dams, or major construction works in locations vulnerable to seismic activity or other potentially damaging natural events. For certain projects, the EA report may consist of the risk assessment alone; in other cases, the risk assessment is part of the EA documentation.

9. *Sectoral EA*: An instrument that examines environmental issues and impacts associated with a particular strategy, policy, plan, or program, or with a series of projects for a specific sector (e.g., power, transport, or agriculture); evaluates and compares the impacts against those of alternative options; assesses legal and institutional aspects relevant to the issues and impacts; and recommends broad measures to strengthen environmental management in the sector. Sectoral EA pays particular attention to potential cumulative impacts of multiple activities.

10. *Strategic environmental and social assessment (SESA)*: An instrument that describes analytical and participatory approaches that aim to integrate environmental and social considerations into policies, plans and programs and evaluate their inter linkages with economic considerations. The term "Strategic Environmental Assessment" or "SEA" may also be used.



Content of an Environmental Assessment Report for a Category A Project

1. An environmental assessment (EA) report for a Category A project¹ focuses on the significant environmental issues of a project. The report's scope and level of detail should be commensurate with the project's potential impacts. The report submitted to the Bank is prepared in English, French, or Spanish, and the executive summary in English.
2. The EA report should include the following items (not necessarily in the order shown):
 - a. *Executive summary.* Concisely discusses significant findings and recommended actions.
 - b. *Policy, legal, and administrative framework.* Discusses the policy, legal, and administrative framework within which the EA is carried out. Explains the environmental requirements of any cofinanciers. Identifies relevant international environmental agreements to which the country is a party.
 - c. *Project description.* Concisely describes the proposed project and its geographic, ecological, social, and temporal context, including any offsite investments that may be required (e.g., dedicated pipelines, access roads, power plants, water supply, housing, and raw material and product storage facilities). Indicates the need for any resettlement plan or indigenous peoples development plan²(see also subpara. (h)(v) below). Normally includes a map showing the project site and the project's area of influence.
 - d. *Baseline data.* Assesses the dimensions of the study area and describes relevant physical, biological, and socioeconomic conditions, including any changes anticipated before the project commences. Also takes into account current and proposed development activities within the project area but not directly connected to the project. Data should be relevant to decisions about project location, design, operation, or mitigatory measures. The section indicates the accuracy, reliability, and sources of the data.
 - e. *Environmental impacts.* Predicts and assesses the project's likely positive and negative impacts, in quantitative terms to the extent possible. Identifies mitigation measures and any residual negative impacts that cannot be mitigated. Explores opportunities for environmental enhancement. Identifies and estimates the extent and quality of available data, key data gaps,

¹ The EA report for a Category A project is normally an environmental impact assessment, with elements of other instruments included as appropriate. Any report for a Category A operation uses the components described in this annex, but Category A sectoral and regional EA require a different perspective and emphasis among the components. The Environment Sector Board can provide detailed guidance on the focus and components of the various EA instruments.

² See [OP/BP 4.12, Involuntary Resettlement](#), and [OP/BP 4.10, Indigenous Peoples](#).



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- and uncertainties associated with predictions, and specifies topics that do not require further attention.
- f. *Analysis of alternatives.*³ Systematically compares feasible alternatives to the proposed project site, technology, design, and operation--including the "without project" situation--in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training, and monitoring requirements. For each of the alternatives, quantifies the environmental impacts to the extent possible, and attaches economic values where feasible. States the basis for selecting the particular project design proposed and justifies recommended emission levels and approaches to pollution prevention and abatement.
 - g. *Environmental management plan (EMP).* Covers mitigation measures, monitoring, and institutional strengthening; see outline in [OP 4.01, Annex C](#).
 - h. *Appendixes*
 - i. List of EA report preparers--individuals and organizations.
 - ii. References--written materials both published and unpublished, used in study preparation.
 - iii. Record of interagency and consultation meetings, including consultations for obtaining the informed views of the affected people and local nongovernmental organizations (NGOs). The record specifies any means other than consultations (e.g., surveys) that were used to obtain the views of affected groups and local NGOs.
 - iv. Tables presenting the relevant data referred to or summarized in the main text.
 - v. List of associated reports (e.g., resettlement plan or indigenous peoples development plan).

³ Environmental implications of broad development options for a sector (e.g., alternative ways of meeting projected electric power demand) are best analyzed in least-cost planning or sectoral EA. Environmental implications of broad development options for a region (e.g., alternative strategies for improving standards of living in a rural area) are best addressed through a regional development plan or a regional EA. EIA is normally best suited to the analysis of alternatives within a given project concept (e.g., a geothermal power plant, or a project aimed at meeting local energy demand), including detailed site, technology, design, and operational alternatives.



Environmental Management Plan

1. A project's environmental management plan (EMP) consists of the set of mitigation, monitoring, and institutional measures to be taken during implementation and operation to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels. The plan also includes the actions needed to implement these measures.¹ Management plans are essential elements of EA reports for Category A projects; for many Category B projects, the EA may result in a management plan only. To prepare a management plan, the borrower and its EA design team (a) identify the set of responses to potentially adverse impacts; (b) determine requirements for ensuring that those responses are made effectively and in a timely manner; and (c) describe the means for meeting those requirements.² More specifically, the EMP includes the following components.

Mitigation

2. The EMP identifies feasible and cost-effective measures that may reduce potentially significant adverse environmental impacts to acceptable levels. The plan includes compensatory measures if mitigation measures are not feasible, cost-effective, or sufficient. Specifically, the EMP

- a. identifies and summarizes all anticipated significant adverse environmental impacts (including those involving indigenous people or involuntary resettlement);
- b. describes--with technical details--each mitigation measure, including the type of impact to which it relates and the conditions under which it is required (e.g., continuously or in the event of contingencies), together with designs, equipment descriptions, and operating procedures, as appropriate;
- c. estimates any potential environmental impacts of these measures; and
- d. provides linkage with any other mitigation plans (e.g., for involuntary resettlement, indigenous peoples, or cultural property) required for the project.

Monitoring

3. Environmental monitoring during project implementation provides information about key environmental aspects of the project, particularly the environmental impacts of the project and the

¹ The management plan is sometimes known as an "action plan." The EMP may be presented as two or three separate plans covering mitigation, monitoring, and institutional aspects, depending on borrowing country requirements.

² For projects involving rehabilitation, upgrading, expansion, or privatization of existing facilities, remediation of existing environmental problems may be more important than mitigation and monitoring of expected impacts. For such projects, the management plan focuses on cost-effective measures to remediate and manage these problems.



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effectiveness of mitigation measures. Such information enables the borrower and the Bank to evaluate the success of mitigation as part of project supervision, and allows corrective action to be taken when needed. Therefore, the EMP identifies monitoring objectives and specifies the type of monitoring, with linkages to the impacts assessed in the EA report and the mitigation measures described in the EMP. Specifically, the monitoring section of the EMP provides (a) a specific description, and technical details, of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and definition of thresholds that will signal the need for corrective actions; and (b) monitoring and reporting procedures to (i) ensure early detection of conditions that necessitate particular mitigation measures, and (ii) furnish information on the progress and results of mitigation.

Capacity Development and Training

4. To support timely and effective implementation of environmental project components and mitigation measures, the EMP draws on the EA's assessment of the existence, role, and capability of environmental units on site or at the agency and ministry level.³ If necessary, the EMP recommends the establishment or expansion of such units, and the training of staff, to allow implementation of EA recommendations. Specifically, the EMP provides a specific description of institutional arrangements--who is responsible for carrying out the mitigatory and monitoring measures (e.g., for operation, supervision, enforcement, monitoring of implementation, remedial action, financing, reporting, and staff training). To strengthen environmental management capability in the agencies responsible for implementation, most EMPs cover one or more of the following additional topics: (a) technical assistance programs, (b) procurement of equipment and supplies, and (c) organizational changes.

Implementation Schedule and Cost Estimates

5. For all three aspects (mitigation, monitoring, and capacity development), the EMP provides (a) an implementation schedule for measures that must be carried out as part of the project, showing phasing and coordination with overall project implementation plans; and (b) the capital and recurrent cost estimates and sources of funds for implementing the EMP. These figures are also integrated into the total project cost tables.

Integration of EMP with Project

6. The borrower's decision to proceed with a project, and the Bank's decision to support it, are predicated in part on the expectation that the EMP will be executed effectively. Consequently, the Bank expects the plan to be specific in its description of the individual mitigation and monitoring measures and its assignment of institutional responsibilities, and it must be integrated into the project's overall planning, design, budget, and implementation. Such integration is achieved by establishing the EMP within the project so that the plan will receive funding and supervision along with the other components.

³ For projects having significant environmental implications, it is particularly important that there be in the implementing ministry or agency an in-house environmental unit with adequate budget and professional staffing strong in expertise relevant to the project (for projects involving dams and reservoirs, see [BP 4.01, Annex B](#)).



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Note: [OP/BP 4.01, Environmental Assessment](#), was 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: (a) [OP/BP 10.00, Investment Project Financing](#), have been revised, among other things, to incorporate and expand parts of [OP/BP 8.00, Rapid Response to Crises and Emergencies](#), and to incorporate [OP/BP 8.10, Project Preparation Facility](#), [OP/BP 8.30, Financial Intermediary Lending](#), [OP/BP 13.05, Supervision](#), and [OP/BP 13.55, Implementation Completion Reporting](#) (which have accordingly been retired; and (b) [OP 8.60, Development Policy Lending](#), and [OP 9.00, Program-for-Results Financing](#), have also been revised. [OP/BP 4.01](#) have consequently been updated to reflect these changes, as well as to clarify the extent of applicability of this [OP/BP](#) to Development Policy Financing and Program-for Results-Financing. Questions on this policy may be addressed to the Safeguard Policies Helpdesk in OPCS (Safeguards@worldbank.org).

Additional information related to these statements is provided in the *Environmental Assessment Sourcebook* (Washington, D.C.: World Bank, 1991) and subsequent updates available from the Environment Sector Board, and in the [World Bank Group Environmental, Health and Safety Guidelines \(EHSs\)](#).¹ Other Bank statements that relate to the environment include [OP/BP 4.02, Environmental Action Plans](#); [OP/BP 4.04, Natural Habitats](#); [OP 4.07, Water Resources 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 4.36, Forests](#); and [OP/BP 10.00, Investment Project Financing](#).

Environmental Assessment

1. Environmental assessment (EA)¹ for a proposed Bank-financed operation is the responsibility of the borrower. Bank² staff assist the borrower, as appropriate. The Region coordinates Bank review of EA and, as necessary, with the support of the SDN anchor units, Safeguard Policies Helpdesk in OPCS and LEGEN.

¹ [World Bank Group Environmental Health and Safety Guidelines \(EHSs\)](#) have replaced the 1998 Pollution Prevention and Abatement Handbook (PPAH). Guidelines as to what constitutes acceptable pollution prevention and abatement measures and emission levels in a Bank financed project can be found in the EHSs. For complete reference, consult the [World Bank Group Environmental Health and Safety Guidelines](#). Please check the website below for the most recent version:
[http://www1.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Sustainability+Framework/Environmental,+Health,+and+Safety+Guidelines/]

² "Bank" includes IBRD and IDA; "EA" refers to the entire process set out in [OP/BP 4.01](#); "project" covers all operations financed by Investment Project Financing or Bank guarantees ("project" does not cover operations supported by Development Policy Lending (for which the environmental provisions are set out in [OP/BP 8.60, Development Policy Lending](#)), or operations supported by Program-for-Results Financing (for which environmental provisions are set out in [OP/BP 9.00, Program-for-Results Financing](#)) also includes components funded under the Global Environment Facility; "loans" includes IDA credits and IDA grants; "borrower" includes, for guarantee operations, a private or public project sponsor receiving from another financial institution a loan guaranteed by the Bank; "Project Concept Document" includes the Initiating Memorandum; and "Project Appraisal Document" includes the Report and Recommendation of the President (President's Report).



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Environmental Screening

2. In consultation with the Regional Safeguards Advisor (RSA), the task team (TT) examines the type, location, sensitivity, and scale of the proposed project,³ as well as the nature and magnitude of its potential impacts. Review of selected category B projects may be transferred by the RSA to the relevant Sector Manager. At the earliest stage of the project cycle, the TT, with the RSA's concurrence, assigns the proposed project to one of four categories (A, B, C, or FI; see [OP 4.01, para. 8](#)), reflecting the potential environmental risks associated with the project. Projects are categorized according to the component with the potentially most serious adverse effects; dual categories (e.g., A/C) are not used.

3. The TT records in the Project Concept Note (PCN) and the initial Project Information Document (PID) (a) the key environmental issues (including any resettlement, indigenous peoples, and physical cultural resources concerns); (b) the project category and the type of EA and EA instruments needed; (c) proposed consultation with project-affected groups and local nongovernmental organizations (NGOs), including a preliminary schedule; and (d) a preliminary EA schedule.⁴ The TT also reports the project's EA category in the *Monthly Operational Summary of Bank and IDA Proposed Projects* (MOS), and prepares (and updates as necessary) an Integrated Safeguard Data Sheet (ISDS)⁵ for the project. For Category A projects, the ISDS is included as a quarterly annex to the MOS.

4. If, during project preparation, the project is modified or new information becomes available, the TT, in consultation with the RSA, considers whether the project should be reclassified. The TT updates the PCN/PID and the ISDS to reflect any new classification and record the rationale for the new classification. The new classification that appears in the MOS is followed by "(R)" to indicate a revision.

5. Any exemption with respect to the application of this policy to any project processed under paragraph 11 of [OP 10.00, Investment Project Financing](#),⁶ is subject to approval by the Regional vice president (RVP), in consultation with the Senior Advisor, Safeguards, OPSOR, and the Legal Department (LEG).⁷

³ "Location" refers to proximity to or encroachment on environmentally important areas, such as wetlands, forests, and other natural habitats. "Scale" is judged by Regional staff in the country context. "Sensitivity" refers to projects that may have irreversible impacts, affect vulnerable ethnic minorities, involve involuntary resettlement, or affect physical cultural resources. For further discussion, see the [Environmental Assessment Sourcebook](#), Update No. 2: *Environmental Screening* (available from the Environment Department).

⁴ See [OP/BP 10.00, Investment Project Financing](#), for the loan processing context in which decisions on the environment category and the EA process are made.

⁵ For information on the ISDS, refer to the Bank's Safeguard Policies Website: <http://safeguards>.

⁶ See [OP 4.01, para. 13](#).

⁷ LEG input is provided through the lawyer assigned to the project.



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EA Preparation

6. During preparation of the PCN, the TT discusses with the borrower the scope of the EA⁸ and the procedures, schedule, and outline for any EA report required. For Category A projects, a field visit by an environmental specialist for this purpose is normally necessary.⁹ At the time of the Project Concept Review, the RSA provides formal clearance of the environmental aspects of the PCN/PID. For Category B projects, the Concept Review decides whether an environmental management plan (EMP) will be required.

7. EA is an integral part of project preparation. As necessary, the TT assists the borrower in drafting the terms of reference (TOR) for any EA report.¹⁰ The RSA reviews the coverage of the TOR, ensuring among other things that they provide for adequate interagency coordination and for consultation with affected groups and local NGOs. To support preparation of the TOR and the EA report, the TT gives the borrower the documents *Content of an Environmental Assessment Report for a Category A Project* and *Environmental Management Plan*.¹¹ As applicable, Bank and borrower staff refer to the *World Bank Group Environment, Health and Safety Guidelines (EHSs)*,¹² which contains pollution prevention and abatement measures and emission levels that are normally acceptable to the Bank.

8. For a Category A project, the TT advises the borrower that the EA report must be submitted to the Bank in English, French, or Spanish, and an executive summary in English.

9. For all Category A projects, and for Category B projects that are proposed for IDA funding and that will have a separate EA report, the TT advises the borrower in writing that (a) before the Bank proceeds to project appraisal, the EA report must be made available in a public place accessible to affected groups and local NGOs and must be officially submitted to the Bank; and (b) once the Bank officially receives the report, it will make the report available to the public through its InfoShop.¹³

10. During the design phase of a project, the TT advises the borrower on carrying out the EA in accordance with the requirements of [OP 4.01](#). The TT and the lawyer identify any matters pertaining to the project's consistency with national legislation or international environmental treaties and agreements (referred to in [OP 4.01, para. 3](#)).

⁸ For projects comprising subprojects or involving FIs, as described in paragraphs 9 and 10 of [OP 4.01](#), Bank and borrower staff need to consider the potential for significant cumulative impacts from multiple subprojects.

⁹ Such a field visit by an environmental specialist may also be desirable for some Category B projects.

¹⁰ According to [Guidelines: Selection and Employment of Consultants by World Bank Borrowers](#) (Washington, D.C.: World Bank), the TT reviews the qualifications of and, if acceptable, gives a no-objection to any consultants retained by the borrower to prepare the EA report or to serve on a panel.

¹¹ For these two documents, see OP 4.01, Annexes [A](#) and [B](#).

¹² See footnote 1.

¹³ See [OP 4.01, para. 19](#), and [The World Bank Policy on Access to Information](#).



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Review and Disclosure

11. When the borrower officially submits a Category A or Category B EA report to the Bank, the Region places a copy of the full report in the project file. It also sends the English-language executive summary of a Category A EA report to the Board Operations Division, Corporate Secretariat, under cover of a transmittal memorandum confirming that the executive summary and the full report (a) have been prepared by the borrower and have not been evaluated or endorsed by the Bank, and (b) are subject to change during appraisal. The results of a Category B EA, when there is no separate report, are summarized in the PID.

12. For Category A and B projects, the TT and the RSA review the results of the EA, ensuring that any EA report is consistent with the TOR agreed with the borrower. Review of selected category B projects may be transferred by the RSA to the relevant Sector Manager. For Category A projects, and for Category B projects proposed for IDA funding that have a separate EA report, this review gives special attention to, among other things, the nature of the consultations with affected groups and local NGOs and the extent to which the views of such groups were considered; and the EMP with its measures for mitigating and monitoring environmental impacts and, as appropriate, strengthening institutional capacity. If not satisfied, the RSA may recommend to Regional management that (a) the appraisal mission be postponed, (b) the mission be considered a preappraisal mission, or (c) certain issues be reexamined during the appraisal mission. The RSA sends a copy of Category A reports to ENV.

13. For all Category A and B projects, the TT updates the status of the EA in the PCN/PID, describing how major environmental issues have been resolved or will be addressed and noting any proposed EA-related conditionalities. The TT sends the InfoShop a copy of all EA reports.

14. At the Project Decision stage, the RSA provides formal clearance of the environmental aspects of the project, including their treatment in the draft legal documents prepared by LEG.

Project Appraisal

15. For Category A projects and for Category B projects proposed for IDA funding that have a separate report, the appraisal mission normally departs only after the Bank has received the officially transmitted EA report and reviewed it (see paras. 11-13).¹⁴ For Category A projects, the appraisal mission team includes one or more environmental specialists with relevant expertise.¹⁵ The appraisal mission for any project (a) reviews both the procedural and substantive elements of the EA with the borrower, (b) resolves any issues, (c) assesses the adequacy of the institutions responsible for environmental management in light of the EA's findings, (d) ensures the adequacy of financing arrangements for the EMP, and (e) determines whether the EA's recommendations are properly addressed in project design and economic analysis. For Category A and B projects, the TT obtains LEG's concurrence with any change

¹⁴ In exceptional cases, the RVP, with the prior concurrence of the Chair, ENV, may authorize the appraisal mission's departing before the Category A EA report is received. In such cases, the RESU's clearance of the project is conditional on the Bank's receiving, before appraisal ends and negotiations begin, an EA report that provides an adequate basis for continued project processing.

¹⁵ It may be desirable to include environmental specialists on the appraisal mission team for some Category B projects, as well.



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during appraisal and negotiations in any environment-related conditionality from that approved at the Project Decision stage.

Projects Consisting of Subprojects or Involving FIs (paragraphs 9 and 10 of the OP)

16. The appraisal mission develops clear arrangements with the borrower to ensure that the implementing institutions will be able to carry out or oversee EAs of proposed subprojects;¹⁶ specifically, the mission confirms the sources of required expertise and the appropriate division of responsibilities among the ultimate borrower, the financial intermediary or sector agency, and the agencies responsible for environmental management and regulation. As appropriate, the TT reviews Category A and B subproject EA reports in accordance with [OP 4.01, paras. 9 and 11-12](#).

Guarantee Operations

17. Environmental assessment of a guarantee operation is carried out in accordance with [OP/BP 4.01](#). Any EA for an IBRD guarantee operation must be carried out in sufficient time for (a) the RSA and/or relevant Sector Manager to review the results of the EA, and (b) the TT to take the findings into account as part of appraisal. The TT ensures that a Category A EA report for such an IBRD guarantee operation is available at the InfoShop no later than 60 days before the expected date of Board presentation, and any required Category B EA report no later than 30 days before the expected date of Board presentation.

18. For the purposes of disclosure of EA reports, IDA guarantees are governed by the same policy framework as IDA credits. When a deviation from this policy framework is justified on operational grounds, the procedures for IBRD guarantees may be followed (see para. 17).

Documentation

19. The TT reviews the borrower's Project Implementation Plan to ensure that it incorporates EA findings and recommendations, including any EMP. In preparing the loan package for submission to the Board, the TT summarizes in the Project Appraisal Document (PAD) the reasons for the project classification; the findings and recommendations of the EA, including the justification for the recommended emission levels and approach to pollution prevention and abatement; and any issues related to the country's obligations under relevant international environmental treaties and agreements to which it is a party (see [OP 4.01, para. 3](#)). For a Category A project, the TT summarizes the EA report in an annex to the PAD, including such key elements as the procedures used to prepare the report; environmental baseline conditions; the alternatives considered; the predicted impacts of the chosen alternative; a summary of the EMP, covering the areas outlined in [OP 4.01, Annex C](#); and the borrower's consultations with affected groups and local NGOs, including the issues raised and how they have been taken into account. The annex also describes negotiated environment-related loan conditionalities and covenants; when necessary, documentation of the government's intention to grant appropriate permits; and environmental supervision arrangements. For sector investment and financial intermediary loans, the

¹⁶ The TT provides to the implementing institutions, for use (as appropriate) in the preparation and appraisal of subprojects, copies of *Content of an Environmental Assessment Report for a Category A Project* ([OP 4.01, Annex B](#)), *Environmental Management Plan* ([OP 4.01, Annex C](#)), and *World Bank Group Environmental Health and Safety Guidelines (EHSGs)* (see footnote 1).

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documents include appropriate measures and conditions for subproject EA work. The TT and LEG ensure that loan conditions include an obligation to carry out the EMP and include as additional conditions specific measures under the EMP, as appropriate for facilitating effective supervision and monitoring of EMP implementation.

Supervision and Evaluation

20. During implementation, the TT supervises the project's environmental aspects on the basis of the environmental provisions and the borrower's reporting arrangements agreed in the legal documents and described in other project documentation.¹⁷ The TT ensures that procurement arrangements are consistent with the environmental requirements set out in the project legal agreements. The TT also ensures that supervision missions contain adequate environmental expertise.

21. The TT ensures that environment-related covenants are included in the monitoring system. It also ensures that reports provided by the borrower on project progress adequately discuss the borrower's compliance with agreed environmental actions, particularly the implementation of environmental mitigation, monitoring, and management measures. The TT, in consultation with the RSA and LEG, reviews this information and determines whether the borrower's compliance with environmental covenants is satisfactory. If compliance is not satisfactory, the TT discusses an appropriate course of action with the RSA and LEG. The TT discusses with the borrower actions necessary to correct the noncompliance, and it follows up on the implementation of such actions. The TT advises Regional management of the actions taken and recommends any further measures. During implementation, the TT obtains the RSA's concurrence with any change in environment-related aspects of the project, including environment-related conditions cleared by LEG.

22. The TT ensures that the borrower's operating plan for the project includes actions required to carry out the project's environment-related aspects, including provision for continued functioning of any environmental advisory panel as agreed with the Bank.

23. The Implementation Completion Report¹⁸ evaluates (a) environmental impacts, noting whether they were anticipated in the EA report; and (b) the effectiveness of any mitigatory measures taken.

Role of the Environment Department

24. ENV supports the Regions throughout the EA process with advice, training, dissemination of good practice, and operational support. As appropriate, ENV provides to other Regions the EA reports, related materials, precedents, and experience that originate in any one Region or from external sources. ENV carries out project audits to help ensure compliance with the Bank's EA policy, and it conducts periodic reviews of the Bank's EA experience to identify and disseminate good practice and develop further guidance in this area.

¹⁷ See [OP/BP 10.00](#), *Investment Project Financing*.

¹⁸ See [OP/BP 10.00](#), *Investment Project Financing*.



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Financing EA

25. Project Preparation Facility advances¹⁹ and trust funds may be available to potential borrowers that request Bank assistance in financing EA.

Specific Applications

26. Procedures for the environmental assessment of projects involving dams and reservoirs and pest management are set out in Annexes [B](#) and [C](#), respectively.

¹⁹ See [OP/BP](#) 10.00, *Investment Project Financing*.



Bank Procedures

Revised May 2011

This Bank Procedures statement was updated in May 2011 to reflect renaming of Annex B to A when Annex A, *Environmental Data Sheet for Projects in the IBRD/IDA Lending Program*, was archived.

Application of EA to Dam and Reservoir Projects

1. During project identification and before assigning an environmental category, the task team (TT) ensures that the borrower selects and engages independent, recognized experts or firms, whose qualifications and terms of reference (TOR) are acceptable to the Bank, to carry out environmental reconnaissance that includes

- a. identifying the potential environmental impacts of the project;
- b. ascertaining the scope of the environmental assessment (EA), including any resettlement and indigenous peoples concerns;
- c. assessing the borrower's capacity to manage the EA process; and
- d. advising on the need for an independent environmental advisory panel.¹

The TT obtains from the borrower a copy of the results of the reconnaissance and ensures that they are taken into account in environmental screening and in the preparation of the EA TOR. For dam and reservoir projects that are in an advanced stage of preparation when proposed for financing to the Bank, the TT in consultation with the Regional environment sectoral unit (RESU) determines whether any additional EA work is needed, and whether an independent environmental advisory panel is needed. A field visit for this purpose is normally required (see [BP 4.01, para 6](#)).

2. During project preparation, the TT assesses the environmental soundness of the country's macroeconomic and sector policies on matters that affect the project. If the TT identifies any issues, it discusses with the government measures to improve the policies.

3. If the borrower engages an environmental advisory panel, the TT reviews and indicates to the borrower the acceptability of the TOR and shortlists.

4. In reviewing the EA, the TT and the RESU ensure that the EA examines demand management opportunities. In appraising the project, they ensure that the project design adequately takes into account demand management as well as supply options (e.g., conservation of water and energy, efficiency improvements, system integration, cogeneration, and fuel substitution).

5. The TT ensures that the borrower establishes within the implementing ministry or agency an in-house environmental unit, with adequate budget and professional staffing strong in expertise relevant to the project, to manage the project's environmental aspects.

¹ See [OP 4.01, para. 4](#).



Bank Procedures

Revised May 2011

This Bank Procedures statement was updated in May 2011 to reflect renaming of Annex C to B when Annex A, *Environmental Data Sheet for Projects in the IBRD/IDA Lending Program*, was archived.

Application of EA to Projects Involving Pest Management

Sector Review

1. The task team (TT) ensures that any environmental assessment (EA) of the agriculture or health sector evaluates the country's capacity to manage the procurement, handling, application, and disposal of pest control products; to monitor the precision of pest control and the impact of pesticide use; and to develop and implement ecologically based pest management programs.

Project EA

2. During project identification, the TT assesses whether the proposed project may raise potential pest management issues. Projects that include the manufacture, use, or disposal of environmentally significant¹ quantities of pest control products are classified as Category A. Depending on the level of environmental risk, other projects involving pest management issues are classified as A, B, C, or FI.² When substantial quantities of highly toxic pesticide materials for use under the project are transported or stored, a hazard assessment may be appropriate.³

3. The TT records in the Project Concept Document (PCD) and the initial Project Information Document (PID) any pest management issues that the EA will address. For Category A projects, the TT reports in the *Monthly Operational Summary for Bank and IDA Proposed Projects* (MOS) whether the project (a) will finance procurement of pest control products directly or will provide credit that may be used to purchase pest control products (and whether any specific products are excluded from financing), (b) will finance goods or services that significantly change pesticide use patterns, or (c) includes components--including support for development and implementation of integrated pest management (IPM) programs--aimed at reducing environmental and health hazards associated with pest control and the use of pesticides.

¹ For the purposes of this statement, "environmental significance" takes into account the impacts (including benefits) on human health.

² For environmental screening, see [OP 4.01, para. 8](#).

³ For definitions, see [OP 4.01, Annex A](#).



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4. The TT ensures that the EA covers potential issues related to pest management and considers appropriate alternative designs or mitigation measures. Depending on the issues identified, the environmental management plan⁴ includes a pest management plan.

Pest Management Plan

5. A pest management plan is a comprehensive plan, developed when there are significant pest management issues such as (a) new land-use development or changed cultivation practices in an area, (b) significant expansion into new areas, (c) diversification into new crops in agriculture,⁵ (d) intensification of existing low-technology systems, (e) proposed procurement of relatively hazardous pest control products or methods, or (f) specific environmental or health concerns (e.g., proximity of protected areas or important aquatic resources; worker safety). A pest management plan is also developed when proposed financing of pest control products represents a large component of the project.⁶

6. A pest management plan reflects the policies set out in [OP 4.09, Pest Management](#). The plan is designed to minimize potential adverse impacts on human health and the environment and to advance ecologically based IPM. The plan is based on on-site evaluations of local conditions conducted by appropriate technical specialists with experience in participatory IPM. The first phase of the plan--an initial reconnaissance to identify the main pest problems and their contexts (ecological, agricultural, public health, economic, and institutional) and to define broad parameters--is carried out as part of project preparation and is evaluated at appraisal. The second phase--development of specific operational plans to address the pest problems identified--is often carried out as a component of the project itself. As appropriate, the pest management plan specifies procedures for screening pest control products. In exceptional cases, the pest management plan may consist of pest control product screening only.⁷

Screening of Pest Control Products

7. Pest control product screening is required when a project finances pest control products. The screening establishes an authorized list of pest control products approved for financing, along with a mechanism to ensure that only the specified products will be procured with Bank funds. Screening without a pest management plan is appropriate only when all of the following conditions are met: (a) expected quantities of pest control products are not significant from a health or environment standpoint; (b) no significant environmental or health concerns related to pest control need to be addressed; (c) the project will not introduce pesticide use or other nonindigenous biological control into

⁴ See [OP 4.01, Annex C](#).

⁵ Particularly such crops as cotton, vegetables, fruits, and rice, which are often associated with heavy use of pesticides.

⁶ A pest management plan is not required for the procurement or use of impregnated bednets for malaria control, or of WHO Class III insecticides for intradomestic spraying for malaria control.

⁷ Bank staff can access more information from the [RDV website](#).



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an area, or significantly increase the level of pesticide use; and (d) no hazardous products⁸ will be financed.

Appraisal

8. Depending on the complexity of the issues involved and the degree of risk to human health or the environment, the appraisal mission includes appropriate technical specialists.

9. The TT records in the Project Appraisal Document (PAD) pest management concerns arising from the EA and any proposed project interventions pertinent to pest management, for example:

- a. a list of pest control products authorized for procurement, or an indication of when and how this list will be developed and agreed on;
- b. existing pest management practices; pesticide use; the policy, economic, institutional, and legal framework for regulating, procuring, and managing pesticides; and the extent to which all these are consistent with an IPM approach;
- c. proposed project activities (or ongoing parallel activities, including other projects supported by the Bank or other donors) aimed at addressing (i) the shortcomings identified, and (ii) any constraints to adopting IPM;
- d. proposed mechanisms for financing, implementing, monitoring, and supervising components relating to pest management or pesticide use, including any role envisaged for local nongovernmental organizations;
- e. the capacity of responsible institutions to carry out the activities described; and
- f. the overall sectoral context and other issues that will not be directly addressed under the project but that should be addressed as long-term objectives.

10. The main elements of the pest management measures are reflected in the legal agreements between the borrower and the Bank.⁹

⁸ Hazardous products include pesticides listed in Class Ia and Ib of the World Health Organization (WHO) *Classification of Pesticides by Hazard and Guidelines to Classification* (Geneva: WHO, 1994-95); materials listed in the UN *Consolidated List of Products Whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted, or Not Approved by Governments* (New York: UN, 1994); and other materials that are banned or severely restricted in the borrower country because of environmental or health hazards (see the country's national pesticide registration list, if it has one). Copies of the WHO classification and UN list, which are updated periodically, are available in the Bank's Sectoral Library. Staff may consult the Rural Development Department for further guidance.

⁹ Loan conditionality may be needed to ensure the effective implementation of project components; for example, (a) establishing or strengthening pesticide regulatory and monitoring framework and capabilities, (b) properly operating and/or constructing pesticide storage or disposal facilities, (c) agreeing on a time-bound program to

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Supervision and Evaluation

11. Depending on the nature and complexity of the pest management and pesticide-related issues confirmed at appraisal, supervision missions may need to include appropriate technical specialists. This need is reflected in the supervision plan.

12. The Implementation Completion Report evaluates the environmental impact of pest management practices supported or promoted by the project, as well as the borrower's institutional oversight capacity. It also discusses whether the project has resulted in improved pest management practices according to the criteria that define the IPM approach.

phase out use of an undesirable pesticide and properly dispose of any existing stocks, or (d) initiating research or extension programs aimed at providing alternatives to undesirable pesticide use.



Revised July 1, 2014

"OP/BP4:02" *Environmental Action Plans*", were revised on July 2014 to take into account the recommendations in "World Bank Group A New Approach to Country Engagement" (R2014-0089), which were approved by the Executive Directors on May 22, 2014. As a result of these recommendations, ; [OP/BP 13.16](#), *Country Portfolio Performance Reviews* has been retired, [OP/BP 2.30](#) *Development Cooperation and Conflict* references to ISN were replaced by CEN and included in the Country Engagement Directive; [OP 1.00](#) *Poverty Reduction* footnote 2 has been deleted; [BP 3.10](#), *Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits*, [OP/BP 4.02](#) *Environmental Action Plans*, [OP 8.00](#), *Rapid Response to Crises and Emergencies*, [OP 11.00](#), *Procurement* have also been updated to reflect editorial changes.

Environmental Action Plans

1. The Bank¹ encourages and supports the efforts of borrowing governments to prepare and implement an appropriate Environmental Action Plan (EAP)² and to revise it periodically as necessary. Although the Bank may provide advice, responsibility for preparing and implementing the EAP rests with the government, and the EAP is the country's plan.
2. An EAP describes a country's major environmental concerns, identifies the principal causes of problems, and formulates policies and actions to deal with the problems.³ In addition, when environmental information is lacking, the EAP identifies priority environmental information needs and indicates how essential data and related information systems will be developed. The EAP provides the preparation work for integrating environmental considerations into a country's overall economic and social development strategy. The EAP is a living document that is expected to contribute to the continuing process by which the government develops a comprehensive national environmental policy and programs to implement the policy. This process is expected to form an integral part of overall national development policy and decision making.
3. The Bank draws on the EAP for environmental information and analysis to plan its assistance with appropriate attention to environmental considerations. The Bank encourages each government to integrate its EAP into sectoral and national development plans. Where appropriate, the Bank works with each government to ensure that information from the EAP (a) is integrated into the Country Partnership Framework,⁴ and (b) informs the development of program- and project-level details in a continuing process of environmental planning.

¹ "Bank" includes IBRD and IDA.

² The term "EAP" may refer to a specific document formally designated as an EAP, or to a plan set forth in such comparable documents as a report of a task force, a conservation strategy, or an overall development strategy that treats environmental issues. National reports on the environment submitted by member countries for the United Nations Conference on Environment and Development (UNCED) (Rio de Janeiro, June 1992) are in principle similar to EAPs. If in scope and content a country's UNCED report is consistent with the requirements for an EAP, including those on broad public participation (see para. 4), the Bank may accept that report as an EAP.

³ Bank staff can access more information on EAP from the [ENV website](#).

⁴ See [BP 2.11](#), *Country Assistance Strategies*.



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Participation

4. The Bank encourages the government to secure support for the EAP and to help ensure its effective implementation by (a) using multidisciplinary teams from appropriate agencies within the government to assist with preparation, and (b) taking into account the views of interested parties (including local nongovernmental organizations [NGOs]⁵), obtained through means that induce broad public participation.

Disclosure

5. While the EAP is being prepared, the Bank encourages the government to make drafts available to groups that will be affected by its implementation and to other interested groups, including NGOs. When the EAP is completed, the Bank encourages the government to issue it to aid agencies and the public. When the Bank has officially received an EAP and has obtained the government's consent, it makes the EAP publicly available.⁶

⁵ SeeGP 14.70, *Involving Nongovernmental Organizations in Bank-Supported Activities*.

⁶ See [The World Bank Policy on Access to Information](#).



Revised July 1, 2014

"OP/BP4:02" *Environmental Action Plans*", were revised on July 2014 to take into account the recommendations in "World Bank Group A New Approach to Country Engagement" (R2014-0089), which were approved by the Executive Directors on May 22, 2014. As a result of these recommendations, : [OP/BP 13.16](#), *Country Portfolio Performance Reviews* has been retired, [OP/BP 2.30](#) *Development Cooperation and Conflict* references to ISN were replaced by CEN and included in the Country Engagement Directive; [OP 1.00](#) *Poverty Reduction* footnote 2 has been deleted; [BP 3.10](#), *Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits*, [OP/BP 4.02](#) *Environmental Action Plans*, [OP 8.00](#), *Rapid Response to Crises and Emergencies*, [OP 11.00](#), *Procurement* have also been updated to reflect editorial changes.

Environmental Action Plans

1. The Bank's¹ role in preparing and implementing an Environmental Action Plan (EAP) is primarily to provide advice and help arrange technical assistance, if requested to do so by the government. The degree of Bank involvement depends on the capacity of the government to design and manage the process. Within the Bank, the responsibility for assisting in and monitoring the preparation of an EAP rests primarily with the concerned country management unit (CMU), supported by the Regional environmental and sector unit (RESU). Additional support may be requested from other Bank units with particular expertise, such as the Networks and the Legal Department.

Bank Review

2. Bank staff review the draft EAP, keeping in mind its usefulness in scope and content as a policy and investment planning document, and provide comments to the government. Bank staff also determine whether the EAP is supported and endorsed by the government agencies that need to approve it formally.
3. The CMU, the RESU, and the relevant sector units (SUs) review the completed EAP and provide comments to the government on technical issues and the main environmental concerns.

EAP Monitoring

4. Bank staff periodically monitor and evaluate progress in implementing the EAP's action program, discuss their findings with the government, and identify and promote corrective actions. Bank staff encourage and support the government's efforts to periodically update the EAP in light of new information and changing priorities. If the government so requests, Bank staff assist in identifying financial resources and expertise to update the EAP.

Integration into Country Development Planning and Bank Work

5. As part of regular country partnership management, Bank staff identify potential gaps in country capability for EAP preparation, monitoring, and updating. The CMU estimates when the entire EAP, or portions of it, will need to be monitored, reviewed, and updated for inclusion in the Bank's Country Partnership Framework. The CMU and appropriate SU ensure that the Bank's country economic and

¹ "Bank" includes IBRD and IDA.



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sector work, country economic memoranda, Country Partnership Framework, and Policy Framework Paper integrate and properly reflect the findings of the EAP and identify areas in which environmental questions remain. Bank staff may also need to integrate EAP information into the Project Appraisal Document and Program Document for investment and development policy lending operations.

6. The RESU reviews the appropriate Bank documents to ensure that environmental actions identified and recommended in the EAP have been adequately taken into account.

7. Bank staff promote coordination among the efforts of the various aid agencies participating in the EAP process.

Status Reports and Release of the EAP

8. As appropriate, the CMU informs the executive directors of the status of the EAP through the Country Partnership Framework (CPF).² In addition, IDA periodically reports to the Board on the status of the EAPs for IDA countries. When the government permits, the CMU makes copies of the EAP available to the executive directors on request. Once the Bank has officially received the EAP and has obtained the government's consent, the CMU sends a copy of the EAP to the InfoShop, through which interested parties may obtain it.

² See [BP 2.11](#), *Country Partnership Strategies*.



Performance Standards for Private Sector Activities

Purpose

1. The aim of this policy is to facilitate Bank financing¹ for private sector led economic development projects by applying environmental and social policy standards that are better suited to the private sector, while enhancing greater policy coherence and cooperation across the World Bank Group.
2. The eight IFC Performance Standards have been adopted by the Bank as the World Bank *Performance Standards for Projects Supported by the Private Sector* (“**WB Performance Standards**”) for application to Bank support for projects (or components thereof) that are designed, owned, constructed and/or operated by a Private Entity (as defined below), in lieu of the World Bank’s safeguard policies (“**WB Safeguard Policies**”).² The eight World Bank Performance Standards are:
 - [Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts](#)
 - [Performance Standard 2: Labor and Working Conditions](#)
 - [Performance Standard 3: Resource Efficiency and Pollution Prevention](#)
 - [Performance Standard 4: Community Health, Safety, and Security](#)
 - [Performance Standard 5: Land Acquisition and Involuntary Resettlement](#)
 - [Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources](#)
 - [Performance Standard 7: Indigenous Peoples](#)
 - [Performance Standard 8: Cultural Heritage](#)

¹ In this OP, unless the context requires otherwise, the term: (a) “**Bank**” means IBRD and IDA (whether acting in its own capacity or as administrator of trust funds funded by other donors); (b) “**WB Group Entity**” means IFC or MIGA (or both); and (c) “**financing**” means any loan, credit, or grant made, or any guarantee issued, by the Bank from its resources or from trust funds funded by other donors and administered by the Bank, or a combination of these.

² See, *Proposed Adoption and Application of World Bank Performance Standards for Private Sector Projects Supported by IBRD/IDA*; June 26, 2012; R2012-0130; IDA/R2012-0161. The IFC Performance Standards which comprise the WB Performance Standards can be found at [www.worldbank.org/safeguards]. IFC’s “*Policy on Environmental and Social Sustainability*” and IFC’s “*Access to Information Policy*” are not Bank policies and are therefore not included in the WB Performance Standards. While the Guidance Notes and Interpretation accompanying the IFC Performance Standards are similarly not Bank policies, and therefore not included in the WB Performance Standards, they may be consulted for good practice guidance. For purposes of this OP, the World Bank Safeguard Policies comprise the following: [OP/BP 4.00, Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-supported Project](#), [OP/BP 4.01, Environmental Assessment](#), [OP/BP 4.04, Natural Habitats](#), [OP 4.09, Pest Management](#), [OP/BP 4.10, Indigenous People](#), [OP/BP 4.11, Physical Cultural Resources](#), [OP/BP 4.12, Involuntary Resettlement](#), [OP/BP 4.36, Forests](#), [OP/BP 4.37, Safety of Dams](#), [OP/BP 7.50, Projects on International Waterways](#), and [OP/BP 7.60, Projects in Disputed Areas](#).



This OP sets forth the circumstances under which the WB Performance Standards may be applied, the roles and responsibilities of the Private Entity implementing the project, and of the Bank in supporting environmental and social sustainability aspects of the project.

Scope of Application

3. *Private Entity.* For purposes of this OP, a private entity is any natural or legal person, whether privately or publicly owned: (a) which is carrying out or is established for a business purpose, and is operating on a commercial basis; (b) which is financially and managerially autonomous; and (c) whose day-to-day management is not controlled by the government (“**Private Entity**”).³
4. *Private Sector Activity.* This OP applies to a Bank supported activity if: (a) the activity is designed, constructed, operated and/or owned, by a Private Entity (or consists of technical assistance in preparation for such activity), is productive and is necessary to meet the development objectives of the member country in which it is implemented; (b) the Private Entity is fully responsible for identifying, assessing and managing the environmental and social risks associated with the activity; and (c) the Private Entity has a generally recognized capacity⁴ to identify, assess and manage the environmental and social risks associated with the activity (and in the case of an activity involving a financial intermediary, to identify, assess and manage these risks associated with the subprojects it finances) (“**Private Sector Activity**”). The Private Sector Activity may constitute the entire Bank supported project, or it may comprise part of a Bank supported project whose other parts do not constitute a Private Sector Activity (“**Non Private Activity**”).
5. *Scope of Application.* Subject to the provisions of paragraph 7 below, the Bank may, unless the member country objects, apply the WB Performance Standards, in lieu of the WB Safeguard Policies, to a Private Sector Activity. The Bank applies the WB Performance Standards as follows:
 - a. if the Private Sector Activity constitutes the entire Bank supported project, the Bank applies the WB Performance Standards to the entire project;⁵ and
 - b. if the Private Sector Activity comprises part of a Bank supported project (or falls within the “area of influence” of such project (see, [OP 4.01](#), *Environmental Assessment*, paragraph 2) whose other parts comprise a Non Private Activity, then, notwithstanding [OP 4.01](#), the Bank applies: (i) the WB Performance Standards to the Private Sector Activity; and (ii) the WB Safeguard Policies to the rest of the project.
6. A Private Sector Activity, as long as it meets the requirements set forth in paragraph 4 above, may take a number of forms, including: (a) an activity involving a public private partnership (“**PPP**”), especially in an infrastructure sector, comprising a contractual arrangement between a public entity or

³ In the IFC Performance Standards, the Private Entity is referred to as the “client”.

⁴ Ability to raise commercial funds in the market under the Equator Principles, or existence of a satisfactory management system may indicate such capacity.

⁵ These provisions apply equally to a Bank supported project comprising several components, each of which is a Private Sector Activity but each is implemented by a different Private Entity.



authority and a Private Entity, whereby risks from construction, and/or operations, and/or financing are fully or partially transferred to the Private Entity; (b) an activity that involves medium- or long-term management contracts, affranchise/leases, privatizations, concessions, or build-own-transfer, build-own-operate-transfer, build-own-operate, and other similar arrangements; (c) an activity involving a financial intermediary, provided the subprojects financed by the intermediary and supported by the Bank are implemented by Private Entities; and (d) in exceptional cases, an activity implemented by a state-owned entity, provided it meets the criteria of a Private Entity described above.

7. *Limitations*

- a. The WB Performance Standards do not apply to activities involving provision of goods and services, or civil works or turnkey contracts, for the design or construction of facilities that will be fully owned and operated by the public sector (i.e., activities for which private sector involvement in the project is limited to bidding on public contracts).
- b. The WB Performance Standards do not apply to activities where the responsibilities for identifying, assessing and managing environmental and social risks and impacts are shared between the Private Entity and the member country and cannot be clearly separated. In such cases, the WB Safeguard Policies apply in their entirety to such activities.
- c. Subject to paragraph 9 below, the requirements of [OP/BP 7.50, *Projects on International Waterways*](#), and those of [OP/BP 7.60, *Projects in Disputed Areas*](#), apply to any Bank supported Private Sector Activity.

Private Entity and Bank Roles and Responsibilities

8. The Private Entity is responsible for developing an environmental and social management system (“*ESMS*”) and for identifying, assessing and managing environmental and social risks and impacts associated with the Private Sector Activity, all in accordance with the WB Performance Standards. Financial intermediaries are required to develop an ESMS, acceptable to the Bank, which the intermediary applies in identifying, assessing and managing environmental and social risks and impacts under its Bank-supported portfolio of subprojects.

9. The Bank reviews the Private Sector Activity, the ESMS, and environmental and social assessment and management plans prepared for activities under the ESMS for consistency with the WB Performance Standards.⁶ The Bank categorizes the activity on the basis of the nature of the potential environmental and social risks and impacts of the Private Sector Activity. As part of its review, the Bank takes into account country environmental studies, country assistance or partnership strategies, sector strategies, or comparable Bank-financed studies or programs. The Bank ensures that the notification requirements under [OP/BP 7.50, *Projects on International Waterways*](#), related to the activity are met; and the Bank may rely on any such notification being undertaken by a WB Group Entity if such notification is found acceptable to the Bank. Finally, the Bank monitors the social and environmental aspects of the Private Sector Activity with respect to the applicable WB Performance Standards.

⁶ In the case of financing involving a financial intermediary, the Bank reviews the intermediary’s ESMS.



10. Since the Private Entity will normally have undertaken significant work in developing the Private Sector Activity long before the Bank's involvement, the Bank bases its decision, on whether to support a Private Sector Activity, in part on the work already undertaken by the Private Entity in the development of the activity, decisions already made regarding the activity, and permits and approvals already issued by the member country.

11. The Bank explains in the project documents: (a) the rationale for applying WB Performance Standards; (b) the role of the Private Entity in developing, implementing, owning and/or operating the project; (c) the role, if any, of the public sector in developing and implementing the project; (d) the role and responsibility of each of the Private Entity and public sector in identifying, assessing or managing the social and environmental aspects of the project; and (e) parts of the project, if any, that are subject to WB Safeguard Policies.

Performance Standards for Private Sector Activities

1. This BP sets out the environmental and social review¹ procedures (“**ESRPs**”) to be followed for a Bank² supported Private Sector Activity for which the WB Performance Standards apply in accordance with [OP 4.03](#). Section A covers general requirements for all such activities; Section B covers additional requirements for activities that do not involve financial intermediaries (“**FIs**”); and Section C covers additional requirements for activities that involve FIs.

A. General Requirements

Differences in Bank and Private Entity Approaches to the Scope, Timing and Milestones of Private Sector Activities and their Development

2. Since the timing of the Bank’s initial involvement in a Private Sector Activity often occurs after the Private Entity has been awarded a concession or made key business decisions relating to the Private Sector Activity, it may be necessary for the Bank to:
- adapt rapidly the scope of the environmental and social review for the Private Sector Activity, as well as take into account the timing and key milestones of the Private Entity’s preparation of the Private Sector Activity; and
 - review any approved permits, authorizations, and environmental and social management plans for consistency with the requirements of the WB Performance Standards, and to inform the action plan required pursuant to paragraph 9 of this BP.

Involvement of IFC and/or MIGA

3. If the Private Sector Activity involves potential support by a WB Group Entity, the Bank shares information regarding environmental and social aspects of the activity with the WB Group Entity, in accordance with its policy on Access to Information.
4. When a WB Group Entity has carried out or is carrying out environmental and social due diligence work for the Private Sector Activity under its environmental and social due diligence procedures, the Bank may choose to rely on such due diligence work for purposes of determining whether or not the Private Sector Activity has been prepared in accordance with the WB Performance Standards. In case of such reliance, the Bank does not require the WB Group Entity to follow or have followed the procedures set forth in this BP, nor is the Bank required to undertake the environmental and social review

¹ For the purposes of this BP, “environmental and social review” refers to the due diligence activities carried out during project preparation by Bank staff, as well as review of reports and other information obtained during supervision and monitoring activities by Bank staff.

² In this BP, the terms “Bank”, “WB Group Entity”, “financing”, “Private Sector Activity”, and “Private Entity” have the meanings set forth in [OP 4.03](#).



work undertaken, or to be undertaken, by the WB Group Entity. The Bank may also choose to rely on the WB Group Entity's project implementation support activities during the Bank's implementation support. Any such reliance by the Bank, whether during preparation or implementation support, is, however, subject to the pre-condition that the Bank has concluded written arrangements with the WB Group Entity designed to ensure that the Bank is kept adequately informed on an ongoing basis of: (a) the status of the Private Entity's compliance with its environmental and social requirements; and (b) the consistency of the implementation of the Private Sector Activity with the WB Performance Standards.

Screening and Categorization

5. The Bank screens the Private Sector Activity in order to determine the nature and extent of the environmental and social assessment needed, based on the type, location, sensitivity, and scale of the activity, as well as the nature and magnitude of its potential impacts. This screening also identifies any additional information required to complete the Bank's environmental and social review and determine whether to support the activity. The findings of this screening are summarized in the documentation for the concept decision point (including the Integrated Safeguards Data Sheet ("ISDS")).
6. The Private Sector Activity is categorized by the Bank as Category A, B, C, or FI, depending on the nature of the activity and financing mechanism, as follows:
 - a. **Category A:** Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented;
 - b. **Category B:** Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures;
 - c. **Category C:** Business activities with minimal or no adverse environmental or social risks and/or impacts; or
 - d. **Category FI:** The activity involves support, through a FI, of initially unspecified subprojects that may result in adverse environmental or social risks and/or impacts.

The type of instrument used to identify and assess environmental and social risks may vary in accordance with the nature of the potential risks and impacts.

Specific Provisions

7. At the conclusion of the environmental and social review, the Bank prepares the appraisal stage ISDS. The legal agreements with the Bank for the Private Sector Activity include undertakings, as relevant, to: (a) implement the Private Sector Activity in accordance with the ESMS (as defined below); (b) carry out the action plans referred to below in paragraphs 9, 11 and 12; (c) in relation to non-FI Private Sector Activities, prepare and furnish the AMR as provided in paragraph 16 below; and/or (d) in relation to FI Private Sector Activities, provide reporting to the Bank on the implementation of the ESMS as referred to in paragraph 23(d) below.

**B. Detailed Procedures (other than when Financial Intermediaries are involved)***Environmental and Social Information Requirements and Review*

8. *General Requirements.* The Bank undertakes a detailed review of the Private Entity's environmental and social management system ("ESMS") and environmental and social impact assessment and any related documentation. During the review, the Bank requests clarification or additional information as needed to address any deficiencies identified in the documentation, or other concerns. A visit to the project site during preparation is mandatory for all Category A Private Sector Activities.
9. The purpose of the environmental and social review is to determine whether the ESMS and the design and proposed implementation of the Private Sector Activity are consistent with the WB Performance Standards. If they are not, further processing requires the Private Entity to develop a time-bound action plan acceptable to the Bank to address any deficiencies and ensure such consistency.
10. The Bank requires the Private Entity to engage with affected communities through disclosure of information, consultation with and informed participation by them, in a manner commensurate with the risks to, and impacts on, the affected communities. Factors to be considered by the Bank include: the procedures and requirements established under national and local environmental laws and policies for environmental permitting, and local social and cultural conditions that may constrain certain forms of public consultation and disclosure.
11. *Expansion; Modernization.* If the Private Sector Activity involves expansion and/or modernization of facilities, the environmental and social aspects of both existing and proposed new facilities are reviewed by the Bank. The Bank requires the Private Entity: (a) to complete an environmental and social audit of the existing operation or facility; and (b) depending on the results of the audit, to carry out a time-bound action plan to bring the existing operation into a status consistent with the applicable WB Performance Standards within a reasonable period of time.
12. *Privatization.* If the Private Sector Activity involves a privatization, the Bank requires the Private Entity: (a) to engage an independent consultant to conduct an environmental and social audit of the facilities; and (b) depending on the results of the audit, to carry out a time-bound action plan to bring the existing facilities into a status consistent with applicable Bank Performance Standards within a reasonable period of time.

Environmental and Social Review Summary

13. For each Category A and each Category B Private Sector Activity, upon a determination that the activity is designed and will be implemented in a manner consistent with the WB Performance Standards, the Bank prepares an environmental and social review summary ("ESRS"). The ESRS consists of: (a) a brief description of the activity on which the environmental and social review is based; (b) a list of key environmental and social issues, and categorization by the Bank; (c) key sources of information for the environmental and social review; (d) a summary of WB Performance Standards triggered; and (e) a brief summary of the key findings of the review.

14. When the Bank and a WB Group Entity support the same Private Sector Activity, the Bank collaborates with the WB Group Entity in the preparation and disclosure of a single, World Bank Group ESRS and supporting documentation. If no WB Group Entity is supporting the activity, the Bank transmits the draft ESRS to the Private Entity and requests its review of, and permission to post, the ESRS, at the InfoShop and the Bank's local Public Information Center ("**PIC**"). Upon receipt of written permission from the Private Entity, the Bank discloses the ESRS at the InfoShop and its local PIC. If the Private Entity does not provide its permission, the Bank does not continue processing the Private Sector Activity for Bank support.

Disclosure of Environmental and Social Assessment Documents

15. For each Category A and each Category B Private Sector Activity, the Bank requires the Private Entity to disclose and maintain on the activity's or Private Entity's website, if one exists, the environmental and social assessment prepared for the activity for a minimum period beginning no later than disclosure of the ESRS by the Bank and for as long as the Bank is providing implementation support to the Private Sector Activity. The link to the website is identified in the ESRS. Alternatively, if no such website exists, the Bank requires the Private Entity to permit the Bank to disclose the environmental and social assessment at the InfoShop and in the Bank's local PIC along with the Bank's ESRS. Specific minimum times for disclosure prior to Board presentation are the same as those governing Bank guarantees.

Implementation Support

16. Throughout the period of the Bank's implementation support/supervision of the Private Sector Activity, the Bank requires the Private Entity to furnish to it an annual monitoring report ("**AMR**") acceptable to the Bank summarizing the Private Sector Activity's consistency with the WB Performance Standards, and identifying any environmental or social issues that arise during implementation and how they have been addressed. The Bank carries out site visits or takes other measures as necessary to verify the information provided in the AMR.

C. Detailed Procedures for a Private Sector Activity involving Financial Intermediaries

Responsibilities

17. If the Private Sector Activity involves a FI, the FI is required by the Bank to:
- develop and operate an ESMS that is commensurate with the level of social and environmental risks in its portfolio, and prospective business activities;
 - apply relevant aspects of WB Performance Standard 2 to its employees; and
 - ensure that all subprojects supported by the Bank comply with applicable national and local laws and regulations.
18. The Bank requires FIs whose portfolio and/or proposed business activities present moderate to high social or environmental risks (i.e., Category FI-1 and FI-2, as described below) to ensure that any



such activities supported by the Bank are operated in a manner consistent with the WB Performance Standards.

19. In order to appropriately identify the environmental and social risks related to proposed business activities under the Bank-supported Private Sector Activity, the Bank reviews the existing portfolio and/or proposed business activities of the FI to identify risks, and assesses whether the ESMS for the Bank supported Private Sector Activity is appropriate for managing those risks.

Screening and Categorization

20. If Bank support to an FI is earmarked for a specific Private Sector Activity, the Bank decides the appropriate category based on the specific activity for which it is earmarked, and the Private Sector Activity is governed by the procedures outlined above in Section B.

21. Category FI Private Sector Activities are further sub-divided as follows:

- a. FI-1: when the FI's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to a proposed subproject with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented;
- b. FI-2: when the FI's existing or proposed portfolio is comprised of, or is expected to be comprised of, subprojects that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of subprojects with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented; and
- c. FI-3: when the FI's existing or proposed portfolio includes financial exposure to subprojects that predominantly have minimal or no adverse environmental or social impacts.

Environmental and Social Requirements and Review

22. In reviewing the adequacy of the FI's ESMS, the Bank determines whether the ESMS is appropriate to the FI's risk profile, by considering whether:

- a. the policy statement incorporated in the ESMS describes specific objectives, metrics, and aspirations that the FI has set with regard to its environmental and social performance, and is endorsed by the FI's senior management;
- b. organizational capacity, responsibilities, and accountability within the FI organization are described;
- c. procedures are in place for screening and assessing risks and impacts of subprojects or individual loan transactions; and
- d. procedures are in place for monitoring environmental and social performance of the FI's portfolio of subprojects and providing periodic progress reports to FI senior management.

In addition, the Bank assesses systems or procedures for training and ensuring awareness of the FI's investment, legal, and credit officers regarding the FI's ESMS.

23. Upon determination that the ESMS is appropriate to the risk profile of the FI's portfolio, the Bank approves the ESMS in a written memorandum. The memorandum consists of:

- a. a brief summary of the findings regarding the risk profile of the FI's portfolio;
- b. a description of the ESMS and its appropriateness;
- c. a brief summary of the FI's capacity to implement the ESMS;
- d. recommended specific requirements to be included in the legal agreements for the Private Sector Activity regarding the periodic reporting to the Bank by the FI on the implementation of the ESMS; and
- e. recommended language for the environmental and social impacts sections of the project documents.

Disclosure

24. For Category FI-1 and FI-2 Private Sector Activities, the Bank requires the FI to disclose through the FI's website, if a website exists, and to permit, in writing, the Bank to disclose at the Bank's InfoShop and local PIC, the following elements of the FI's ESMS:

- a. the FI's policy statement which describes specific objectives, metrics, and aspirations that the FI has set with regard to its environmental and social performance;>
- b. the FI's procedures for screening and assessing risks and impacts of subprojects or individual transactions; and
- c. after Bank review, the summary of the environmental assessment that is required for any subproject considered high risk in accordance with the ESMS.

25. In addition to disclosing specified information provided by the Private Entity, the concept stage and appraisal stage ISDSs are prepared and disclosed by the Bank as the source of summary information on the Bank's findings regarding environmental and social issues for Category FI Private Sector Activities.

Implementation Support

26. For Category FI-1 and FI-2 Private Sector Activities, the Bank requires the FI to furnish to it, throughout implementation, an annual environmental and social performance report ("**ESPR**") that summarizes the status of implementation of the ESMS by the FI. To determine the effectiveness of an FI's ESMS, the Bank periodically reviews the process and the results of the social and environmental due diligence conducted by the FI for the subprojects supported by the Bank. The Bank periodically reviews a sample of the subprojects with significant environmental and social risks. Bank implementation support



may include visits to the FI, as well as to recipients of FI loans/investments, particularly for high risk subprojects. The frequency and focus of supervision visits is commensurate with the identified risks.

**Revised April 2013**

Note: OP/BP 4.04 *Natural Habitats*, 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: (a) OP/BP 10.00, *Investment Project Financing*, have been revised; and (b) OP/BP 8.60, *Development Policy Lending*, and OP 9.00, *Program-for-Results Financing*, have also been revised. OP/BP 4.04 have consequently been updated to reflect these changes, as well as to clarify the extent of applicability of these OP/BP to Development Policy Lending and Program-for Results-Financing.

Questions on this OP/BP may be addressed to the Safeguard Policies Help Desk in OPCS (safeguards@worldbank.org).

Natural Habitats

1. The conservation of natural habitats,¹ like other measures that protect and enhance the environment, is essential for long-term sustainable development. The Bank² therefore supports the protection, maintenance, and rehabilitation of natural habitats and their functions in its economic and sector work, project financing, and policy dialogue. The Bank supports, and expects borrowers to apply, a precautionary approach to natural resource management to ensure opportunities for environmentally sustainable development.

Economic and Sector Work

2. The Bank's economic and sector work includes identification of (a) natural habitat issues and special needs for natural habitat conservation, including the degree of threat to identified natural habitats (particularly critical natural habitats), and (b) measures for protecting such areas in the context of the country's development strategy. As appropriate, Country Assistance Strategies and projects incorporate findings from such economic and sector work.

¹ See definitions in [Annex A](#).

² "Bank" includes IBRD and IDA, "loans" includes IDA credits and IDA grants, "borrower" includes, for guarantee operations, a private or public project sponsor receiving from another financial institution a loan guaranteed by the Bank; and "project" includes all operations financed by Bank loans or guarantees but does not include: (a) programs supported under Development Policy Lending (with respect to which environmental considerations are set out in OP/BP 8.60, *Development Policy Lending*), (b) debt and debt service operations or (c) programs financed by Program-for-Results Financing (with respect to which environmental considerations are set out in OP/BP 9.00, *Program-for-Results Financing*). The project financed by a Bank loan is described in the Loan/Development Financing Agreement for that project. The term project includes all components of the project, regardless of the source of financing. The term project also includes projects and components funded under the Global Environment Facility (GEF), but does not include GEF 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).

**Revised April 2013****Project Design and Implementation**

3. The Bank promotes and supports natural habitat conservation and improved land use by financing projects designed to integrate into national and regional development the conservation of natural habitats and the maintenance of ecological functions. Furthermore, the Bank promotes the rehabilitation of degraded natural habitats.
4. The Bank does not support projects that, in the Bank's opinion, involve the significant conversion or degradation³ of critical natural habitats.
5. Wherever feasible, Bank-financed projects are sited on lands already converted (excluding any lands that in the Bank's opinion were converted in anticipation of the project). The Bank does not support projects involving the significant conversion of natural habitats unless there are no feasible alternatives for the project and its siting, and comprehensive analysis demonstrates that overall benefits from the project substantially outweigh the environmental costs. If the environmental assessment⁴ indicates that a project would significantly convert or degrade natural habitats, the project includes mitigation measures acceptable to the Bank. Such mitigation measures include, as appropriate, minimizing habitat loss (e.g., strategic habitat retention and post-development restoration) and establishing and maintaining an ecologically similar protected area. The Bank accepts other forms of mitigation measures only when they are technically justified.
6. In deciding whether to support a project with potential adverse impacts on a natural habitat, the Bank takes into account the borrower's ability to implement the appropriate conservation and mitigation measures. If there are potential institutional capacity problems, the project includes components that develop the capacity of national and local institutions for effective environmental planning and management. The mitigation measures specified for the project may be used to enhance the practical field capacity of national and local institutions.
7. In projects with natural habitat components, project preparation, appraisal, and supervision arrangements include appropriate environmental expertise to ensure adequate design and implementation of mitigation measures.
8. This policy applies to subprojects under sectoral loans or loans to financial intermediaries.⁵ Regional environmental sector units oversee compliance with this requirement.

Policy Dialogue

9. The Bank encourages borrowers to incorporate into their development and environmental strategies analyses of any major natural habitat issues, including identification of important natural habitat

³ For definitions, see [Annex A](#).

⁴ See [OP/BP 4.01, Environmental Assessment](#).

⁵ See [OP/BP 4.01, Environmental Assessment](#), for environmental assessment in subprojects.

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sites, the ecological functions they perform, the degree of threat to the sites, priorities for conservation, and associated recurrent-funding and capacity-building needs.

10. The Bank expects the borrower to take into account the views, roles, and rights of groups, including local nongovernmental organizations and local communities,⁶ affected by Bank-financed projects involving natural habitats, and to involve such people in planning, designing, implementing, monitoring, and evaluating such projects. Involvement may include identifying appropriate conservation measures, managing protected areas and other natural habitats, and monitoring and evaluating specific projects. The Bank encourages governments to provide such people with appropriate information and incentives to protect natural habitats.

⁶ See [OP/BP 4.10](#), *Indigenous Peoples*, when local communities include indigenous peoples.



Definitions

1. The following definitions apply in [OP](#) and [BP](#) 4.04:
 - a. *Natural habitats*¹ are land and water areas where (i) the ecosystems' bio-logical communities are formed largely by native plant and animal species, and (ii) human activity has not essentially modified the area's primary ecological functions. All natural habitats have important biological, social, economic, and existence value. Important natural habitats may occur in tropical humid, dry, and cloud forests; temperate and boreal forests; mediterranean-type shrub lands; natural arid and semi-arid lands; mangrove swamps, coastal marshes, and other wetlands; estuaries; sea grass beds; coral reefs; freshwater lakes and rivers; alpine and sub alpine environments, including herb fields, grasslands, and paramos; and tropical and temperate grasslands.
 - b. *Critical natural habitats* are:
 - i. existing protected areas and areas officially proposed by governments as protected areas (e.g., reserves that meet the criteria of the World Conservation Union [IUCN] classifications²), areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for the viability of these protected areas (as determined by the environ-mental assessment process³); or
 - ii. sites identified on supplementary lists prepared by the Bank or an authoritative source determined by the Regional environment sector unit (RESU). Such sites may include areas recognized by traditional local communities (e.g., sacred groves); areas with known high suitability for bio-diversity conservation; and sites that are critical for rare, vulnerable, migratory, or endangered species.⁴ Listings are based on systematic evaluations of such factors as species richness; the degree of endemism, rarity, and

¹ Biodiversity outside of natural habitats (such as within agricultural landscapes) is not covered under this policy. It is good practice to take such biodiversity into consideration in project design and implementation.

² IUCN categories are as follows: I--Strict Nature Reserve/Wilderness Area: protected area managed for science or wilderness protection; II--National Park: protected area managed mainly for ecosystem protection and recreation; III--Natural Monument: protected area managed mainly for conservation of specific natural features; IV--Habitat/Species Management Area: protected area managed mainly for conservation through management intervention; V--Protected Landscape/Seascape: protected area managed mainly for landscape/seascape conservation and recreation; and VI--Managed Resource Protected Area: protected area managed mainly for the sustainable use of natural ecosystems.

³ See [OP/BP](#) 4.01, *Environmental Assessment*.

⁴ Rare, vulnerable, endangered, or similarly threatened, as indicated in the IUCN Red List of Threatened Animals, BirdLife World List of Threatened Birds, IUCN Red List of Threatened Plants, or other credible international or national lists accepted by the RESUs.



vulnerability of component species; representativeness; and integrity of ecosystem processes.

- c. *Significant conversion* is the elimination or severe diminution of the integrity of a critical or other natural habitat caused by a major, long-term change in land or water use. Significant conversion may include, for example, land clearing; replacement of natural vegetation (e.g., by crops or tree plantations); permanent flooding (e.g., by a reservoir); drainage, dredging, filling, or channelization of wetlands; or surface mining. In both terrestrial and aquatic ecosystems, conversion of natural habitats can occur as the result of severe pollution. Conversion can result directly from the action of a project or through an indirect mechanism (e.g., through induced settlement along a road).
- d. *Degradation* is modification of a critical or other natural habitat that substantially reduces the habitat's ability to maintain viable populations of its native species.
- e. *Appropriate conservation and mitigation measures* remove or reduce adverse impacts on natural habitats or their functions, keeping such impacts within socially defined limits of acceptable environmental change. Specific measures depend on the ecological characteristics of the given site. They may include full site protection through project redesign; strategic habitat retention; restricted conversion or modification; reintroduction of species; mitigation measures to minimize the ecological damage; post development restoration works; restoration of degraded habitats; and establishment and maintenance of an ecologically similar protected area of suitable size and contiguity. Such measures should always include provision for monitoring and evaluation to provide feedback on conservation outcomes and to provide guidance for developing or refining appropriate corrective actions.



Revised April 2013

Note: [OP/BP 4.04 Natural Habitats](#), 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: (a) [OP/BP 10.00, Investment Project Financing](#), have been revised, among other things, to incorporate [OP/BP 13.55, Implementation Completion Reporting](#), (which have accordingly been retired); and (b) [OP/BP 8.60, Development Policy Lending](#), and [OP 9.00, Program-for-Results Financing](#), have also been revised. [OP/BP 4.04](#) have consequently been updated to reflect these changes, as well as to clarify the extent of applicability of this OP/BP to Development Policy Lending and Program-for Results-Financing.

Questions on this OP/BP may be addressed to the Safeguard Policies Help Desk in OPCS (safeguards@worldbank.org).

Natural Habitats

Project Processing

Project Preparation

1. Early in the preparation of a project proposed for Bank¹ financing, the task team leader (TL) consults with the Regional environmental sector unit (RESU) and, as necessary, with the Environment Department (ENV) and the Legal Vice Presidency (LEG) to identify natural habitat issues likely to arise in the project.
2. If, as part of the environmental assessment process, environmental screening indicates the potential for significant conversion or degradation of critical or other natural habitats, the project is classified as Category A; projects otherwise involving natural habitats are classified as Category A or B, depending on the degree of their ecological impacts.²

¹ "Bank" includes IBRD and IDA, loans includes IDA credits and IDA grants, "borrower" includes, for guarantee operations, a private or public project sponsor receiving from another financial institution a loan guaranteed by the Bank; and "project" includes all operations financed by Bank loans or guarantees, but does not include: (a) programs supported under Development Policy lending (with respect to which environmental considerations are set out in [OP/BP 8.60, Development Policy Lending](#); (b) debt and debt service operations; or (c) programs financed by Program-for-Results Financing (with respect to which environmental considerations are set out in [OP/BP 9.00, Program-for-Results Financing](#)). The project financed by a Bank loan is described in Schedule 2 to the Loan/Development Credit Agreement for that project. The term project includes all components of the project, regardless of the source of financing. The term project also includes projects and components funded under the [Global Environment Facility](#) (GEF), but does not include GEF 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).

² See [OP/BP 4.01, Environmental Assessment](#).



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3. Other forms of mitigation measures referred to in the last sentence of [OP 4.04](#), para. 5 are accepted only after consultation with the RESU, ENV and LEG, and approval by the Regional vice president (RVP).

4. Natural habitat components of a project are linked as appropriate to the schedule of implementation for the project. The costs of conservation of any compensatory natural habitats are included in the project's financing. Mechanisms to ensure adequate recurrent cost financing are incorporated into project design.

Documentation

5. The TL identifies any natural habitat issues (including any significant conversion or degradation that would take place under the project, as well as any other forms of mitigation measures proposed under the last sentence of [OP 4.04](#), para. 5) in the initial Project Information Document (PID) and in the early versions of the Environmental Data Sheet.³ Updated PIDs reflect changes in the natural habitat issues. The Project Appraisal Document indicates the types and estimated areas (in hectares) of affected natural habitats; the significance of the potential impacts; the project's consistency with national and regional land use and environmental planning initiatives, conservation strategies, and legislation; and the mitigation measures planned.

6. The Implementation Completion Report⁴ assesses the extent to which the project achieved its environmental objectives, including natural habitat conservation.

Regional and Sectoral EA Reports

7. Bank staff identify relevant natural habitat issues for regional and sectoral environmental assessment (EA) reports. Such reports indicate the present location of natural habitats in the region or sector involved, analyze the ecological functions and relative importance of such natural habitats, and describe the associated management issues. These analyses are used in subsequent project-specific environmental screening and other EA work.

Role of Bank Staff

8. RESUs coordinate the preparation and use of any supplementary critical natural habitat lists and assist with project preparation (including EA) and supervision when requested. ENV guides TLs, country departments, and RESUs in implementing [OP 4.04](#) by disseminating best practices and providing training, reviews, advice, and operational support (including supervision).

³ See [OP/BP 4.01](#), *Environmental Assessment*.

⁴ See [OP/BP 10.00](#), *Investment Project Financing*.



Note: This document, which replaces the version dated July 1993, is based on *Water Resources Management: A World Bank Policy Paper* (Washington, D.C.: World Bank, 1993) and is consistent with *Rural Development from Vision to Action, a Sector Strategy* (1997). It complements [OP/BP 4.01, Environmental Assessment](#); [OP/BP 4.02, Environmental Action Plans](#); [OP/BP 4.10, Indigenous Peoples](#); [OP/BP 4.12, Involuntary Resettlement](#); [OP/BP 7.50, Projects on International Waterways](#); and GP 14.70, *Involving Nongovernmental Organizations in Bank-Supported Activities*.

Questions may be addressed to the Director, Rural Development (RDV).

Water Resources Management

1. Bank¹ involvement in water resources management entails support for providing potable water, sanitation facilities, flood control, and water for productive activities in a manner that is economically viable, environmentally sustainable, and socially equitable.
2. The Bank assists borrowers in the following priority areas:
 - a. Developing a comprehensive framework for designing water resource investments, policies, and institutions. Within this framework, when the borrower develops and allocates water resources, it considers cross-sectoral impacts in a regional setting (e.g., a river basin).
 - b. Adopting pricing and incentive policies that achieve cost recovery, water conservation, and better allocation of water resources.
 - c. Decentralizing water service delivery, involving users in planning and managing water projects, and encouraging stakeholders to contribute to policy formulation. The Bank recognizes that a variety of organizations--private firms, financially autonomous entities, and community organizations--may contribute to decentralizing water delivery functions. Thus it supports projects that introduce different forms of decentralized management, focusing on the division of responsibilities among the public and private entities involved.
 - d. Restoring and preserving aquatic ecosystems and guarding against overexploitation of groundwater resources, giving priority to the provision of adequate water and sanitation services for the poor.
 - e. Avoiding the waterlogging and salinity problems associated with irrigation investments by (i) monitoring water tables and implementing drainage networks where necessary, and (ii) adopting best management practices to control water pollution.
 - f. Establishing strong legal and regulatory frameworks to ensure that social concerns are met, environmental resources are protected, and monopoly pricing is prevented. The Bank requires legislation or other appropriate arrangements to establish effective coordination and allocation procedures for interstate water resources. These issues are discussed in the project documents.

¹ "Bank" includes IBRD and IDA, and "loans" includes IDA credits and IDA grants.



3. Individual water lending operations are explicitly linked to the country's priorities for reform and investment and to the Bank's program of support.
4. If inadequate progress by borrowers in these priority areas leads to serious resource misuse and hampers the viability of water-related investments, Bank lending is limited to operations that provide potable water for poor households or conserve water and protect its quality without additionally drawing on a country's water resources.



Revised August 2004

This Operational Policy statement was revised in August 2004 to ensure consistency with the requirements of [OP/BP 8.60](#), issued in August 2004.

Note: This OP 4.09 replaces the version dated July 1996. Changes in wording have been made in paras. 1 and 3 and footnotes 2, 3, and 4. Further guidance for implementing the Bank's pest management policy is in the [Environmental Assessment Sourcebook](#) (World Bank: Washington, D.C., 1991). Questions regarding agricultural pest management may be addressed to the Director, Rural Development.

Questions regarding pesticide use in public health projects may be directed to the Director, Health Services.

Pest Management

1. In assisting borrowers to manage pests that affect either agriculture or public health, the Bank¹ supports a strategy that promotes the use of biological or environmental control methods and reduces reliance on synthetic chemical pesticides. In Bank-financed projects, the borrower addresses pest management issues in the context of the project's environmental assessment.²

2. In appraising a project that will involve pest management, the Bank assesses the capacity of the country's regulatory framework and institutions to promote and support safe, effective, and environmentally sound pest management. As necessary, the Bank and the borrower incorporate in the project components to strengthen such capacity.

Agricultural Pest Management³

3. The Bank uses various means to assess pest management in the country and support integrated pest management (IPM)⁴ and the safe use of agricultural pesticides: economic and sector work, sectoral or project-specific environmental assessments, participatory IPM assessments, and investment projects and components aimed specifically at supporting the adoption and use of IPM.

4. In Bank-financed agriculture operations, pest populations are normally controlled through IPM approaches, such as biological control, cultural practices, and the development and use of crop varieties

¹ "Bank" includes IBRD and IDA, and "loans" includes IDA credits and IDA grants.

² See [OP/BP 4.01](#), *Environmental Assessment*.

³ OP 4.09 applies to all Bank lending, whether or not the loan finances pesticides. Even if Bank lending for pesticides is not involved, an agricultural development project may lead to substantially increased pesticide use and subsequent environmental problems.

⁴ IPM refers to a mix of farmer-driven, ecologically based pest control practices that seeks to reduce reliance on synthetic chemical pesticides. It involves (a) managing pests (keeping them below economically damaging levels) rather than seeking to eradicate them; (b) relying, to the extent possible, on nonchemical measures to keep pest populations low; and (c) selecting and applying pesticides, when they have to be used, in a way that minimizes adverse effects on beneficial organisms, humans, and the environment.



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that are resistant or tolerant to the pest. The Bank may finance the purchase of pesticides when their use is justified under an IPM approach.

Pest Management in Public Health

5. In Bank-financed public health projects, the Bank supports controlling pests primarily through environmental methods. Where environmental methods alone are not effective, the Bank may finance the use of pesticides for control of disease vectors.

Criteria for Pesticide Selection and Use

6. The procurement of any pesticide in a Bank-financed project is contingent on an assessment of the nature and degree of associated risks, taking into account the proposed use and the intended users.⁵ With respect to the classification of pesticides and their specific formulations, the Bank refers to the World Health Organization's *Recommended Classification of Pesticides by Hazard and Guidelines to Classification* (Geneva: WHO 1994-95).⁶ The following criteria apply to the selection and use of pesticides in Bank-financed projects:

- a. They must have negligible adverse human health effects.
- b. They must be shown to be effective against the target species.
- c. They must have minimal effect on nontarget species and the natural environment. The methods, timing, and frequency of pesticide application are aimed to minimize damage to natural enemies. Pesticides used in public health programs must be demonstrated to be safe for inhabitants and domestic animals in the treated areas, as well as for personnel applying them.
- d. Their use must take into account the need to prevent the development of resistance in pests.

7. The Bank requires that any pesticides it finances be manufactured, packaged, labeled, handled, stored, disposed of, and applied according to standards acceptable to the Bank.⁷ The Bank does not finance formulated products that fall in WHO classes IA and IB, or formulations of products in Class II, if (a) the country lacks restrictions on their distribution and use; or (b) they are likely to be used by, or be

⁵ This assessment is made in the context of the project's environmental assessment and is recorded in the project documents. The project documents also include (in the text or in an annex) a list of pesticide products authorized for procurement under the project, or an indication of when and how this list will be developed and agreed on. This authorized list is included by reference in legal documents relating to the project, with provisions for adding or deleting materials.

⁶ Copies of the classification, which is updated annually, are available in the Sectoral Library. A draft Standard Bidding Document for Procurement of Pesticides is available from OPCPR.

⁷ The FAO's *Guidelines for Packaging and Storage of Pesticides* (Rome, 1985), *Guidelines on Good Labeling Practice for Pesticides* (Rome, 1985), and *Guidelines for the Disposal of Waste Pesticide and Pesticide Containers on the Farm* (Rome, 1985) are used as minimum standards.



Revised August 2004

accessible to, lay personnel, farmers, or others without training, equipment, and facilities to handle, store, and apply these products properly.



Revised April 2013

Note: OP/BP 4.10, *Indigenous Peoples*, 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: (a) OP/BP 10.00, *Investment Project Financing*, were revised, among other things, to incorporate OP/BP 13.05, *Supervision*, and OP/BP 13.55, and *Implementation Completion Report*, (which have accordingly been retired); and (b) OP 8.60, *Development Policy Lending*, and OP 9.00, *Program-for-Results Financing*, have also been revised. OP/BP 4.10 have consequently been updated to reflect these changes, as well as to clarify the extent of their applicability to Development Policy Lending and Program-for Results-Financing and to reflect the updated title of the Bank’s policy on access to information.

Questions on this OP/BP may be addressed to the Safeguard Policies Helpdesk in OPCS (safeguards@worldbank.org).

Indigenous Peoples

1. This policy¹ contributes to the Bank’s² mission of poverty reduction and sustainable development by ensuring that the development process fully respects the dignity, human rights, economies, and cultures of Indigenous Peoples. For all projects that are proposed for Bank financing and affect Indigenous Peoples,³ the Bank requires the borrower to engage in a process of free, prior, and informed consultation.⁴ The Bank provides project financing only where free, prior, and informed consultation results in broad community support to the project by the affected Indigenous Peoples.⁵ Such Bank-financed projects include measures to (a) avoid potentially adverse effects on the Indigenous Peoples’ communities; or (b) when avoidance is not feasible, minimize, mitigate, or compensate for such effects. Bank-financed projects are also designed to ensure that the Indigenous Peoples receive social and economic benefits that are culturally appropriate and gender and intergenerationally inclusive.

2. The Bank recognizes that the identities and cultures of Indigenous Peoples are inextricably linked to the lands on which they live and the natural resources on which they depend. These distinct circumstances expose Indigenous Peoples to different types of risks and levels of impacts from

¹ This policy should be read together with other relevant Bank policies, including *Environmental Assessment* OP 4.01, *Natural Habitats* OP 4.04, *Pest Management* OP 4.09, *Physical Cultural Resources* OP/BP 4.11, *Involuntary Resettlement* OP 4.12, *Forests* OP 4.36, and *Safety of Dams* OP 4.37.

² “Bank” includes IBRD and IDA; “loans” includes IBRD loans, IDA credits, IDA grants, IBRD and IDA guarantees, and Project Preparation Facility (PPF) advances, but does not include Development Policy Lending or Program-for-Results Financing. For social aspects of Development Policy Lending and program-for-Results Financing operations, see OP 8.60, *Development Policy Lending*, paragraph 10 and OP/BP 9.00, *Program-for-Results Financing*. The term “borrower” includes, wherever the context requires, the recipient of an IDA grant, the guarantor of an IBRD loan, and the project implementing agency, if it is different from the borrower.

³ This policy applies to all components of the project that affect Indigenous Peoples, regardless of the source of financing.

⁴ “Free, prior, and informed consultation with the affected Indigenous Peoples’ communities” refers to a culturally appropriate and collective decisionmaking process subsequent to meaningful and good faith consultation and informed participation regarding the preparation and implementation of the project. It does not constitute a veto right for individuals or groups (see paragraph 10).

⁵ For details on “broad community support to the project by the affected Indigenous Peoples,” see paragraph 11.



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development projects, including loss of identity, culture, and customary livelihoods, as well as exposure to disease. Gender and intergenerational issues among Indigenous Peoples also are complex. As social groups with identities that are often distinct from dominant groups in their national societies, Indigenous Peoples are frequently among the most marginalized and vulnerable segments of the population. As a result, their economic, social, and legal status often limits their capacity to defend their interests in and rights to lands, territories, and other productive resources, and/or restricts their ability to participate in and benefit from development. At the same time, the Bank recognizes that Indigenous Peoples play a vital role in sustainable development and that their rights are increasingly being addressed under both domestic and international law.

3. *Identification.* Because of the varied and changing contexts in which Indigenous Peoples live and because there is no universally accepted definition of “Indigenous Peoples,” this policy does not define the term. Indigenous Peoples may be referred to in different countries by such terms as “indigenous ethnic minorities,” “aboriginals,” “hill tribes,” “minority nationalities,” “scheduled tribes,” or “tribal groups.”

4. For purposes of this policy, the term “Indigenous Peoples” is used in a generic sense to refer to a distinct, vulnerable, social and cultural group⁶ possessing the following characteristics in varying degrees:

- a. self-identification as members of a distinct indigenous cultural group and recognition of this identity by others;
- b. collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories⁷
- c. customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and
- d. an indigenous language, often different from the official language of the country or region.

A group that has lost “collective attachment to geographically distinct habitats or ancestral territories in the project area”; (paragraph 4 (b)) because of forced severance remains eligible for coverage under this

⁶ The policy does not set an *a priori* minimum numerical threshold since groups of Indigenous Peoples may be very small in number and their size may make them more vulnerable.

⁷ “Collective attachment” means that for generations there has been a physical presence in and economic ties to lands and territories traditionally owned, or customarily used or occupied, by the group concerned, including areas that hold special significance for it, such as sacred sites. “Collective attachment” also refers to the attachment of transhumant/nomadic groups to the territory they use on a seasonal or cyclical basis.

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policy.⁸ Ascertaining whether a particular group is considered as “Indigenous Peoples” for the purpose of this policy may require a technical judgment (see paragraph 8).

5. *Use of Country Systems.* The Bank may decide to use a country’s systems to address environmental and social safeguard issues in a Bank-financed project that affects Indigenous Peoples. This decision is made in accordance with the requirements of the applicable Bank policy on country systems.⁹

Project Preparation

6. A project proposed for Bank financing that affects Indigenous Peoples requires:
- a. screening by the Bank to identify whether Indigenous Peoples are present in, or have collective attachment to, the project area (see paragraph 8);
 - b. a social assessment by the borrower (see paragraph 9 and [Annex A](#));
 - c. a process of free, prior, and informed consultation with the affected Indigenous Peoples’ communities at each stage of the project, and particularly during project preparation, to fully identify their views and ascertain their broad community support for the project (see paragraphs 10 and 11);
 - d. the preparation of an Indigenous Peoples Plan (see paragraph 12 and [Annex B](#)) or an Indigenous Peoples Planning Framework (see paragraph 13 and [Annex C](#)); and
 - e. disclosure of the draft Indigenous Peoples Plan or draft Indigenous Peoples Planning Framework (see paragraph 15).
7. The level of detail necessary to meet the requirements specified in paragraph 6 (b), (c), and (d) is proportional to the complexity of the proposed project and commensurate with the nature and scale of the proposed project’s potential effects on the Indigenous Peoples, whether adverse or positive.

⁸ “Forced severance” refers to loss of collective attachment to geographically distinct habitats or ancestral territories occurring within the concerned group members’ lifetime because of conflict, government resettlement programs, dispossession from their lands, natural calamities, or incorporation of such territories into an urban area. For purposes of this policy, “urban area” normally means a city or a large town, and takes into account all of the following characteristics, no single one of which is definitive: (a) the legal designation of the area as urban under domestic law; (b) high population density; and (c) high proportion of nonagricultural economic activities relative to agricultural activities.

⁹ The currently applicable Bank policy is [OP/BP 4.00, *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects*](#). Applicable only to pilot projects using borrower systems, the policy includes requirements that such systems be designed to meet the policy objectives and adhere to the operational principles related to Indigenous Peoples identified in OP 4.00 (see [Table A1](#)).

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8. Early in project preparation, the Bank undertakes a screening to determine whether Indigenous Peoples (see paragraph 4) are present in, or have collective attachment to, the project area.¹⁰ In conducting this screening, the Bank seeks the technical judgment of qualified social scientists with expertise on the social and cultural groups in the project area. The Bank also consults the Indigenous Peoples concerned and the borrower. The Bank may follow the borrower's framework for identification of Indigenous Peoples during project screening, when that framework is consistent with this policy.

Social Assessment

9. *Analysis.* If, based on the screening, the Bank concludes that Indigenous Peoples are present in, or have collective attachment to, the project area, the borrower undertakes a social assessment to evaluate the project's potential positive and adverse effects on the Indigenous Peoples, and to examine project alternatives where adverse effects may be significant. The breadth, depth, and type of analysis in the social assessment are proportional to the nature and scale of the proposed project's potential effects on the Indigenous Peoples, whether such effects are positive or adverse (see [Annex A](#) for details). To carry out the social assessment, the borrower engages social scientists whose qualifications, experience, and terms of reference are acceptable to the Bank.

10. *Consultation and Participation.* Where the project affects Indigenous Peoples, the borrower engages in free, prior, and informed consultation with them. To ensure such consultation, the borrower:

- a. establishes an appropriate gender and intergenerationally inclusive framework that provides opportunities for consultation at each stage of project preparation and implementation among the borrower, the affected Indigenous Peoples' communities, the Indigenous Peoples Organizations (IPOs) if any, and other local civil society organizations (CSOs) identified by the affected Indigenous Peoples' communities;
- b. uses consultation methods¹¹ appropriate to the social and cultural values of the affected Indigenous Peoples' communities and their local conditions and, in designing these methods, gives special attention to the concerns of Indigenous women, youth, and children and their access to development opportunities and benefits; and
- c. provides the affected Indigenous Peoples' communities with all relevant information about the project (including an assessment of potential adverse effects of the project on the affected Indigenous Peoples' communities) in a culturally appropriate manner at each stage of project preparation and implementation.

¹⁰ The screening may be carried out independently or as part of a project environmental assessment (see [OP 4.01, Environmental Assessment](#), paragraphs 3, 8).

¹¹ Such consultation methods (including using indigenous languages, allowing time for consensus building, and selecting appropriate venues) facilitate the articulation by Indigenous Peoples of their views and preferences. The *Indigenous Peoples Guidebook* (forthcoming) will provide good practice guidance on this and other matters.

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11. In deciding whether to proceed with the project, the borrower ascertains, on the basis of the social assessment (see paragraph 9) and the free, prior, and informed consultation (see paragraph 10), whether the affected Indigenous Peoples' communities provide their broad support to the project. Where there is such support, the borrower prepares a detailed report that documents:

- a. the findings of the social assessment;
- b. the process of free, prior, and informed consultation with the affected Indigenous Peoples' communities;
- c. additional measures, including project design modification, that may be required to address adverse effects on the Indigenous Peoples and to provide them with culturally appropriate project benefits;
- d. recommendations for free, prior, and informed consultation with and participation by Indigenous Peoples' communities during project implementation, monitoring, and evaluation; and
- e. any formal agreements reached with Indigenous Peoples' communities and/or the IPOs.

The Bank reviews the process and the outcome of the consultation carried out by the borrower to satisfy itself that the affected Indigenous Peoples' communities have provided their broad support to the project. The Bank pays particular attention to the social assessment and to the record and outcome of the free, prior, and informed consultation with the affected Indigenous Peoples' communities as a basis for ascertaining whether there is such support. The Bank does not proceed further with project processing if it is unable to ascertain that such support exists.

Indigenous Peoples Plan/Planning Framework

12. *Indigenous Peoples Plan.* On the basis of the social assessment and in consultation with the affected Indigenous Peoples' communities, the borrower prepares an Indigenous Peoples Plan (IPP) that sets out the measures through which the borrower will ensure that (a) Indigenous Peoples affected by the project receive culturally appropriate social and economic benefits; and (b) when potential adverse effects on Indigenous Peoples are identified, those adverse effects are avoided, minimized, mitigated, or compensated for (see [Annex B](#) for details). The IPP is prepared in a flexible and pragmatic manner,¹² and its level of detail varies depending on the specific project and the nature of effects to be addressed. The borrower integrates the IPP into the project design. When Indigenous Peoples are the sole or the overwhelming majority of direct project beneficiaries, the elements of an IPP should be included in the overall project design, and a separate IPP is not required. In such cases, the Project Appraisal Document (PAD) includes a brief summary of how the project complies with the policy, in particular the IPP requirements.

¹² When non-Indigenous Peoples live in the same area with Indigenous Peoples, the IPP should attempt to avoid creating unnecessary inequities for other poor and marginal social groups.



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13. *Indigenous Peoples Planning Framework.* Some projects involve the preparation and implementation of annual investment programs or multiple subprojects.¹³ In such cases, and when the Bank's screening indicates that Indigenous Peoples are likely to be present in, or have collective attachment to, the project area, but their presence or collective attachment cannot be determined until the programs or subprojects are identified, the borrower prepares an Indigenous Peoples Planning Framework (IPPF). The IPPF provides for the screening and review of these programs or subprojects in a manner consistent with this policy (see [Annex C](#) for details). The borrower integrates the IPPF into the project design.

14. *Preparation of Program and Subproject IPPs.* If the screening of an individual program or subproject identified in the IPPF indicates that Indigenous Peoples are present in, or have collective attachment to, the area of the program or subproject, the borrower ensures that, before the individual program or subproject is implemented, a social assessment is carried out and an IPP is prepared in accordance with the requirements of this policy. The borrower provides each IPP to the Bank for review before the respective program or subproject is considered eligible for Bank financing.¹⁴

Disclosure

15. The borrower makes the social assessment report and draft IPP/IPPF available to the affected Indigenous Peoples' communities in an appropriate form, manner, and language.¹⁵ Before project appraisal, the borrower sends the social assessment and draft IPP/IPPF to the Bank for review.¹⁶ Once the Bank accepts the documents as providing an adequate basis for project appraisal, the Bank makes them available to the public in accordance with [The World Bank Policy on Access to Information](#), and the borrower makes them available to the affected Indigenous Peoples' communities in the same manner as the earlier draft documents.

¹³ Such projects include community-driven development projects, social funds, sector investment operations, and financial intermediary loans.

¹⁴ If the Bank considers the IPPF to be adequate for the purpose, however, the Bank may agree with the borrower that prior Bank review of the IPP is not needed. In such case, the Bank reviews the IPP and its implementation as part of supervision (see [OP/BP 10.00, Investment Project Financing](#))

¹⁵ The social assessment and IPP require wide dissemination among the affected Indigenous Peoples' communities using culturally appropriate methods and locations. In the case of an IPPF, the document is disseminated using IPOs at the appropriate national, regional, or local levels to reach Indigenous Peoples who are likely to be affected by the project. Where IPOs do not exist, the document may be disseminated using other CSOs as appropriate.

¹⁶ An exception to the requirement that the IPP (or IPPF) be prepared as a condition of appraisal may be made with the approval of Bank management for projects meeting the requirements of paragraph 11 of [OP/BP 10.00, Investment Project Financing](#). In such cases, management's approval stipulates a timetable and budget for preparation of the social assessment and IPP or of the IPPF.



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Special Considerations*Lands and Related Natural Resources*

16. Indigenous Peoples are closely tied to land, forests, water, wildlife, and other natural resources, and therefore special considerations apply if the project affects such ties. In this situation, when carrying out the social assessment and preparing the IPP/IPPF, the borrower pays particular attention to:

- a. the customary rights¹⁷ of the Indigenous Peoples, both individual and collective, pertaining to lands or territories that they traditionally owned, or customarily used or occupied, and where access to natural resources is vital to the sustainability of their cultures and livelihoods;
- b. the need to protect such lands and resources against illegal intrusion or encroachment;
- c. the cultural and spiritual values that the Indigenous Peoples attribute to such lands and resources; and
- d. Indigenous Peoples' natural resources management practices and the long-term sustainability of such practices.

17. If the project involves (a) activities that are contingent on establishing legally recognized rights to lands and territories that Indigenous Peoples have traditionally owned or customarily used or occupied (such as land titling projects), or (b) the acquisition of such lands, the IPP sets forth an action plan for the legal recognition of such ownership, occupation, or usage. Normally, the action plan is carried out before project implementation; in some cases, however, the action plan may need to be carried out concurrently with the project itself. Such legal recognition may take the following forms:

- a. full legal recognition of existing customary land tenure systems of Indigenous Peoples; or
- b. conversion of customary usage rights to communal and/or individual ownership rights.

If neither option is possible under domestic law, the IPP includes measures for legal recognition of perpetual or long-term renewable custodial or use rights.

Commercial Development of Natural and Cultural Resources

18. If the project involves the commercial development of natural resources (such as minerals, hydrocarbon resources, forests, water, or hunting/fishing grounds) on lands or territories that Indigenous Peoples traditionally owned, or customarily used or occupied, the borrower ensures that as part of the free, prior, and informed consultation process the affected communities are informed of (a) their rights to such resources under statutory and customary law; (b) the scope and nature of the proposed commercial development and the parties interested or involved in such development; and (c) the potential effects of such development on the Indigenous Peoples' livelihoods, environments, and use of such resources. The

¹⁷ "Customary rights" to lands and resources refers to patterns of long-standing community land and resource usage in accordance with Indigenous Peoples' customary laws, values, customs, and traditions, including seasonal or cyclical use, rather than formal legal title to land and resources issued by the State.

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borrower includes in the IPP arrangements to enable the Indigenous Peoples to share equitably in the benefits¹⁸ to be derived from such commercial development; at a minimum, the IPP arrangements must ensure that the Indigenous Peoples receive, in a culturally appropriate manner, benefits, compensation, and rights to due process at least equivalent to that to which any landowner with full legal title to the land would be entitled in the case of commercial development on their land.

19. If the project involves the commercial development of Indigenous Peoples' cultural resources and knowledge (for example, pharmacological or artistic), the borrower ensures that as part of the free, prior, and informed consultation process, the affected communities are informed of (a) their rights to such resources under statutory and customary law; (b) the scope and nature of the proposed commercial development and the parties interested or involved in such development; and (c) the potential effects of such development on Indigenous Peoples' livelihoods, environments, and use of such resources. Commercial development of the cultural resources and knowledge of these Indigenous Peoples is conditional upon their prior agreement to such development. The IPP reflects the nature and content of such agreements and includes arrangements to enable Indigenous Peoples to receive benefits in a culturally appropriate way and share equitably in the benefits to be derived from such commercial development.

Physical Relocation of Indigenous Peoples

20. Because physical relocation of Indigenous Peoples is particularly complex and may have significant adverse impacts on their identity, culture, and customary livelihoods, the Bank requires the borrower to explore alternative project designs to avoid physical relocation of Indigenous Peoples. In exceptional circumstances, when it is not feasible to avoid relocation, the borrower will not carry out such relocation without obtaining broad support for it from the affected Indigenous Peoples' communities as part of the free, prior, and informed consultation process. In such cases, the borrower prepares a resettlement plan in accordance with the requirements of [OP 4.12, *Involuntary Resettlement*](#), that is compatible with the Indigenous Peoples' cultural preferences, and includes a land-based resettlement strategy. As part of the resettlement plan, the borrower documents the results of the consultation process. Where possible, the resettlement plan should allow the affected Indigenous Peoples to return to the lands and territories they traditionally owned, or customarily used or occupied, if the reasons for their relocation cease to exist.

21. In many countries, the lands set aside as legally designated parks and protected areas may overlap with lands and territories that Indigenous Peoples traditionally owned, or customarily used or occupied. The Bank recognizes the significance of these rights of ownership, occupation, or usage, as well as the need for long-term sustainable management of critical ecosystems. Therefore, involuntary restrictions on Indigenous Peoples' access to legally designated parks and protected areas, in particular access to their sacred sites, should be avoided. In exceptional circumstances, where it is not feasible to avoid restricting access, the borrower prepares, with the free, prior, and informed consultation of the affected Indigenous Peoples' communities, a process framework in accordance with the provisions of [OP 4.12](#). The process framework provides guidelines for preparation, during project implementation, of an individual park's and protected areas' management plan, and ensures that the Indigenous Peoples participate in the design, implementation, monitoring, and evaluation of the management plan, and share equitably in the benefits of the parks and protected areas. The management plan should give priority to collaborative arrangements

¹⁸ The *Indigenous Peoples Guidebook* (forthcoming) will provide good practice guidance on this matter.

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that enable the Indigenous, as the custodians of the resources, to continue to use them in an ecologically sustainable manner.

Indigenous Peoples and Development

22. In furtherance of the objectives of this policy, the Bank may, at a member country's request, support the country in its development planning and poverty reduction strategies by providing financial assistance for a variety of initiatives designed to:
- a. strengthen local legislation, as needed, to establish legal recognition of the customary or traditional land tenure systems of Indigenous Peoples;
 - b. make the development process more inclusive of Indigenous Peoples by incorporating their perspectives in the design of development programs and poverty reduction strategies, and providing them with opportunities to benefit more fully from development programs through policy and legal reforms, capacity building, and free, prior, and informed consultation and participation;
 - c. support the development priorities of Indigenous Peoples through programs (such as community-driven development programs and locally managed social funds) developed by governments in cooperation with Indigenous Peoples;
 - d. address the gender ¹⁹ and intergenerational issues that exist among many Indigenous Peoples, including the special needs of indigenous women, youth, and children;
 - e. prepare participatory profiles of Indigenous Peoples to document their culture, demographic structure, gender and intergenerational relations and social organization, institutions, production systems, religious beliefs, and resource use patterns;
 - f. strengthen the capacity of Indigenous Peoples' communities and IPOs to prepare, implement, monitor, and evaluate development programs;
 - g. strengthen the capacity of government agencies responsible for providing development services to Indigenous Peoples;
 - h. protect indigenous knowledge, including by strengthening intellectual property rights; and
 - i. facilitate partnerships among the government, IPOs, CSOs, and the private sector to promote Indigenous Peoples' development programs.

¹⁹ See [OP/BP 4.20](#), *Gender and Development*.



Social Assessment

1. The breadth, depth, and type of analysis required for the social assessment are proportional to the nature and scale of the proposed project's potential effects on the Indigenous Peoples.
2. The social assessment includes the following elements, as needed:
 - a. A review, on a scale appropriate to the project, of the legal and institutional framework applicable to Indigenous Peoples.
 - b. Gathering of baseline information on the demographic, social, cultural, and political characteristics of the affected Indigenous Peoples' communities, the land and territories that they have traditionally owned or customarily used or occupied, and the natural resources on which they depend.
 - c. Taking the review and baseline information into account, the identification of key project stakeholders and the elaboration of a culturally appropriate process for consulting with the Indigenous Peoples at each stage of project preparation and implementation (see paragraph 9 of this policy).
 - d. An assessment, based on free, prior, and informed consultation, with the affected Indigenous Peoples' communities, of the potential adverse and positive effects of the project. Critical to the determination of potential adverse impacts is an analysis of the relative vulnerability of, and risks to, the affected Indigenous Peoples' communities given their distinct circumstances and close ties to land and natural resources, as well as their lack of access to opportunities relative to other social groups in the communities, regions, or national societies in which they live.
 - e. The identification and evaluation, based on free, prior, and informed consultation with the affected Indigenous Peoples' communities, of measures necessary to avoid adverse effects, or if such measures are not feasible, the identification of measures to minimize, mitigate, or compensate for such effects, and to ensure that the Indigenous Peoples receive culturally appropriate benefits under the project.



Indigenous Peoples Plan

1. The Indigenous Peoples Plan (IPP) is prepared in a flexible and pragmatic manner, and its level of detail varies depending on the specific project and the nature of effects to be addressed.
2. The IPP includes the following elements, as needed:
 - a. A summary of the information referred to in [Annex A](#), paragraph 2 (a) and (b).
 - b. A summary of the social assessment.
 - c. A summary of results of the free, prior, and informed consultation with the affected Indigenous Peoples' communities that was carried out during project preparation ([Annex A](#)) and that led to broad community support for the project.
 - d. A framework for ensuring free, prior, and informed consultation with the affected Indigenous Peoples' communities during project implementation (see paragraph 10 of this policy).
 - e. An action plan of measures to ensure that the Indigenous Peoples receive social and economic benefits that are culturally appropriate, including, if necessary, measures to enhance the capacity of the project implementing agencies.
 - f. When potential adverse effects on Indigenous Peoples are identified, an appropriate action plan of measures to avoid, minimize, mitigate, or compensate for these adverse effects.
 - g. The cost estimates and financing plan for the IPP.
 - h. Accessible procedures appropriate to the project to address grievances by the affected Indigenous Peoples' communities arising from project implementation. When designing the grievance procedures, the borrower takes into account the availability of judicial recourse and customary dispute settlement mechanisms among the Indigenous Peoples.
 - i. Mechanisms and benchmarks appropriate to the project for monitoring, evaluating, and reporting on the implementation of the IPP. The monitoring and evaluation mechanisms should include arrangements for the free, prior, and informed consultation with the affected Indigenous Peoples' communities.



Indigenous Peoples Planning Framework

1. The Indigenous Peoples Planning Framework (IPPF) sets out:
 - a. The types of programs and subprojects likely to be proposed for financing under the project.
 - b. The potential positive and adverse effects of such programs or subprojects on Indigenous Peoples.
 - c. A plan for carrying out the social assessment (see [Annex A](#)) for such programs or subprojects.
 - d. A framework for ensuring free, prior, and informed consultation with the affected Indigenous Peoples' communities at each stage of project preparation and implementation (see paragraph 10 of this policy).
 - e. Institutional arrangements (including capacity building where necessary) for screening project-supported activities, evaluating their effects on Indigenous Peoples, preparing IPPs, and addressing any grievances.
 - f. Monitoring and reporting arrangements, including mechanisms and benchmarks appropriate to the project.
 - g. Disclosure arrangements for IPPs to be prepared under the IPPF.



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Note: [OP/BP 4.10, Indigenous Peoples](#), 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: (a) [OP/ BP 10.00, Investment Project Financing](#), were revised, among other things, to incorporate, and [OP/BP 13.05, Supervision](#) and [OP/BP 13.55, Implementation Completion Report](#), (which have accordingly been retired); and (b) [OP 8.60, Development Policy Lending](#), and [OP 9.00, Program-for-Results Financing](#), have also been revised. [OP/BP 4.10](#) have consequently been updated to reflect these three changes, as well as to clarify the extent of applicability of this OP/BP to Development Policy Financing and Program-for-Results Financing and reflect the updated title of the Bank’s policy on access to information.

Questions on this OP/BP may be addressed to the Safeguards Helpdesk in OPCS (safeguards@worldbank.org).

Indigenous Peoples

1. For all investment projects in which Indigenous Peoples are present in, or have collective attachment to, the project area, the Bank’s task team (TT) consults with the Regional unit responsible for safeguards and with the Legal Department (LEG) throughout the project cycle.¹

2. *Free, Prior, and Informed Consultation.* When a project affects Indigenous Peoples, the TT assists the borrower in carrying out free, prior, and informed consultation with affected communities about the proposed project throughout the project cycle, taking into consideration the following:

- a. “free, prior, and informed consultation” is consultation that occurs freely and voluntarily, without any external manipulation, interference, or coercion, for which the parties consulted have prior access to information on the intent and scope of the proposed project in a culturally appropriate manner, form, and language;
- b. consultation approaches recognize existing Indigenous Peoples Organizations (IPOs), including councils of elders, headmen, and tribal leaders, and pay special attention to women, youth, and the elderly;
- c. the consultation process starts early, since decision making among Indigenous Peoples may be an iterative process, and there is a need for adequate lead time to fully understand and incorporate concerns and recommendations of Indigenous Peoples into the project design; and
- d. a record of the consultation process is maintained as part of the project files.

Project Identification

3. *Screening.* Early in the project cycle, the task team leader (TTL) initiates a process to determine whether Indigenous Peoples (see [OP 4.10, paragraph 4](#)) are present in, or have collective attachment to, the project area. In doing so, the TTL seeks technical advice from qualified social scientists with expertise

¹ The *Indigenous Peoples Guidebook* (forthcoming) provides good practice advice to staff on application of the policy.



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on the social and cultural groups in the project area. If adequate information is not available, the TTL holds direct consultations with the Indigenous Peoples who would be affected by the proposed project.

4. *Consultation with the Borrower.* If the screening indicates that Indigenous Peoples are present in, or have collective attachment to, the project area, the TTL:

- a. informs the borrower that the Indigenous Peoples policy applies to the project and brings the provisions of [OP/BP 4.10](#) to the borrower's attention;
- b. discusses with the borrower its policies and institutional and legal arrangements for Indigenous Peoples;
- c. reaches agreement with the borrower on how the policy will be implemented under the project;² and discusses any technical assistance to be provided to the borrower.

5. *Documentation, Review, Clearance, and Disclosure.* The TT summarizes in the Project Concept Note (PCN) and Project Information Document (PID) the results of the screening and the agreements reached with the borrower to comply with policy requirements, and notes in the Integrated Safeguards Data Sheet (ISDS) that [OP 4.10](#) is triggered. The TTL seeks comments on and clearance of the PCN, PID, and ISDS from the Regional unit responsible for safeguards. Once the PID is cleared, the TTL sends it to the InfoShop.

Project Preparation

6. *Social Assessment.* Where screening reveals that Indigenous Peoples are present in, or have collective attachment to, the project area, the TTL asks the borrower to undertake a social assessment (SA) in accordance with the requirements of paragraph 9 and [Annex A of OP 4.10](#) to evaluate the project's potential positive and adverse effects on Indigenous Peoples and, where adverse effects may be significant, to examine project alternatives. The TT:

- a. reviews the terms of reference for the SA, ensuring in particular that they provide for the affected Indigenous Peoples to participate in the SA through a process of free, prior, and informed consultation (see paragraph 2 of this BP); and (b) comments on the qualifications and experience of the social scientists who will carry out the SA.

7. *Broad Community Support.* When the borrower forwards to the Bank the documentation on the SA and the consultation process, the TT reviews it to verify that the borrower has gained the broad support from representatives of major sections of the community required under the policy. The TT proceeds with project processing once it confirms that such support exists. The Bank does not proceed further with project processing if it is unable to ascertain that such support exists.

8. *Decision on Instruments.* Taking into account the nature of the project and a review of the relevant Indigenous Peoples issues, the TTL agrees with the Regional unit responsible for safeguards on the type of Indigenous Peoples instrument (Indigenous Peoples Plan or Indigenous Peoples Planning

² If there is disagreement with the borrower on the application of the policy, the TTL seeks advice from the Regional unit responsible for safeguards and LEG for a final technical judgment.



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Framework) and other instruments (Resettlement Action Plan, and/or process framework for national parks and protected areas) to be prepared by the borrower and on the scope and level of detail required. The TTL conveys this decision to the borrower, discusses with the borrower the actions necessary to prepare the instrument(s), and agrees on a timeline for preparation and delivery to the Bank.

- a. *Indigenous Peoples Plan (IPP)*. The borrower prepares the IPP in accordance with the requirements of [Annex B of OP 4.10](#) and integrates it into the design of the project. The IPP has a level of detail that is proportional to the complexity of the proposed project and commensurate with the nature and scale of the proposed project's potential effects on Indigenous Peoples (see [OP 4.10, paragraph 7](#)). If project activities are contingent on establishing legally recognized rights to lands or territories that Indigenous Peoples have traditionally owned, or customarily used or occupied, the IPP outlines the steps and timetable for achieving legal recognition of such ownership, occupation, or usage (see [OP 4.10, paragraph 17](#)). For projects involving the commercial development of natural resources on such lands or territories or of the cultural resources and knowledge of Indigenous Peoples, the IPP includes arrangements to enable the Indigenous Peoples to share equitably in the benefits to be derived and to receive these benefits in a culturally appropriate way (see [OP 4.10, paragraphs 18-19](#)). Additionally, for projects involving commercial development of Indigenous Peoples' cultural resources and knowledge, the IPP documents the agreement reached with the affected communities for such development. When Indigenous Peoples are the sole or the overwhelming majority of direct project beneficiaries, a separate IPP is not required and the borrower includes elements of an IPP in the overall project design. The TT prepares a brief summary of how the project complies with the policy, in particular the IPP requirements, as an annex to the Project Appraisal Document (PAD).
- b. *Resettlement Action Plan (RAP)*. If the borrower proposes the physical relocation of Indigenous Peoples, the TT ascertains specifically that (a) the borrower has explored alternative project designs to avoid physical relocation; and (b) the borrower has obtained broad support from the affected communities as part of the free, prior, and informed consultation process, and has documented it. The borrower also prepares a RAP in accordance with the requirements of [OP 4.12, Involuntary Resettlement](#), and of [OP 4.10, paragraph 20](#).
- c. *Process Framework for parks and Protected Areas*. When the access of Indigenous Peoples to legally designated parks and protected areas is restricted, the borrower prepares a process framework with the free, prior, and informed consultation of the affected Indigenous Peoples' communities, and in accordance with the provisions of [OP 4.12, Involuntary Resettlement](#), and of [OP 4.10, paragraphs 20 and 21](#).
- d. *Indigenous Peoples Planning Framework (IPPF)*. For projects that involve the preparation and implementation of annual investment programs or multiple subprojects, the borrower prepares an IPPF in accordance with the requirements of [Annex C of OP 4.10](#) and integrates it into the project design.
- e. *Preparation of Program and Subproject IPPs*. If the screening of an individual program or subproject identified in the IPPF indicates that Indigenous Peoples are present in, or have collective attachment to, the area of the program or subproject, the TT ensures that the borrower carries out an SA and prepares an IPP and other relevant instrument(s) in



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accordance with the requirements of [OP 4.10](#). The borrower provides each relevant instrument to the Bank. The TTL forwards the instrument(s) to the Regional unit responsible for safeguards for review and clearance before the respective program or subproject is considered eligible for Bank financing. Where the Regional unit responsible for safeguards considers the IPPF as adequate for policy compliance, the TTL may agree with the borrower that the Bank's prior review of IPPs or other instrument(s) for individual programs or subprojects will not be needed. However, the TT supervises the preparation of the SA (see paragraph 6 of this BP), and the formulation of any IPPs and other instrument(s) and their implementation by the borrower (see [OP 4.10, paragraph 14 and footnote 15](#)).

9. *Instrument Review and Disclosure.* When the borrower submits the draft instrument(s) to the Bank, the TT reviews each instrument to ensure that it complies with the policy set out in [OP 4.10](#); has been made available to the affected Indigenous Peoples' communities at an accessible place and in a culturally appropriate form, manner, and language; has been appropriately reflected in the project design; and can serve as the basis for project appraisal. The TT forwards the draft instrument(s) to the Regional safeguards unit for comments and clearance. Once the documents are cleared, the TT makes them available to the public in accordance with [The World Bank Policy on Access to Information](#).

Project Appraisal

10. The TTL ensures that appraisal includes appropriate social science expertise to assess the feasibility and sustainability of specific measures reflected in the relevant Indigenous Peoples and other instrument(s) and appropriate legal expertise to assess the country's legal and policy framework related to the project. The TT reflects the provisions related to Indigenous Peoples in the PAD and attaches the relevant instrument(s) to the PAD as an annex. When Indigenous Peoples are the sole or the overwhelming majority of direct project beneficiaries, the annex to the PAD includes a summary of how the project complies with the policy. In addition, when the borrower proposes the physical relocation of Indigenous Peoples or restrictions of their access to resources, the RAP or process framework is included as an annex to the PAD. The TTL seeks comments on and clearance of the PAD package (which includes the IPP, IPPF, or summary, together with any RAP or process framework, if applicable) from both the Regional unit responsible for safeguards and LEG.

Negotiations and Disclosure

11. Prior to negotiations, the TT confirms that the responsible authority of the borrower has provided final approval of the relevant IPP, IPPF and other instrument(s). The Loan Agreement provides for the borrower's obligation to implement the relevant instrument(s). After the borrower and the Bank agree to the final instrument(s) and the project has been approved, the Bank makes the PAD and the final instrument(s) available to the public in accordance with the Bank's policy on disclosure. The borrower makes the documents available to the affected Indigenous Peoples' communities at a locally accessible place and in a culturally appropriate form, manner, and language, in the same manner as for the draft instruments (see paragraph 9 above).



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Supervision

12. The Regional vice president, in coordination with the relevant country director, ensures the availability of resources for effective supervision of projects affecting Indigenous Peoples. Throughout project implementation, the TTL ensures that Bank supervision includes appropriate social science and legal expertise to carry out the provisions of the Loan Agreement. The TT also ascertains whether the relevant legal covenants related to the Indigenous Peoples and other instrument(s) are being implemented. When the instruments are not being implemented as planned, the Bank calls this to the attention of the borrower and agrees with the borrower on corrective measures (see [OP/BP 13.05](#), *Project Supervision*).

Implementation Completion Report

13. Upon completion of the project, the Implementation Completion Report (see [OP/BP 10.00](#), *Investment Project Financing*, evaluates project compliance with [OP 4.10](#) and assesses:

- a. the degree of Indigenous Peoples' participation in the project cycle;
- b. the impact of the project, both positive and adverse, on the affected Indigenous Peoples;
- c. the achievement of the objectives of the relevant instrument(s), as relevant; and
- d. lessons for future operations involving Indigenous Peoples.

If the objectives of the relevant instrument(s) have not been realized, the Implementation Completion Report may propose a future course of action, including, as appropriate, continued post-project supervision by the Bank.

Country Assistance Strategy and Policy Dialogue

14. In countries with a series of operations affecting Indigenous Peoples, the ongoing country and sector dialogue with the government includes any issues pertaining to the country's policy, institutional, and legal framework for Indigenous Peoples, including the groups to whom this policy applies. Outcomes of this dialogue are reflected in the Country Assistance Strategy.

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Note: OP/[BP 4.11](#), *Physical Cultural Resources*, 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, [OP/BP 10.00](#), *Investment Project Financing*, have been revised, among other things, to incorporate [OP/BP 13.05](#), *Supervision* and [OP/BP 13.55](#), *Implementation Completion Report*, (which have accordingly been retired). [OP/BP 4.11](#) have consequently been updated to reflect these changes, as well as to reflect the updated title of the Bank’s policy on access to information.

OP/ [BP 4.11](#) should be read in conjunction with [OP/BP 4.01](#), *Environmental Assessment*.

Questions on this OP/BP may be addressed to the Safeguard Policies Helpdesk in OPCS (safeguards@worldbank.org).

Physical Cultural Resources

Introduction

1. This policy addresses physical cultural resources,¹ which are defined as movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance. Physical cultural resources may be located in urban or rural settings, and may be above or below ground, or under water. Their cultural interest may be at the local, provincial or national level, or within the international community.
2. Physical cultural resources are important as sources of valuable scientific and historical information, as assets for economic and social development, and as integral parts of a people’s cultural identity and practices.

Objective

3. The Bank² assists countries to avoid or mitigate adverse impacts on physical cultural resources from development projects³ that it finances. The impacts on physical cultural resources resulting from project activities, including mitigating measures, may not contravene either the borrower’s national legislation, or its obligations under relevant international environmental treaties and agreements.⁴

¹ Also known as ‘cultural heritage’, ‘cultural patrimony’, ‘cultural assets’ or ‘cultural property’.

² “Bank” is as defined in [OP/BP 4.01](#), *Environmental Assessment*.

³ The project is described in Schedule 2 to the Financing Agreement. This policy applies to all components of the project, regardless of the source of financing.

⁴ This includes the Convention concerning the Protection of the World Cultural and Natural Heritage, 1972 (UNESCO World Heritage Convention).



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Physical Cultural Resources within Environmental Assessment

4. The borrower addresses impacts on physical cultural resources in projects proposed for Bank financing, as an integral part of the environmental assessment (EA) process. The steps elaborated below follow the EA sequence of: screening; developing terms of reference (TORs); collecting baseline data; impact assessment; and formulating mitigating measures and a management plan.⁵
5. The following projects are classified during the environmental screening process as Category A or B, and are subject to the provisions of this policy: (a) any project involving significant excavations, demolition, movement of earth, flooding, or other environmental changes; and (b) any project located in, or in the vicinity of, a physical cultural resources site recognized by the borrower. Projects specifically designed to support the management or conservation of physical cultural resources are individually reviewed, and are normally classified as Category A or B.⁶
6. To develop the TORs for the EA, the borrower, in consultation with the Bank, relevant experts, and relevant project-affected groups, identifies the likely physical cultural resources issues, if any, to be taken into account by the EA. The TORs normally specify that physical cultural resources be included in the baseline data collection phase of the EA.
7. The borrower identifies physical cultural resources likely to be affected by the project and assesses the project's potential impacts on these resources as an integral part of the EA process, in accordance with the Bank's EA requirements.⁷
8. When the project is likely to have adverse impacts on physical cultural resources, the borrower identifies appropriate measures for avoiding or mitigating these impacts as part of the EA process. These measures may range from full site protection to selective mitigation, including salvage and documentation, in cases where a portion or all of the physical cultural resources may be lost.
9. As an integral part of the EA process, the borrower develops a physical cultural resources management plan⁸ that includes measures for avoiding or mitigating any adverse impacts on physical cultural resources, provisions for managing chance finds,⁹ any necessary measures for strengthening institutional capacity, and a monitoring system to track the progress of these activities. The physical cultural resources management plan is consistent with the country's overall policy framework and national legislation and takes into account institutional capabilities with regard to physical cultural resources.

⁵ See [OP 4.01](#), *Environmental Assessment*.

⁶ For definitions of project categories A and B, see [OP 4.01](#), *Environmental Assessment*, paragraph 8.

⁷ See [OP 4.01](#), *Environmental Assessment*.

⁸ If there is an Environmental Management Plan, it incorporates the physical cultural resources management plan. See [OP 4.01](#), *Environmental Assessment*, [Annex C](#).

⁹ For the purposes of this policy, 'chance finds' are defined as physical cultural resources encountered unexpectedly during project implementation.

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10. The Bank reviews, and discusses with the borrower, the findings and recommendations related to the physical cultural resources aspects of the EA, and determines whether they provide an adequate basis for processing the project for Bank financing.¹⁰

Consultation

11. As part of the public consultations required in the EA process, the consultative process for the physical cultural resources component normally includes relevant project-affected groups, concerned government authorities, and relevant nongovernmental organizations in documenting the presence and significance of physical cultural resources, assessing potential impacts, and exploring avoidance and mitigation options.

Disclosure

12. The findings of the physical cultural resources component of the EA are disclosed as part of, and in the same manner as, the EA report.¹¹ Exceptions to such disclosure would be considered when the borrower, in consultation with the Bank and persons with relevant expertise, determines that disclosure would compromise or jeopardize the safety or integrity of the physical cultural resources involved or would endanger the source of information about the physical cultural resources. In such cases, sensitive information relating to these particular aspects may be omitted from the EA report.

Projects in Situations of Urgent Need of Assistance or Capacity Constraints under OP 10.00

13. This policy normally applies to projects processed under paragraph 11 of [OP 10.00](#), *Investment Project Financing*. [OP/BP 4.01](#), *Environmental Assessment*, sets out the application of EA to such projects.¹² When compliance with any requirement of OP 4.11, *Physical Cultural Resources* would prevent the effective and timely achievement of the objectives of such a project, the Bank (subject to the limitations set forth in paragraph 11 of [OP 10.00](#)) may exempt the project from such a requirement, recording the justification for the exemption in the loan documents. However, the Bank requires that any necessary corrective measures be built into either the emergency operation or a future lending operation.

¹⁰ See [OP 4.01](#), *Environmental Assessment*, paragraph 5.

¹¹ See [The World Bank Policy on Access to Information](#).

¹² See [OP 4.01](#), *Environmental Assessment*, paragraph 12.



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Projects Involving Subprojects or Financial Intermediaries

14. The physical cultural resources aspects of subprojects financed under Bank projects are addressed in accordance with the Bank's EA requirements.¹³

Country Systems

15. The Bank may decide to use a country's systems to address environmental and social safeguards issues in a Bank-financed project that affects physical cultural resources. This decision is made in accordance with the requirements of the applicable Bank policy on country systems.¹⁴

Capacity Building

16. When the borrower's capacity is inadequate to manage physical cultural resources that may be affected by a Bank-financed project, the project may include components to strengthen that capacity.¹⁵

17. Given that the borrower's responsibility for physical cultural resources management extends beyond individual projects, the Bank may consider broader capacity building activities as part of its overall country assistance program.

¹³ As set out in paragraphs 9, 10, and 11 of [OP 4.01](#), *Environmental Assessment*. The relevant requirements in these paragraphs apply also to physical cultural resources aspects of other projects which are similarly designed to finance multiple sub-projects that are identified and appraised during the course of project implementation (e.g., social investment funds (SIFs) and community-driven development projects (CDDs)).

¹⁴ [OP/BP 4.00](#), *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguards Issues in Bank-Supported Projects*, which is applicable only to pilot projects using borrower systems, includes requirements that such systems be designed to meet the policy objectives and adhere to the operational principles related to physical cultural resources identified in OP 4.11, *Physical Cultural Resources*.

¹⁵ See [OP 4.01](#), *Environmental Assessment*, paragraph 13.



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Note: [OP/BP 4.11](#), *Physical Cultural Resources*, 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, [OP/BP 10.00](#), *Investment Project Financing*, have been revised, among other things, to incorporate [OP/BP 13.05](#), *Supervision* and [OP/BP 13.55](#), *Implementation Completion Report*, (which have accordingly been retired). [OP/BP 4.11](#) have consequently been updated to reflect these changes, as well as to reflect the updated title of the Bank’s policy on access to information.

[OP](#) /BP 4.11 should be read in conjunction with [OP](#) / [BP](#) 4.01, *Environmental Assessment*.

Questions may be addressed to the Safeguard Policies Helpdesk in OPCS (safeguards@worldbank.org).

Physical Cultural Resources

Introduction

1. Physical cultural resources may not be known or visible; therefore, it is important that a project’s potential impacts on physical cultural resources be considered at the earliest possible stage of the project planning cycle.

Physical Cultural Resources within Environmental Assessment

2. The task team (TT) advises the borrower on the provisions of [OP 4.11](#) and their application as an integral part of the Bank’s environmental assessment (EA) process as set out in [OP/BP 4.01](#), *Environmental Assessment*. The steps elaborated below follow the project cycle processes of screening, developing terms of reference (TORs) for the EA, preparing and reviewing the EA report, and project appraisal, supervision and evaluation.

Environmental Screening

3. As part of the environmental screening process, the TT determines whether the project (a) will involve significant excavations, demolition, movement of earth, flooding or other environmental changes; or (b) will be located in, or in the vicinity of, a physical cultural resources site recognized by competent authorities of the borrower; or (c) is designed to support management of physical cultural resources. If the project has any of the characteristics set out in (a) or (b), it is assigned to either Category A or B, in accordance with [OP 4.01](#), *Environmental Assessment*. If the project has the characteristic set out in (c), it is normally assigned to either Category A or B. The procedures set out below are followed for all projects so categorized.¹

¹ For definitions of project categories A and B, see [OP 4.01](#), *Environmental Assessment*, paragraph 8.

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4. The TT requests that the borrower inform the Bank of the relevant requirements of its legislation and of its procedures for identifying and mitigating potential impacts on physical cultural resources, including provisions for monitoring such impacts, and for managing chance finds.²

Terms of Reference for the EA

5. The TT advises and assists the borrower, as necessary, in drafting the TORs for the physical cultural resources component of the EA. In preparing the TORs, the borrower identifies the likely major physical cultural resources issues, if any, to be taken into account in the EA. This identification of the possible presence of physical cultural resources is normally conducted on-site, in consultation with relevant experts and relevant project-affected groups.

6. The TORs propose spatial and temporal boundaries for the on-site collection of baseline data on physical cultural resources potentially affected by the project, and specify the types of expertise required for the physical cultural resources component of the EA.

Consultation

7. Since many physical cultural resources are not documented, or protected by law, consultation is an important means of identifying such resources, documenting their presence and significance, assessing potential impacts, and exploring mitigation options. Therefore, the TT reviews the mechanisms established by the borrower for consultation on the physical cultural resources aspects of the EA, in order to ensure that the consultations include meetings with project-affected groups, concerned government authorities and relevant non-governmental organizations.

Baseline and Impact Assessment

8. The TT ensures that the physical cultural resources component of the EA includes (a) an investigation and inventory of physical cultural resources likely to be affected by the project; (b) documentation of the significance of such physical cultural resources; and (c) assessment of the nature and extent of potential impacts on these resources.

Mitigating Measures

9. When the project may have adverse impacts on physical cultural resources, the EA includes appropriate measures for avoiding or mitigating these impacts.

Capacity Assessment

10. The EA assesses the borrower's capacity for implementing the proposed mitigating measures and for managing chance finds, and where appropriate, recommends capacity building measures.

² For the purposes of this policy, chance finds are defined as physical cultural resources encountered unexpectedly during project implementation.

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Management Plan

11. The EA involves the preparation of a physical cultural resources management plan³ that includes (a) measures to avoid or mitigate any adverse impacts on physical cultural resources; (b) provisions for managing chance finds⁴; (c) any necessary measures for strengthening institutional capacity for the management of physical cultural resources; and (d) a monitoring system to track the progress of these activities.

Review

12. When reviewing the findings and recommendations of the EA, the TT discusses with the borrower the physical cultural resources components of the EA, including the physical cultural resources management plan, and determines whether these components provide an adequate basis for processing the project for Bank financing.

Disclosure

13. The TT consults with the borrower and persons with relevant expertise on whether disclosure of the findings of the physical cultural resources component of the EA would jeopardize the safety or integrity of any of the physical cultural resources involved. In addition, the TT consults the borrower to determine whether disclosure could endanger the source of information regarding the physical cultural resources. In such cases, sensitive information relating to these particular aspects, such as the precise location or value of a physical cultural resource, may be omitted from the EA report.⁵

Project Appraisal

14. As appropriate, the appraisal team includes relevant physical cultural resources expertise.

15. During appraisal, the TT ensures that the findings and recommendations of the physical cultural resources components of the EA, including the physical cultural resources management plan, are adequately reflected in project design, and are recorded in the Project Appraisal Document (PAD).

16. The TT ensures that the estimated cost of implementing the physical cultural resources management plan is included in the project budget.

³ If there is an Environmental Management Plan, it incorporates the physical cultural resources management plan. See [OP 4.01, *Environmental Assessment*, Annex C](#).

⁴ If a chance find occurs for a project that does not require an EA report, the borrower will prepare a timely chance find management plan, satisfactory to the Bank.

⁵ See [The World Bank Policy on Access to Information](#).



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Supervision and Evaluation⁶

17. For projects in which the physical cultural resources management plan incorporates provisions for safeguarding physical cultural resources, supervision missions include relevant expertise to review the implementation of such provisions.

18. During project supervision, the TT monitors the implementation of the physical cultural resources management plan, including provisions for the treatment of chance finds. The TT also ensures that chance finds procedures are included in procurement documents, as appropriate. The TT monitors the treatment of any chance finds and any other impacts on physical cultural resources that may occur during project implementation, and records relevant findings in the Implementation Status and Results Reports (ISRs).

19. Implementation Completion Reports (ICRs) assess the overall effectiveness of the project's physical cultural resources mitigation, management, and capacity building activities, as appropriate.⁷

Capacity Building

20. The TT reviews the need, if any, for enhancement of the borrower's capacity to implement this policy, particularly in respect of information on physical cultural resources, on-site training, institutional strengthening, inter-institutional collaboration, and rapid-response capacity for handling chance finds. The TT then considers the need for such capacity enhancement, including project components to strengthen capacity.⁸ When the needs extend beyond the scope of the project, the TT draws the attention of the relevant Country Director to the possibility of including such capacity building within the overall country assistance program.

⁶ See [OP/BP 10.00](#), *Investment Project Financing*.

⁷ See [OP/BP 10.00](#), *Investment Project Financing*.

⁸ See [OP 4.01](#), *Environmental Assessment*, paragraph 13.



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Note: OP/BP 4.12, *Involuntary Resettlement*, 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: (a) OP/BP 10.00, *Investment Project Financing*, have been revised, among other things, to incorporate OP/BP 13.05, *Supervision* and OP/BP 13.55, *Implementation Completion Reporting*, (which have consequently been retired); and (b) OP / BP 8.60, *Development Policy Lending*, and OP 9.00, *Program-for-Results Financing*, have also been revised. OP/ BP 4.12 have consequently been updated to reflect these changes, to clarify the extent of applicability of OP/BP 4.12 to Development Policy Lending and Program-for Results-Financing, and to reflect the updated title of the Bank’s policy on access to information.

Questions on this OP/BP may be addressed to the Safeguard Policies Helpdesk in OPCS (safeguards@worldbank.org).

Involuntary Resettlement

1. Bank¹ experience indicates that involuntary resettlement under development projects, if unmitigated, often gives rise to severe economic, social, and environmental risks: production systems are dismantled; people face impoverishment when their productive assets or income sources are lost; people are relocated to environments where their productive skills may be less applicable and the competition for resources greater; community institutions and social networks are weakened; kin groups are dispersed; and cultural identity, traditional authority, and the potential for mutual help are diminished or lost. This policy includes safeguards to address and mitigate these impoverishment risks.

Policy Objectives

2. Involuntary resettlement may cause severe long-term hardship, impoverishment, and environmental damage unless appropriate measures are carefully planned and carried out. For these reasons, the overall objectives of the Bank's policy on involuntary resettlement are the following:

- a. Involuntary resettlement should be avoided where feasible, or minimized, exploring all viable alternative project designs.²
- b. Where it is not feasible to avoid resettlement, resettlement activities should be conceived and executed as sustainable development programs, providing sufficient investment resources to

¹ "Bank" includes IBRD and IDA; "loans" includes IDA credits and IDA grants, guarantees, Project Preparation Facility (PPF) advances and grants; and "projects" includes projects under (a) PPFs advances and Institutional Development Fund (IDF) grants, if they include investment activities; (b) grants under the Global Environment Facility and Montreal Protocol, for which the Bank is the implementing/executing agency; and (c) grants or loans provided by other donors that are administered by the Bank. The term "project" does not include programs supported by Development Policy Lending (for which the environmental provisions are set out in OP/BP 8.60, *Development Policy Lending*), or by Program-for-Results Financing (for which environmental provisions are set out in OP/BP 9.00, *Program-for-Results Financing*). "Borrower" also includes, wherever the context requires, the guarantor or the project implementing agency.

² In devising approaches to resettlement in Bank-assisted projects, other Bank policies should be taken into account, as relevant. These policies include OP 4.01, *Environmental Assessment*, OP 4.04, *Natural Habitats*, OP 4.10, *Indigenous Peoples*, and OP 4.11, *Physical Cultural Resources*.

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- enable the persons displaced by the project to share in project benefits. Displaced persons³ should be meaningfully consulted and should have opportunities to participate in planning and implementing resettlement programs.
- c. Displaced persons should be assisted in their efforts to improve their livelihoods and standards of living or at least to restore them, in real terms, to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher.⁴

Impacts Covered

3. This policy covers direct economic and social impacts⁵ that both result from Bank-assisted investment projects,⁶ and are caused by
- a. the involuntary⁷ taking of land⁸ resulting in
 - i. relocation or loss of shelter;
 - ii. lost of assets or access to assets; or

³ The term "displaced persons" refers to persons who are affected in any of the ways described in para. 3 of this OP.

⁴ Displaced persons under para. 3(b) should be assisted in their efforts to improve or restore their livelihoods in a manner that maintains the sustainability of the parks and protected areas.

⁵ Where there are adverse indirect social or economic impacts, it is good practice for the borrower to undertake a social assessment and implement measures to minimize and mitigate adverse economic and social impacts, particularly upon poor and vulnerable groups. Other environmental, social, and economic impacts that do not result from land taking may be identified and addressed through environmental assessments and other project reports and instruments.

⁶ This policy does not apply to restrictions of access to natural resources under community-based projects, i.e. where the community using the resources decides to restrict access to these resources, provided that an assessment satisfactory to the Bank establishes that the community decision-making process is adequate, and that it provides for identification of appropriate measures to mitigate adverse impacts, if any, on the vulnerable members of the community. This policy also does not cover refugees from natural disasters, war, or civil strife (see [OP 8.00](#), *Rapid Response to Crises and Emergencies*).

⁷ For the purposes of this policy, "involuntary" means actions that may be taken without the displaced person's informed consent or power of choice.

⁸ "Land" includes anything growing on or permanently affixed to land, such as buildings and crops. This policy does not apply to regulations of natural resources on a national or regional level to promote their sustainability, such as watershed management, groundwater management, fisheries management, etc. The policy also does not apply to disputes between private parties in land titling projects, although it is good practice for the borrower to undertake a social assessment and implement measures to minimize and mitigate adverse social impacts, especially those affecting poor and vulnerable groups.

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- iii. loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or
 - b. the involuntary restriction of access⁹ to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons.
4. This policy applies to all components of the project that result in involuntary resettlement, regardless of the source of financing. It also applies to other activities resulting in involuntary resettlement, that in the judgment of the Bank, are
- a. directly and significantly related to the Bank-assisted project,
 - b. necessary to achieve its objectives as set forth in the project documents; and
 - c. carried out, or planned to be carried out, contemporaneously with the project.
5. Requests for guidance on the application and scope of this policy should be addressed to the Resettlement Committee (see [BP 4.12, para. 7](#)).¹⁰

Required Measures

6. To address the impacts covered under para. 3 (a) of this policy, the borrower prepares a resettlement plan or a resettlement policy framework (see paras. 25-30) that covers the following:
- a. The resettlement plan or resettlement policy framework includes measures to ensure that the displaced persons are
 - i. informed about their options and rights pertaining to resettlement;
 - ii. consulted on, offered choices among, and provided with technically and economically feasible resettlement alternatives; and

⁹ For the purposes of this policy, involuntary restriction of access covers restrictions on the use of resources imposed on people living outside the park or protected area, or on those who continue living inside the park or protected area during and after project implementation. In cases where new parks and protected areas are created as part of the project, persons who lose shelter, land, or other assets are covered under para. 3(a). Persons who lose shelter in existing parks and protected areas are also covered under para. 3(a).

¹⁰ The *Involuntary Resettlement Sourcebook* provides good practice guidance to staff on the policy.



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- iii. provided prompt and effective compensation at full replacement cost¹¹ for losses of assets¹² attributable directly to the project.
 - b. If the impacts include physical relocation, the resettlement plan or resettlement policy framework includes measures to ensure that the displaced persons are
 - i. provided assistance (such as moving allowances) during relocation; and
 - ii. provided with residential housing, or housing sites, or, as required, agricultural sites for which a combination of productive potential, locational advantages, and other factors is at least equivalent to the advantages of the old site.¹³
 - c. Where necessary to achieve the objectives of the policy, the resettlement plan or resettlement policy framework also include measures to ensure that displaced persons are
 - i. offered support after displacement, for a transition period, based on a reasonable estimate of the time likely to be needed to restore their livelihood and standards of living;¹⁴ and
 - ii. provided with development assistance in addition to compensation measures described in paragraph 6(a);
 - iii. such as land preparation, credit facilities, training, or job opportunities.
7. In projects involving involuntary restriction of access to legally designated parks and protected areas (see para. 3(b)), the nature of restrictions, as well as the type of measures necessary to mitigate adverse impacts, is determined with the participation of the displaced persons during the design and implementation of the project. In such cases, the borrower prepares a process framework acceptable to the Bank, describing the participatory process by which

¹¹ "Replacement cost" is the method of valuation of assets that helps determine the amount sufficient to replace lost assets and cover transaction costs. In applying this method of valuation, depreciation of structures and assets should not be taken into account (for a detailed definition of replacement cost, see [Annex A](#), footnote 1). For losses that cannot easily be valued or compensated for in monetary terms (e.g., access to public services, customers, and suppliers; or to fishing, grazing, or forest areas), attempts are made to establish access to equivalent and culturally acceptable resources and earning opportunities. Where domestic law does not meet the standard of compensation at full replacement cost, compensation under domestic law is supplemented by additional measures necessary to meet the replacement cost standard. Such additional assistance is distinct from resettlement assistance to be provided under other clauses of para. 6.

¹² If the residual of the asset being taken is not economically viable, compensation and other resettlement assistance are provided as if the entire asset had been taken.

¹³ The alternative assets are provided with adequate tenure arrangements. The cost of alternative residential housing, housing sites, business premises, and agricultural sites to be provided can be set off against all or part of the compensation payable for the corresponding asset lost.

¹⁴ Such support could take the form of short-term jobs, subsistence support, salary maintenance or similar arrangements.

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- a. specific components of the project will be prepared and implemented;
- b. the criteria for eligibility of displaced persons will be determined;
- c. measures to assist the displaced persons in their efforts to improve their livelihoods, or at least to restore them, in real terms, while maintaining the sustainability of the park or protected area, will be identified; and
- d. potential conflicts involving displaced persons will be resolved.

The process framework also includes a description of the arrangements for implementing and monitoring the process.

8. To achieve the objectives of this policy, particular attention is paid to the needs of vulnerable groups among those displaced, especially those below the poverty line, the landless, the elderly, women and children, indigenous peoples,¹⁵ ethnic minorities, or other displaced persons who may not be protected through national land compensation legislation.

9. Bank experience has shown that resettlement of indigenous peoples with traditional land-based modes of production is particularly complex and may have significant adverse impacts on their identity and cultural survival. For this reason, the Bank satisfies itself that the borrower has explored all viable alternative project designs to avoid physical displacement of these groups. When it is not feasible to avoid such displacement, preference is given to land-based resettlement strategies for these groups (see para. 11) that are compatible with their cultural preferences and are prepared in consultation with them (see [Annex A](#), para. 11).

10. The implementation of resettlement activities is linked to the implementation of the investment component of the project to ensure that displacement or restriction of access does not occur before necessary measures for resettlement are in place. For impacts covered in para. 3(a) of this policy, these measures include provision of compensation and of other assistance required for relocation, prior to displacement, and preparation and provision of resettlement sites with adequate facilities, where required. In particular, taking of land and related assets may take place only after compensation has been paid and, where applicable, resettlement sites and moving allowances have been provided to the displaced persons. For impacts covered in para. 3(b) of this policy, the measures to assist the displaced persons are implemented in accordance with the plan of action as part of the project (see para. 30).¹⁶

11. Preference should be given to land-based resettlement strategies for displaced persons whose livelihoods are land-based. These strategies may include resettlement on public land (see footnote 1 above), or on private land acquired or purchased for resettlement. Whenever replacement land is offered, resettlers are provided with land for which a combination of productive potential, locational advantages,

¹⁵ See [OP 4.10](#), *Indigenous Peoples*.

¹⁶ Where the borrower has offered to pay compensation to an affected person in accordance with an approved resettlement plan, but the offer has been rejected, the taking of land and related assets may only proceed if the borrower has deposited funds equal to the offered amount plus 10 percent in a secure form of escrow or other interest-bearing deposit acceptable to the Bank, and has provided a means satisfactory to the Bank for resolving the dispute concerning said offer of compensation in a timely and equitable manner.

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and other factors is at least equivalent to the advantages of the land taken. If land is not the preferred option of the displaced persons, the provision of land would adversely affect the sustainability of a park or protected area,¹⁷ or sufficient land is not available at a reasonable price, non-land-based options built around opportunities for employment or self-employment should be provided in addition to cash compensation for land and other assets lost. The lack of adequate land must be demonstrated and documented to the satisfaction of the Bank.

12. Payment of cash compensation for lost assets may be appropriate where (a) livelihoods are land-based but the land taken for the project is a small fraction¹⁸ of the affected asset and the residual is economically viable; (b) active markets for land, housing, and labor exist, displaced persons use such markets, and there is sufficient supply of land and housing; or (c) livelihoods are not land-based. Cash compensation levels should be sufficient to replace the lost land and other assets at full replacement cost in local markets.

13. For impacts covered under para. 3(a) of this policy, the Bank also requires the following:

- a. Displaced persons and their communities, and any host communities receiving them, are provided timely and relevant information, consulted on resettlement options, and offered opportunities to participate in planning, implementing, and monitoring resettlement. Appropriate and accessible grievance mechanisms are established for these groups.
- b. In new resettlement sites or host communities, infrastructure and public services are provided as necessary to improve, restore, or maintain accessibility and levels of service for the displaced persons and host communities. Alternative or similar resources are provided to compensate for the loss of access to community resources (such as fishing areas, grazing areas, fuel, or fodder).
- c. Patterns of community organization appropriate to the new circumstances are based on choices made by the displaced persons. To the extent possible, the existing social and cultural institutions of resettlers and any host communities are preserved and resettlers' preferences with respect to relocating in preexisting communities and groups are honored.

Eligibility for Benefits¹⁹

14. Upon identification of the need for involuntary resettlement in a project, the borrower carries out a census to identify the persons who will be affected by the project (see the [Annex A](#), para. 6(a)), to determine who will be eligible for assistance, and to discourage inflow of people ineligible for assistance. The borrower also develops a procedure, satisfactory to the Bank, for establishing the criteria by which displaced persons will be deemed eligible for compensation and other resettlement assistance. The procedure includes provisions for meaningful consultations with affected persons and communities, local

¹⁷ See [OP 4.04](#), *Natural Habitats*.

¹⁸ As a general principle, this applies if the land taken constitutes less than 20% of the total productive area.

¹⁹ Paras. 13-15 do not apply to impacts covered under para. 3(b) of this policy. The eligibility criteria for displaced persons under 3 (b) are covered under the process framework (see paras. 7 and 30).

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authorities, and, as appropriate, nongovernmental organizations (NGOs), and it specifies grievance mechanisms.

15. *Criteria for Eligibility.* Displaced persons may be classified in one of the following three groups:

- a. those who have formal legal rights to land (including customary and traditional rights recognized under the laws of the country);
- b. those who do not have formal legal rights to land at the time the census begins but have a claim to such land or assets--provided that such claims are recognized under the laws of the country or become recognized through a process identified in the resettlement plan (see [Annex A](#), para. 7(f)); and²⁰
- c. those who have no recognizable legal right or claim to the land they are occupying.

16. Persons covered under para. 15(a) and (b) are provided compensation for the land they lose, and other assistance in accordance with para. 6. Persons covered under para. 15(c) are provided resettlement assistance²¹ in lieu of compensation for the land they occupy, and other assistance, as necessary, to achieve the objectives set out in this policy, if they occupy the project area prior to a cut-off date established by the borrower and acceptable to the Bank.²² Persons who encroach on the area after the cut-off date are not entitled to compensation or any other form of resettlement assistance. All persons included in para. 15(a), (b), or (c) are provided compensation for loss of assets other than land.

Resettlement Planning, Implementation, and Monitoring

17. To achieve the objectives of this policy, different planning instruments are used, depending on the type of project:

- a. a resettlement plan or abbreviated resettlement plan is required for all operations that entail involuntary resettlement unless otherwise specified (see para. 25 and [Annex A](#));
- b. a resettlement policy framework is required for operations referred to in paras. 26-30 that may entail involuntary resettlement, unless otherwise specified (see [Annex A](#); and
- c. a process framework is prepared for projects involving restriction of access in accordance with para. 3(b) (see para. 31).

²⁰ Such claims could be derived from adverse possession, from continued possession of public lands without government action for eviction (that is, with the implicit leave of the government), or from customary and traditional law and usage, and so on.

²¹ Resettlement assistance may consist of land, other assets, cash, employment, and so on, as appropriate.

²² Normally, this cut-off date is the date the census begins. The cut-off date could also be the date the project area was delineated, prior to the census, provided that there has been an effective public dissemination of information on the area delineated, and systematic and continuous dissemination subsequent to the delineation to prevent further population influx.



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18. The borrower is responsible for preparing, implementing, and monitoring a resettlement plan, a resettlement policy framework, or a process framework (the "resettlement instruments"), as appropriate, that conform to this policy. The resettlement instrument presents a strategy for achieving the objectives of the policy and covers all aspects of the proposed resettlement. Borrower commitment to, and capacity for, undertaking successful resettlement is a key determinant of Bank involvement in a project.

19. Resettlement planning includes early screening, scoping of key issues, the choice of resettlement instrument, and the information required to prepare the resettlement component or subcomponent. The scope and level of detail of the resettlement instruments vary with the magnitude and complexity of resettlement. In preparing the resettlement component, the borrower draws on appropriate social, technical, and legal expertise and on relevant community-based organizations and NGOs.²³ The borrower informs potentially displaced persons at an early stage about the resettlement aspects of the project and takes their views into account in project design.

20. The full costs of resettlement activities necessary to achieve the objectives of the project are included in the total costs of the project. The costs of resettlement, like the costs of other project activities, are treated as a charge against the economic benefits of the project; and any net benefits to resettlers (as compared to the "without-project" circumstances) are added to the benefits stream of the project. Resettlement components or free-standing resettlement projects need not be economically viable on their own, but they should be cost-effective.

21. The borrower ensures that the Project Implementation Plan is fully consistent with the resettlement instrument.

22. As a condition of appraisal of projects involving resettlement, the borrower provides the Bank with the relevant draft resettlement instrument which conforms to this policy, and makes it available at a place accessible to displaced persons and local NGOs, in a form, manner, and language that are understandable to them. Once the Bank accepts this instrument as providing an adequate basis for project appraisal, the Bank makes it available to the public through its InfoShop. After the Bank has approved the final resettlement instrument, the Bank and the borrower disclose it again in the same manner.²⁴

23. The borrower's obligations to carry out the resettlement instrument and to keep the Bank informed of implementation progress are provided for in the legal agreements for the project.

24. The borrower is responsible for adequate monitoring and evaluation of the activities set forth in the resettlement instrument. The Bank regularly supervises resettlement implementation to determine compliance with the resettlement instrument. Upon completion of the project, the borrower undertakes an assessment to determine whether the objectives of the resettlement instrument have been achieved. The assessment takes into account the baseline conditions and the results of resettlement monitoring. If the

²³ For projects that are highly risky or contentious, or that involve significant and complex resettlement activities, the borrower should normally engage an advisory panel of independent, internationally recognized resettlement specialists to advise on all aspects of the project relevant to the resettlement activities. The size, role, and frequency of meeting depend on the complexity of the resettlement. If independent technical advisory panels are established under [OP 4.01, Environmental Assessment](#), the resettlement panel may form part of the environmental panel of experts.

²⁴ See [The World Bank Policy on Access to Information, para. 34](#) (Washington, D.C.: World Bank, 2002).



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assessment reveals that these objectives may not be realized, the borrower should propose follow-up measures that may serve as the basis for continued Bank supervision, as the Bank deems appropriate (see also [BP 4.12](#), para. 16).

Resettlement Instruments

Resettlement Plan

25. A draft resettlement plan that conforms to this policy is a condition of appraisal (see [Annex A](#), para. 2-21) for projects referred to in para. 17(a) above.²⁵ However, where impacts on the entire displaced population are minor,²⁶ or fewer than 200 people are displaced, an abbreviated resettlement plan may be agreed with the borrower (see [Annex A](#), para. 22). The information disclosure procedures set forth in para. 22 apply.

Resettlement Policy Framework

26. For sector investment operations that may involve involuntary resettlement, the Bank requires that the project implementing agency screen subprojects to be financed by the Bank to ensure their consistency with this OP. For these operations, the borrower submits, prior to appraisal, a resettlement policy framework that conforms to this policy (see [Annex A](#), paras. 23-25). The framework also estimates, to the extent feasible, the total population to be displaced and the overall resettlement costs.

27. For financial intermediary operations that may involve involuntary resettlement, the Bank requires that the financial intermediary (FI) screen subprojects to be financed by the Bank to ensure their consistency with this OP. For these operations, the Bank requires that before appraisal the borrower or the FI submit to the Bank a resettlement policy framework conforming to this policy (see [Annex A](#), paras. 23-25). In addition, the framework includes an assessment of the institutional capacity and procedures of each of the FIs that will be responsible for subproject financing. When, in the assessment of the Bank, no resettlement is envisaged in the subprojects to be financed by the FI, a resettlement policy framework is not required. Instead, the legal agreements specify the obligation of the FIs to obtain from the potential subborrowers a resettlement plan consistent with this policy if a subproject gives rise to resettlement. For all subprojects involving resettlement, the resettlement plan is provided to the Bank for approval before the subproject is accepted for Bank financing.

28. For other Bank-assisted project with multiple subprojects²⁷ that may involve involuntary resettlement, the Bank requires that a draft resettlement plan conforming to this policy be submitted to the Bank before appraisal of the project unless, because of the nature and design of the project or of a specific

²⁵ An exception to this requirement may be made in highly unusual circumstances (such as emergency operations) with the approval of Bank Management (see [BP 4.12](#), para. 8). In such cases, the Management's approval stipulates a timetable and budget for developing the resettlement plan.

²⁶ Impacts are considered "minor" if the affected people are not physically displaced and less than 10 percent of their productive assets are lost.

²⁷ For the purpose of this paragraph, the term "subprojects" includes components and subcomponents.

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subproject or subprojects (a) the zone of impact of subprojects cannot be determined, or (b) the zone of impact is known but precise sitting alignments cannot be determined. In such cases, the borrower submits a resettlement policy framework consistent with this policy prior to appraisal (see [Annex A](#), paras. 23-25). For other subprojects that do not fall within the above criteria, a resettlement plan conforming to this policy is required prior to appraisal.

29. For each subproject included in a project described in para. 26, 27, or 28 that may involve resettlement, the Bank requires that a satisfactory resettlement plan or an abbreviated resettlement plan that is consistent with the provisions of the policy framework be submitted to the Bank for approval before the subproject is accepted for Bank financing.

30. For projects described in paras. 26-28 above, the Bank may agree, in writing, that subproject resettlement plans may be approved by the project implementing agency or a responsible government agency or financial intermediary without prior Bank review, if that agency has demonstrated adequate institutional capacity to review resettlement plans and ensure their consistency with this policy. Any such delegation, and appropriate remedies for the entity's approval of resettlement plans found not to be in compliance with Bank policy, are provided for in the legal agreements for the project. In all such cases, implementation of the resettlement plans is subject to ex post review by the Bank.

Process Framework

31. For projects involving restriction of access in accordance with para. 3(b) above, the borrower provides the Bank with a draft process framework that conforms to the relevant provisions of this policy as a condition of appraisal. In addition, during project implementation and before enforcing of the restriction, the borrower prepares a plan of action, acceptable to the Bank, describing the specific measures to be undertaken to assist the displaced persons and the arrangements for their implementation. The plan of action could take the form of a natural resources management plan prepared for the project.

Assistance to the Borrower

32. In furtherance of the objectives of this policy, the Bank may at a borrower's request support the borrower and other concerned entities by providing

- a. assistance to assess and strengthen resettlement policies, strategies, legal frameworks, and specific plans at a country, regional, or sectoral level;
- b. financing of technical assistance to strengthen the capacities of agencies responsible for resettlement, or of affected people to participate more effectively in resettlement operations;
- c. financing of technical assistance for developing resettlement policies, strategies, and specific plans, and for implementation, monitoring, and evaluation of resettlement activities; and
- d. financing of the investment costs of resettlement.

33. The Bank may finance either a component of the main investment causing displacement and requiring resettlement, or a free-standing resettlement project with appropriate cross-conditionalities, processed and implemented in parallel with the investment that causes the displacement. The Bank may



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finance resettlement even though it is not financing the main investment that makes resettlement necessary.

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This Operational Policy statement was updated in February 2011 to clarify the use of Use of Escrow Accounts in order to Help Reduce Delays in Implementation of Resettlement, and Clarification of Funding of Grievance Mechanisms.

Questions on this policy may be addressed to [OPCS Quality Assurance and Compliance \(OPCQC\)](#).

Involuntary Resettlement Instruments

1. This annex describes the elements of a resettlement plan, an abbreviated resettlement plan, a resettlement policy framework, and a resettlement process framework, as discussed in [OP 4.12, paras. 17-31](#).

Resettlement Plan

2. The scope and level of detail of the resettlement plan vary with the magnitude and complexity of resettlement. The plan is based on up-to-date and reliable information about (a) the proposed resettlement and its impacts on the displaced persons and other adversely affected groups, and (b) the legal issues involved in resettlement. The resettlement plan covers the elements below, as relevant. When any element is not relevant to project circumstances, it should be noted in the resettlement plan.
3. *Description of the project.* General description of the project and identification of the project area.
4. *Potential impacts.* Identification of
 - a. the project component or activities that give rise to resettlement;
 - b. the zone of impact of such component or activities;
 - c. the alternatives considered to avoid or minimize resettlement; and
 - d. the mechanisms established to minimize resettlement, to the extent possible, during project implementation.
5. *Objectives.* The main objectives of the resettlement program.
6. *Socioeconomic studies.* The findings of socioeconomic studies to be conducted in the early stages of project preparation and with the involvement of potentially displaced people, including
 - a. the results of a census survey covering
 - i. current occupants of the affected area to establish a basis for the design of the resettlement program and to exclude subsequent inflows of people from eligibility for compensation and resettlement assistance;
 - ii. standard characteristics of displaced households, including a description of production systems, labor, and household organization; and baseline information on livelihoods (including, as relevant, production levels and income derived from both formal and

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- informal economic activities) and standards of living (including health status) of the displaced population;
- iii. the magnitude of the expected loss--total or partial--of assets, and the extent of displacement, physical or economic;
 - iv. information on vulnerable groups or persons as provided for in [OP 4.12, para. 8](#), for whom special provisions may have to be made; and
 - v. provisions to update information on the displaced people's livelihoods and standards of living at regular intervals so that the latest information is available at the time of their displacement.
- b. Other studies describing the following
- i. land tenure and transfer systems, including an inventory of common property natural resources from which people derive their livelihoods and sustenance, non-title-based usufruct systems (including fishing, grazing, or use of forest areas) governed by local recognized land allocation mechanisms, and any issues raised by different tenure systems in the project area;
 - ii. the patterns of social interaction in the affected communities, including social networks and social support systems, and how they will be affected by the project;
 - iii. public infrastructure and social services that will be affected; and
 - iv. social and cultural characteristics of displaced communities, including a description of formal and informal institutions (e.g., community organizations, ritual groups, nongovernmental organizations (NGOs)) that may be relevant to the consultation strategy and to designing and implementing the resettlement activities.
7. *Legal framework.* The findings of an analysis of the legal framework, covering
- a. the scope of the power of eminent domain and the nature of compensation associated with it, in terms of both the valuation methodology and the timing of payment;
 - b. the applicable legal and administrative procedures, including a description of the remedies available to displaced persons in the judicial process and the normal timeframe for such procedures, and any available alternative dispute resolution mechanisms that may be relevant to resettlement under the project;
 - c. relevant law (including customary and traditional law) governing land tenure, valuation of assets and losses, compensation, and natural resource usage rights; customary personal law related to displacement; and environmental laws and social welfare legislation;
 - d. laws and regulations relating to the agencies responsible for implementing resettlement activities;



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- e. gaps, if any, between local laws covering eminent domain and resettlement and the Bank's resettlement policy, and the mechanisms to bridge such gaps; and
 - f. any legal steps necessary to ensure the effective implementation of resettlement activities under the project, including, as appropriate, a process for recognizing claims to legal rights to land--including claims that derive from customary law and traditional usage (see [OP 4.12, para.15 b](#)).
8. *Institutional Framework.* The findings of an analysis of the institutional framework covering
- a. the identification of agencies responsible for resettlement activities and NGOs that may have a role in project implementation;
 - b. an assessment of the institutional capacity of such agencies and NGOs; and
 - c. any steps that are proposed to enhance the institutional capacity of agencies and NGOs responsible for resettlement implementation.
9. *Eligibility.* Definition of displaced persons and criteria for determining their eligibility for compensation and other resettlement assistance, including relevant cut-off dates.
10. *Valuation of and compensation for losses.* The methodology to be used in valuing losses to determine their replacement cost; and a description of the proposed types and levels of compensation under local law and such supplementary measures as are necessary to achieve replacement cost for lost assets.¹
11. *Resettlement measures.* A description of the packages of compensation and other resettlement measures that will assist each category of eligible displaced persons to achieve the objectives of the policy (see [OP 4.12, para. 6](#)). In addition to being technically and economically feasible, the resettlement packages should be compatible with the cultural preferences of the displaced persons, and prepared in consultation with them.

¹ With regard to land and structures, "replacement cost" is defined as follows: For agricultural land, it is the pre-project or pre-displacement, whichever is higher, market value of land of equal productive potential or use located in the vicinity of the affected land, plus the cost of preparing the land to levels similar to those of the affected land, plus the cost of any registration and transfer taxes. For land in urban areas, it is the pre-displacement market value of land of equal size and use, with similar or improved public infrastructure facilities and services and located in the vicinity of the affected land, plus the cost of any registration and transfer taxes. For houses and other structures, it is the market cost of the materials to build a replacement structure with an area and quality similar to or better than those of the affected structure, or to repair a partially affected structure, plus the cost of transporting building materials to the construction site, plus the cost of any labor and contractors' fees, plus the cost of any registration and transfer taxes. In determining the replacement cost, depreciation of the asset and the value of salvage materials are not taken into account, nor is the value of benefits to be derived from the project deducted from the valuation of an affected asset. Where domestic law does not meet the standard of compensation at full replacement cost, compensation under domestic law is supplemented by additional measures so as to meet the replacement cost standard. Such additional assistance is distinct from resettlement measures to be provided under other clauses in [OP 4.12, para. 6](#).



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12. *Site selection, site preparation, and relocation.* Alternative relocation sites considered and explanation of those selected, covering
- institutional and technical arrangements for identifying and preparing relocation sites, whether rural or urban, for which a combination of productive potential, locational advantages, and other factors is at least comparable to the advantages of the old sites, with an estimate of the time needed to acquire and transfer land and ancillary resources;
 - any measures necessary to prevent land speculation or influx of ineligible persons at the selected sites;
 - procedures for physical relocation under the project, including timetables for site preparation and transfer; and
 - legal arrangements for regularizing tenure and transferring titles to resettlers.
13. *Housing, infrastructure, and social services.* Plans to provide (or to finance resettlers' provision of) housing, infrastructure (e.g., water supply, feeder roads), and social services (e.g., schools, health services);² plans to ensure comparable services to host populations; any necessary site development, engineering, and architectural designs for these facilities.
14. *Environmental protection and management.* A description of the boundaries of the relocation area; and an assessment of the environmental impacts of the proposed resettlement³ and measures to mitigate and manage these impacts (coordinated as appropriate with the environmental assessment of the main investment requiring the resettlement).
15. *Community participation.* Involvement of resettlers and host communities,⁴
- a description of the strategy for consultation with and participation of resettlers and hosts in the design and implementation of the resettlement activities;
 - a summary of the views expressed and how these views were taken into account in preparing the resettlement plan;
 - a review of the resettlement alternatives presented and the choices made by displaced persons regarding options available to them, including choices related to forms of compensation and resettlement assistance, to relocating as individuals families or as parts of preexisting communities or kinship groups, to sustaining existing patterns of group organization, and to

² Provision of health care services, particularly for pregnant women, infants, and the elderly, may be important during and after relocation to prevent increases in morbidity and mortality due to malnutrition, the psychological stress of being uprooted, and the increased risk of disease.

³ Negative impacts that should be anticipated and mitigated include, for rural resettlement, deforestation, overgrazing, soil erosion, sanitation, and pollution; for urban resettlement, projects should address such density-related issues as transportation capacity and access to potable water, sanitation systems, and health facilities.

⁴ Experience has shown that local NGOs often provide valuable assistance and ensure viable community participation.



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- retaining access to cultural property (e.g. places of worship, pilgrimage centers, cemeteries);⁵ and
- d. institutionalized arrangements by which displaced people can communicate their concerns to project authorities throughout planning and implementation, and measures to ensure that such vulnerable groups as indigenous people, ethnic minorities, the landless, and women are adequately represented.
16. *Integration with host populations.* Measures to mitigate the impact of resettlement on any host communities, including
- a. consultations with host communities and local governments;
 - b. arrangements for prompt tendering of any payment due the hosts for land or other assets provided to resettlers;
 - c. arrangements for addressing any conflict that may arise between resettlers and host communities; and
 - d. any measures necessary to augment services (e.g., education, water, health, and production services) in host communities to make them at least comparable to services available to resettlers.
17. *Grievance procedures.* Affordable and accessible procedures for third-party settlement of disputes arising from resettlement; such grievance mechanisms should take into account the availability of judicial recourse and community and traditional dispute settlement mechanisms.
18. *Organizational responsibilities.* The organizational framework for implementing resettlement, including identification of agencies responsible for delivery of resettlement measures and provision of services; arrangements to ensure appropriate coordination between agencies and jurisdictions involved in implementation; and any measures (including technical assistance) needed to strengthen the implementing agencies' capacity to design and carry out resettlement activities; provisions for the transfer to local authorities or resettlers themselves of responsibility for managing facilities and services provided under the project and for transferring other such responsibilities from the resettlement implementing agencies, when appropriate.
19. *Implementation schedule.* An implementation schedule covering all resettlement activities from preparation through implementation, including target dates for the achievement of expected benefits to resettlers and hosts and terminating the various forms of assistance. The schedule should indicate how the resettlement activities are linked to the implementation of the overall project.
20. *Costs and budget.* Tables showing itemized cost estimates for all resettlement activities, including allowances for inflation, population growth, and other contingencies; timetables for expenditures; sources

⁵ [OP 4.11](#), *Physical Cultural Resources*.



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of funds; and arrangements for timely flow of funds, and funding for resettlement, if any, in areas outside the jurisdiction of the implementing agencies.⁶

21. *Monitoring and evaluation.* Arrangements for monitoring of resettlement activities by the implementing agency, supplemented by independent monitors as considered appropriate by the Bank, to ensure complete and objective information; performance monitoring indicators to measure inputs, outputs, and outcomes for resettlement activities; involvement of the displaced persons in the monitoring process; evaluation of the impact of resettlement for a reasonable period after all resettlement and related development activities have been completed; using the results of resettlement monitoring to guide subsequent implementation.

Abbreviated Resettlement Plan

22. An abbreviated plan covers the following minimum elements:⁷
- a census survey of displaced persons and valuation of assets;
 - description of compensation and other resettlement assistance to be provided;
 - consultations with displaced people about acceptable alternatives;
 - institutional responsibility for implementation and procedures for grievance redress;
 - arrangements for monitoring and implementation; and
 - a timetable and budget.

Resettlement Policy Framework

23. The purpose of the policy framework is to clarify resettlement principles, organizational arrangements, and design criteria to be applied to subprojects to be prepared during project implementation (see [OP 4.12, paras. 26-28](#)). Subproject resettlement plans consistent with the policy framework subsequently are submitted to the Bank for approval after specific planning information becomes available (see [OP 4.12, para. 29](#)).

24. The resettlement policy framework covers the following elements, consistent with the provisions described in [OP 4.12, paras. 2 and 4](#):

⁶ The costs of establishing the grievance procedures for the project shall be included in the project costs.

⁷ In case some of the displaced persons lose more than 10% of their productive assets or require physical relocation, the plan also covers a socioeconomic survey and income restoration measures.

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- a. a brief description of the project and components for which land acquisition and resettlement are required, and an explanation of why a resettlement plan as described in paras. 2-21 or an abbreviated plan as described in para. 22 cannot be prepared by project appraisal;
- b. principles and objectives governing resettlement preparation and implementation;
- c. a description of the process for preparing and approving resettlement plans;
- d. estimated population displacement and likely categories of displaced persons, to the extent feasible;
- e. eligibility criteria for defining various categories of displaced persons;
- f. a legal framework reviewing the fit between borrower laws and regulations and Bank policy requirements and measures proposed to bridge any gaps between them;
- g. methods of valuing affected assets;
- h. organizational procedures for delivery of entitlements, including, for projects involving private sector intermediaries, the responsibilities of the financial intermediary, the government, and the private developer;
- i. a description of the implementation process, linking resettlement implementation to civil works;
- j. a description of grievance redress mechanisms;
- k. a description of the arrangements for funding resettlement, including the preparation and review of cost estimates, the flow of funds, and contingency arrangements;
- l. a description of mechanisms for consultations with, and participation of, displaced persons in planning, implementation, and monitoring; and
- m. arrangements for monitoring by the implementing agency and, if required, by independent monitors.

25. When a resettlement policy framework is the only document that needs to be submitted as a condition of the loan, the resettlement plan to be submitted as a condition of subproject financing need not include the policy principles, entitlements, and eligibility criteria, organizational arrangements, arrangements for monitoring and evaluation, the framework for participation, and mechanisms for grievance redress set forth in the resettlement policy framework. The subproject-specific resettlement plan needs to include baseline census and socioeconomic survey information; specific compensation rates and standards; policy entitlements related to any additional impacts identified through the census or survey; description of resettlement sites and programs for improvement or restoration of livelihoods and standards of living; implementation schedule for resettlement activities; and detailed cost estimate.



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Process Framework

26. A process framework is prepared when Bank-supported projects may cause restrictions in access to natural resources in legally designated parks and protected areas. The purpose of the process framework is to establish a process by which members of potentially affected communities participate in design of project components, determination of measures necessary to achieve resettlement policy objectives, and implementation and monitoring of relevant project activities (see [OP 4.12, paras. 7 and 31](#)).

27. Specifically, the process framework describes participatory processes by which the following activities will be accomplished

- a. *Project components will be prepared and implemented.* The document should briefly describe the project and components or activities that may involve new or more stringent restrictions on natural resource use. It should also describe the process by which potentially displaced persons participate in project design.
- b. *Criteria for eligibility of affected persons will be determined.* The document should establish that potentially affected communities will be involved in identifying any adverse impacts, assessing of the significance of impacts, and establishing of the criteria for eligibility for any mitigating or compensating measures necessary.
- c. *Measures to assist affected persons in their efforts to improve their livelihoods or restore them, in real terms, to pre-displacement levels, while maintaining the sustainability of the park or protected area will be identified.* The document should describe methods and procedures by which communities will identify and choose potential mitigating or compensating measures to be provided to those adversely affected, and procedures by which adversely affected community members will decide among the options available to them.
- d. *Potential conflicts or grievances within or between affected communities will be resolved.* The document should describe the process for resolving disputes relating to resource use restrictions that may arise between or among affected communities, and grievances that may arise from members of communities who are dissatisfied with the eligibility criteria, community planning measures, or actual implementation.

Additionally, the process framework should describe arrangements relating to the following

- e. *Administrative and legal procedures.* The document should review agreements reached regarding the process approach with relevant administrative jurisdictions and line ministries (including clear delineation for administrative and financial responsibilities under the project).
- f. *Monitoring arrangements.* The document should review arrangements for participatory monitoring of project activities as they relate to (beneficial and adverse) impacts on persons within the project impact area, and for monitoring the effectiveness of measures taken to improve (or at minimum restore) incomes and living standards.

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Note: [OP/BP 4.12, Involuntary Resettlement](#), 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: (a) [OP/BP 10.00, Investment Project Financing](#), have been revised, among other things, to incorporate [OP/BP 13.05, Supervision](#) and [OP/BP 13.55, Implementation Completion Reporting](#), (which have consequently been retired); and (b) [OP/BP 8.60, Development Policy Lending](#), and [OP 9.00, Program-for-Results Financing](#), have also been revised. This OP/BP has consequently been updated to reflect these changes, to clarify the extent of applicability of this OP/BP to Development Policy Lending and Program-for Results-Financing, and to reflect the updated title of the Bank’s policy on access to information.

Questions on this OP/BP may be addressed to the Safeguard Policies Helpdesk in OPCS (safeguards@worldbank.org).

Involuntary Resettlement

1. The planning of resettlement activities is an integral part of preparation for Bank-assisted¹ projects that cause involuntary resettlement.² During project identification, the task team (TT) identifies any potential involuntary resettlement under the project. Throughout project processing, the TT consults and seeks the advice of the regional social development unit,³ Legal Vice Presidency (LEG) and, as necessary, the Resettlement Committee (see para. 7 of this BP).

2. When a proposed project is likely to involve involuntary resettlement, the TT informs the borrower of the provisions of [OP/BP 4.12](#). The TT and borrower staff

- a. assess the nature and magnitude of the likely displacement;

¹ "Bank" includes IBRD and IDA ; "loans" includes IDA credits and IDA grants, guarantee made by the Bank , including Project Preparation Facility (PPF) advances and grants under the Institutional Development Fund (IDF) if they include investment activities; and "project" includes any project supported by under (a) Investment Project Financing under [OP 10.00, Investment Project Financing](#); (b) grants under the Global Environment Facility and Montreal Protocol for which the Bank is the implementing/executing agency; and (c) grants or loans provided by other donors that are administered by the Bank. The term "project" does not include a program supported by Development Policy Lending (for which social aspects are governed by [OP 8.60, Development Policy Lending](#)), or a program supported by Program-for-Results Financing (for which social aspects are governed by [OP 9.00, Program-for-Results Financing](#)). Borrower" also includes, wherever the context requires, the guarantor or the project implementing agency.

² See [OP 4.12, Involuntary Resettlement](#).

³ Unit or department in the Region responsible for resettlement issues.

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- b. explore all viable alternative project designs to avoid, where feasible, or minimize displacement;⁴
 - c. assess the legal framework covering resettlement and the policies of the government and implementing agencies (identifying any inconsistencies between such policies and the Bank's policy);
 - d. review past borrower and likely implementing agencies' experience with similar operations;
 - e. discuss with the agencies responsible for resettlement the policies and institutional, legal, and consultative arrangements for resettlement, including measures to address any inconsistencies between government or implementing agency policies and Bank policy; and
 - f. discuss any technical assistance to be provided to the borrower (see [OP 4.12, para. 32](#)).
3. Based on the review of relevant resettlement issues, the TT agrees with the Regional social development unit and LEG on the type of resettlement instrument (resettlement plan, abbreviated resettlement plan, resettlement policy framework, or process framework) and the scope and the level of detail required. The TT conveys these decisions to the borrower and also discusses with the borrower the actions necessary to prepare the resettlement instrument,⁵ agrees on the timing for preparing the resettlement instrument, and monitors progress.
4. The TT summarizes in the Project Concept Note (PCN) and the Project Information Document (PID) available information on the nature and magnitude of displacement and the resettlement instrument to be used, and the TT periodically updates the PID as project planning proceeds.
5. For projects with impacts under [para. 3 \(a\) of OP 4.12](#) the TT assesses the following during project preparation:
- a. the extent to which project design alternatives and options to minimize and mitigate involuntary resettlement have been considered;

⁴ The Bank satisfies itself that the borrower has explored all viable alternative project designs to avoid involuntary resettlement and, when it is not feasible to avoid such resettlement, to minimize the scale and impacts of resettlement (for example, realignment of roads or reduction in dam height may reduce resettlement needs). Such alternative designs should be consistent with other Bank policies.

⁵ Such actions may include, for example, developing procedures for establishing eligibility for resettlement assistance; conducting socioeconomic surveys and legal analyses; carrying out public consultation; identifying resettlement sites; evaluating options for improvement or restoration of livelihoods and standards of living; or, in the case of highly risky or contentious projects, engaging a panel of independent, internationally recognized resettlement specialists.

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- b. progress in preparing the resettlement plan or resettlement policy framework and its adequacy with respect to OP 4.12, including the involvement of affected groups and the extent to which the views of such groups are being considered;
 - c. proposed criteria for eligibility of displaced persons for compensation and other resettlement assistance;
 - d. the feasibility of the proposed resettlement measures, including provisions for sites if needed; funding for all resettlement activities, including provision of counterpart funding on an annual basis; the legal framework; and implementation and monitoring arrangements; and
 - e. if sufficient land is not available in projects involving displaced persons whose livelihoods are land-based and for whom a land-based resettlement strategy is the preferred option, the evidence of lack of adequate land (OP 4.12, para. 11).
6. For projects with impacts under [para. 3 \(b\) of OP 4.12](#), the TT assesses the following during project preparation:
- a. the extent to which project design alternatives and options to minimize and mitigate involuntary resettlement have been considered; and
 - b. progress in preparing the process framework and its adequacy in respect to [OP 4.12](#), including the adequacy of the proposed participatory approach; criteria for eligibility of displaced persons; funding for resettlement; the legal framework; and implementation and monitoring arrangements.
7. The TT may request a meeting with the Resettlement Committee to obtain endorsement of, or guidance on, (a) the manner in which it proposes to address resettlement issues in a project, or (b) clarifications on the application and scope of this policy. The Committee, chaired by the vice president responsible for resettlement, includes the Director, Social Development Department, a representative from LEG, and two representatives from Operations, one of whom is from the sector of the project being discussed. The Committee is guided by the policy and, among other sources, the *Involuntary Resettlement Sourcebook*, which reflects good practice.

Appraisal

8. The borrower submits to the Bank a resettlement plan, a resettlement policy framework, or a process framework that conform with the requirements of [OP 4.12](#), as a condition of appraisal for projects involving involuntary resettlement (see [OP 4.12, paras. 17-31](#)). Appraisal may be authorized before the plan is completed in highly unusual circumstances (such as emergency operations) with the approval of the Managing Director in consultation with the Resettlement Committee. In such cases, the TT agrees with the borrower on a timetable for preparing and furnishing to the Bank the relevant resettlement instrument that conforms with the requirements of [OP 4.12](#).
9. Once the borrower officially transmits the draft resettlement instrument to the Bank, Bank staff--including the Regional resettlement specialists--review it, determine whether it provides an adequate basis

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for project appraisal, and advise the Regional sector management accordingly. The lawyer reviews the legal aspects of the draft resettlement instrument and other specific items brought to the lawyer's attention by the TT, and provides advice to help the TT and Regional resettlement specialists determine whether those aspects provide an adequate basis for appraisal. Once approval for appraisal has been granted by the Country Director, the TT sends the draft resettlement instrument to the Bank's InfoShop.⁶ The TT also prepares and sends the English language executive summary of the draft resettlement instrument to the Corporate Secretariat, under cover of a transmittal memorandum confirming that the executive summary and the draft resettlement instrument are subject to change during appraisal.

10. During project appraisal, the TT assesses (a) the borrower's commitment to and capacity for implementing the resettlement instrument; (b) the feasibility of the proposed measures for improvement or restoration of livelihoods and standards of living; (c) availability of adequate counterpart funds for resettlement activities; (d) significant risks, including risk of impoverishment, from inadequate implementation of the resettlement instrument; (e) consistency of the proposed resettlement instrument with the Project Implementation Plan; and (f) the adequacy of arrangements for internal, and if considered appropriate by the TT, independent monitoring and evaluation of the implementation of the resettlement instrument.⁷ The TT obtains the concurrence of the Regional social development unit to any changes to the draft resettlement instrument during project appraisal. For changes made to the legal aspects of the draft resettlement instrument and specific items brought to LEG's attention, the lawyer will review and provide advice to the TT and Regional resettlement specialists. Appraisal is complete only when the borrower officially transmits to the Bank the final draft resettlement instrument conforming to Bank policy ([OP 4.12](#)).

11. In the Project Appraisal Document (PAD), the TT describes the resettlement issues, proposed resettlement instrument and measures, and the borrower's commitment to and institutional and financial capacity for implementing the resettlement instrument. The TT also discusses in the PAD the feasibility of the proposed resettlement measures and the risks associated with resettlement implementation. In the annex to the PAD, the TT summarizes the resettlement provisions, covering, inter alia, basic information on affected populations, resettlement measures, institutional arrangements, timetable, budget, including adequate and timely provision of counterpart funds, and performance monitoring indicators. The PAD annex shows the overall cost of resettlement as a distinct part of project costs.

12. The project description in the Loan Agreement describes the resettlement component or subcomponent. The legal agreements provide for the borrower's obligation to carry out the relevant resettlement instrument and keep the Bank informed of project implementation progress.⁸ At negotiations, the borrower and the Bank agree on the resettlement plan or resettlement policy framework or process framework. Before presenting the project to the Board, the TT confirms that the responsible authority of

⁶ See [The World Bank Policy on Access to Information, para. 34](#) (Washington, D.C.: World Bank, 2002).

⁷ For projects with impacts covered under [para. 3 \(b\) of OP 4.12](#), the analysis referred to in (b) and (d) above is carried out when the plan of action is furnished to the Bank (see para. 15 of this BP).

⁸ In case of resettlement policy framework, the borrower's obligation also includes preparing a resettlement plan in accordance with the framework, for each sub-project giving rise to displacement, and furnishing it to be the Bank for approval prior to implementation of the sub-project.

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the borrower and any implementation agency have provided final approval of the relevant resettlement instrument.

Compensation

13. Where the borrower has offered to pay compensation to an affected person in accordance with an approved resettlement plan, but the offer has been rejected, the taking of land and related assets may only proceed if the borrower has deposited funds equal to the amount offered as compensation plus 10 percent in a secure form of escrow or other interest-bearing deposit satisfying the Bank's fiduciary requirements. The borrower must also provide a means satisfactory to the Bank for resolving the dispute concerning the offer of compensation in a timely and equitable manner.

Supervision

14. Recognizing the importance of close and frequent supervision⁹ to good resettlement outcomes, the Regional vice president, in coordination with the relevant country director, ensures that appropriate measures are established for the effective supervision of projects with involuntary resettlement. For this purpose, the country director allocates dedicated funds to adequately supervise resettlement, taking into account the magnitude and complexity of the resettlement component or subcomponent and the need to involve the requisite social, financial, legal, and technical experts. Supervision should be carried out with due regard to the Regional Action Plan for Resettlement Supervision.¹⁰

15. Throughout project implementation the TL supervises the implementation of the resettlement instrument ensuring that the requisite social, financial, legal, and technical experts are included in supervision missions. Supervision focuses on compliance with the legal instruments, including the Project Implementation Plan and the resettlement instrument, and the TT discusses any deviation from the agreed instruments with the borrower and reports it to Regional Management for prompt corrective action. The TT regularly reviews the internal, and where applicable, independent monitoring reports to ensure that the findings and recommendations of the monitoring exercise are being incorporated in project implementation. To facilitate a timely response to problems or opportunities that may arise with respect to resettlement, the TT reviews project resettlement planning and implementation during the early stages of project implementation. On the basis of the findings of this review, the TT engages the borrower in discussing and, if necessary, amending the relevant resettlement instrument to achieve the objectives of this policy.

16. For projects with impacts covered under [para. 3\(b\) of OP 4.12](#), the TT assesses the plan of action to determine the feasibility of the measures to assist the displaced persons to improve (or at least restore in real terms to pre-project or pre-displacement levels, whichever is higher) their livelihoods with due regard to the sustainability of the natural resource, and accordingly informs the Regional Management,

⁹ See [OP/BP 10.00](#), *Investment Project Financing*.

¹⁰ The Plan is prepared by the regional social development unit in consultation with the TTs and Legal.

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the Regional social development unit, and LEG. The TL makes the plan of action available to the public through the InfoShop.

17. A project is not considered complete--and Bank supervision continues--until the resettlement measures set out in the relevant resettlement instrument have been implemented. Upon completion of the project, the Implementation Completion and Results Report (ICR)¹¹ evaluates the achievement of the objectives of the resettlement instrument and lessons for future operations and summarizes the findings of the borrower's assessment referred to in [OP 4.12, para. 24](#).¹² If the evaluation suggests that the objectives of the resettlement instrument may not be realized, the ICR assesses the appropriateness of the resettlement measures and may propose a future course of action, including, as appropriate, continued supervision by the Bank.

Country Assistance Strategy

In countries with a series of operations requiring resettlement, the ongoing country and sector dialogue with the government should include any issues pertaining to the country's policy, institutional, and legal framework for resettlement. Bank staff should reflect these issues in country economic and sector work and in the Country Assistance Strategy

¹¹ See [OP/BP 10.00](#), *Investment Project Financing*.

¹² The ICR's assessment of the extent to which resettlement objectives were realized is normally based on a socioeconomic survey of affected people conducted at the time of project completion, and takes into account the extent of displacement, and the impact of the project on the livelihoods of displaced persons and any host communities.



Revised March 2012

This Operational Policy statement was revised in March 2012 to take into account the provisions of [OP/BP 9.00](#), issued in February 2012; and previously revised in August 2004 to ensure consistency with the requirements of [OP/BP 8.60](#), issued in August 2004.

Note: OP and BP 4.20 draw on *Integrating Gender into the World Bank's Work: A Strategy for Action*, January 2002. They replace the section of OMS 2.20, *Project Appraisal*, relating to gender as part of the sociological aspects of appraisal (especially paragraph 62), dated January 1988; OP 4.20, *The Gender Dimension of Development*, dated October 1999; and the Operational Memorandum *Clarification of Current Bank Policy on Gender and Development*, December 11, 2001.

Questions may be addressed to the Director, Gender and Development (PRMGE).

Gender and Development

1. The objective of the Bank's¹ gender and development policy is to assist member countries to reduce poverty and enhance economic growth, human well-being, and development effectiveness by addressing the gender disparities and inequalities that are barriers to development, and by assisting member countries in formulating and implementing their gender and development goals.
2. To this end, the Bank periodically assesses the gender dimensions of development within and across sectors in the countries in which it has an active assistance program. This gender assessment² informs the Bank's policy dialogue with the member country.
3. The Bank's Country Assistance Strategy (CAS)³ draws on and discusses the findings of the gender assessment.
4. In sectors and thematic areas where the CAS has identified the need for gender-responsive interventions, the Bank's assistance to the country incorporates measures designed to address this need. Projects in these sectors and thematic areas are designed to adequately take into account the gender implications of the project.

¹ "Bank" includes IBRD and IDA; "loans" includes IDA credits and IDA grants; "project" includes any project or program financed under a Bank loan, IDA credit or IDA grant, but does not include programs financed under development policy loans. Social aspects of programs supported under Bank development policy loans are addressed in [OP/BP 8.60](#), *Development Policy Lending*. "Project" also includes: any project supported by a Bank guarantee, but does not include loans supported by a Bank policy-based guarantee; or any project financed under a GEF grant of more than US\$ 1 million, but does not include GEF 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).

² Such gender assessments may be stand-alone assessments or may be carried out as part of other Bank economic and sector work, such as poverty assessments (see [OP 1.00](#), *Poverty Reduction*), country economic memoranda, public expenditure reviews, development policy reviews, poverty and social impact assessments, or institutional analyses. Alternatively, they may be assessments that have been carried out by the country or an organization other than the Bank, if the Bank finds the assessments to be satisfactory.

³ See [BP 2.11](#), *Country Assistance Strategies*.



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5. The Bank regularly monitors the implementation of this policy.



Revised March 2012

This Operational Policy statement was revised in March 2012 to take into account the provisions of [OP/BP 9.00](#), issued in February 2012.

Note: OP and BP 4.20 draw on *Integrating Gender into the World Bank's Work: A Strategy for Action*, January 2002. They replace the section of OMS 2.20, *Project Appraisal*, relating to gender as part of the sociological aspects of appraisal (especially paragraph 62), dated January 1988; OP 4.20, *The Gender Dimension of Development*, dated October 1999; and the Operational Memorandum *Clarification of Current Bank Policy on Gender and Development*, December 11, 2001.

Questions may be addressed to the Director, Gender and Development (PRMGE).

Gender and Development

1. The country director oversees the preparation of the gender assessment for the country. The gender assessment is based on analytic work and consultations conducted by the Bank or by other organizations (for example, governmental, international, or academic institutions).¹ It typically includes:
 - a. a description of
 - i. the different socioeconomic roles of females and males, including their participation in both the market and household economies;
 - ii. male-female disparities in access to, control over, and use of assets and productive resources;
 - iii. male-female disparities in human development indicators;
 - iv. the relative participation of females and males in development decisionmaking; and
 - v. laws, institutional frameworks, norms, and other societal practices that lead (implicitly or explicitly) to gender discrimination and/or gender inequality;
 - b. a review of the country context, including the country's policies, priorities, legal and regulatory framework, and institutional arrangements for implementing its gender and development goals; and
 - c. based on (a) and (b) above, suggested gender-responsive policies and interventions that are relevant for reducing poverty and enhancing economic growth, human well-being and development effectiveness.
2. The country director ensures that the results of the gender assessment are incorporated in the country dialogue and reflected in the Country Assistance Strategy (CAS). The CAS reports on the status

¹ The gender assessment may be a stand-alone assessment or it may be carried out as part of other Bank economic and sector work, such as poverty assessments (see [OP 1.00](#), *Poverty Reduction*), country economic memoranda, public expenditure reviews, development policy reviews, poverty and social impact assessments, or institutional analyses. Alternatively, it may be an assessment that has been carried out by the country or an organization other than the Bank, if the Bank finds the assessment to be satisfactory.

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of the gender assessment, and identifies any gender-responsive actions that are proposed as part of the Bank's assistance strategy for the country.

3. In sectors and thematic areas where the CAS has identified the need for priority gender-responsive actions, the relevant sector managers ensure that Bank-financed projects² and other Bank activities are gender-responsive. The task teams concerned determine how these actions will be optimally integrated into Bank-financed projects. In particular, task teams appraise the following aspects and, as appropriate, ensure that the project design addresses them:

- a. the local circumstances that may affect the different participation of females and males in the project;
- b. the contribution that females and males each could make to achieving the project's objectives;
- c. the ways in which the project might be disadvantageous to one gender relative to the other; and
- d. the project's proposed mechanisms for monitoring the different impacts of the project on females and males.

4. The Regional vice president reports annually to the managing director concerned on the implementation of this policy.

5. The Gender and Development Board collaborates with relevant units within the Bank to facilitate the integration of gender issues in the Bank's work. This Board develops guidance to staff on the preparation of gender assessments, establishes a framework for Regional monitoring and evaluation of the implementation of this policy, and consolidates Regional monitoring or evaluation reports into annual Bankwide summaries.

² 'Project' includes any project or program financed under a Bank loan, IDA credit or IDA grant, but does not include programs financed under development policy lending.



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Note: OP/BP 4.36, *Forests*, 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, OP/ BP 10.00, *Investment Project Financing*, have been revised, among other things, to incorporate OP/BP 13.05, *Supervision*, (which have consequently been retired). OP/ BP 4.36 have consequently been updated to reflect these changes as well as to clarify the extent of applicability of this OP/BP to Development Policy Lending and Program-for Results-Financing and to reflect the updated title of the Bank’s policy on access to information. Other related Bank policies include OP 4.01, *Environmental Assessment*, OP 4.04, *Natural Habitats*, OP 4.10, *Indigenous Peoples*, OP 4.11, *Physical Cultural Resources*, and OP 4.12, *Involuntary Resettlement*.

Questions on this OP/BP may be addressed to the Safeguard Policies Helpdesk in OPCS (safeguards@worldbank.org).

Forests

Policy Objectives

1. The management, conservation, and sustainable development of forest ecosystems and their associated resources are essential for lasting poverty reduction and sustainable development, whether located in countries with abundant forests or in those with depleted or naturally limited forest resources. The objective of this policy is to assist borrowers¹ to harness the potential of forests² to reduce poverty in a sustainable manner, integrate forests effectively into sustainable economic development, and protect the vital local and global environmental services and values of forests.
2. Where forest restoration and plantation development are necessary to meet these objectives, the Bank assists borrowers with forest restoration activities that maintain or enhance biodiversity and ecosystem functionality. The Bank also assists borrowers with the establishment and sustainable management of environmentally appropriate, socially beneficial, and economically viable forest plantations to help meet growing demands for forest goods and services.

¹ "Bank" includes IBRD and IDA. "Borrower" includes the member country guarantor of a loan made to a nonmember and, for guarantee operations, a private or public project sponsor receiving from another financial institution a loan guaranteed by the Bank. "Project" covers all operations financed under Bank loans, credits or guarantees and IDA grants, but excludes programs supported by Development Policy Lending (with respect to which environmental considerations are set out in OP/BP 8.60, *Development Policy Lending*), or by Program-for-Results Financing (for which environmental provisions are set out in OP/BP 9.00, *Program-for-Results Financing*, and debt and debt service operations. "Project" also includes projects and components funded under the Global Environment Facility, but excludes such 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).

² Definitions are provided in [Annex A](#).

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3. This policy applies to the following types of Bank-financed investment projects:
- a. projects that have or may have impacts on the health and quality of forests;
 - b. projects that affect the rights and welfare³ of people and their level of dependence upon or interaction with forests; and
 - c. projects that aim to bring about changes in the management, protection, or utilization of natural forests or plantations, whether they are publicly, privately, or communally owned.

Country Assistance Programs

4. The Bank uses environmental assessments, poverty assessments, social analyses, Public Expenditure Reviews, and other economic and sector work to identify the economic, environmental, and social significance of forests in its borrowing countries. When the Bank identifies the potential for its Country Assistance Strategy (CAS) to have a significant impact on forests, it integrates strategies for addressing that impact into the CAS.

Bank Financing

5. The Bank does not finance projects that, in its opinion, would involve significant conversion or degradation⁴ of critical forest areas⁵ or related critical natural habitats.⁶ If a project involves the significant conversion or degradation of natural forests or related natural habitats that the Bank determines are not critical, and the Bank determines that there are no feasible alternatives to the project and its siting, and comprehensive analysis demonstrates that overall benefits from the project substantially outweigh the environmental costs, the Bank may finance the project provided that it incorporates appropriate mitigation measures.⁷

³ The rights and welfare of people affected by projects should be assessed in relation to the requirements and procedures of [OP 4.10, Indigenous Peoples](#), [OP 4.11, Physical Cultural Resources](#), and [OP 4.12, Involuntary Resettlement](#).

⁴ See [OP 4.04, Natural Habitats, Annex A, Definitions](#). (In determining the significance of any conversion or degradation, the Bank applies a precautionary approach; see [OP 4.04, paragraph 1](#)).

⁵ See [Definitions, item c](#).

⁶ See [OP 4.04, Natural Habitats, Annex A, Definitions, item b](#).

⁷ For provisions on designing and implementing mitigation measures for projects that may have an impact upon forests and natural habitats, see [OP 4.01, Environmental Assessment](#), and [OP 4.04, Natural Habitats](#).

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6. The Bank does not finance projects that contravene applicable international environmental agreements.⁸

Plantations

7. The Bank does not finance plantations that involve any conversion or degradation of critical natural habitats, including adjacent or downstream critical natural habitats. When the Bank finances plantations, it gives preference to siting such projects on unforested sites or lands already converted (excluding any lands that have been converted in anticipation of the project). In view of the potential for plantation projects to introduce invasive species and threaten biodiversity, such projects must be designed to prevent and mitigate these potential threats to natural habitats.

Commercial Harvesting

8. The Bank may finance commercial harvesting operations⁹ only when the Bank has determined, on the basis of the applicable environmental assessment or other relevant information, that the areas affected by the harvesting are not critical forests or related critical natural habitats.¹⁰
9. To be eligible for Bank financing, industrial-scale commercial harvesting operations must also
- be certified under an independent forest certification system acceptable to the Bank¹¹ as meeting standards of responsible forest management and use; or
 - where a pre-assessment under such an independent forest certification system determines that the operation does not yet meet the requirements of subparagraph 9(a), adhere to a time-bound phased action plan acceptable to the Bank¹² for achieving certification to such standards.

⁸ See [OP 4.01, *Environmental Assessment*, paragraph 3](#).

⁹ Commercial harvesting operations are conducted by entities other than those described in items d and e in the Definitions.

¹⁰ However, the Bank may finance community-based harvesting activities that take place within Category VI Protected Areas, Managed Resource Protected Areas, that are established and managed mainly for the sustainable use of natural ecosystems (see [Definitions, footnote 2](#)). In these areas, Bank financial support is restricted to situations where such activities are permitted under the legislation governing the establishment of the area and where the activities form an integral part of the management plan for the area. Any such financial support must comply with paragraph 12 of this OP.

¹¹ A forest certification system puts in place a process where a forest area is inspected by an independent certification body to determine whether its management meets clearly defined criteria and performance standards. The requirements for a certification system to be acceptable to the Bank are outlined in paragraphs 10 and 11 of this OP.

¹² See [BP 4.36, paragraph 5](#).

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10. To be acceptable to the Bank, a forest certification system must require:
- compliance with relevant laws;
 - recognition of and respect for any legally documented or customary land tenure and use rights as well as the rights of indigenous peoples and workers;
 - measures to maintain or enhance sound and effective community relations;
 - conservation of biological diversity and ecological functions;
 - measures to maintain or enhance environmentally sound multiple benefits accruing from the forest;
 - prevention or minimization of the adverse environmental impacts from forest use;
 - effective forest management planning;
 - active monitoring and assessment of relevant forest management areas; and
 - the maintenance of critical forest areas and other critical natural habitats affected by the operation.
11. In addition to the requirements in paragraph 11, a forest certification system must be independent, cost-effective, and based on objective and measurable performance standards that are defined at the national level and are compatible with internationally accepted principles and criteria of sustainable forest management. The system must require independent, third-party assessment of forest management performance. In addition, the system's standards must be developed with the meaningful participation of local people and communities; indigenous peoples; non-governmental organizations representing consumer, producer, and conservation interests; and other members of civil society, including the private sector. The decision-making procedures of the certification system must be fair, transparent, independent, and designed to avoid conflicts of interest.
12. The Bank may finance harvesting operations conducted by small-scale landholders,¹³ by local communities under community forest management, or by such entities under joint forest management arrangements, if these operations:
- have achieved a standard of forest management developed with the meaningful participation of locally affected communities, consistent with the principles and criteria of responsible forest management outlined in paragraph 10; or

¹³ "Small-scale" is determined by the national context of a given country and is generally relative to the average size of household forest landholdings. In some situations, small-scale landholders may control less than a hectare of forests; in others they may control 50 hectares or more.

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- b. adhere to a time-bound phased action plan¹⁴ to achieve such a standard. The action plan must be developed with the meaningful participation of locally-affected communities and be acceptable to the Bank.

The borrower monitors all such operations with the meaningful participation of locally-affected communities.

Project Design

13. In accordance with [OP/BP 4.01](#), *Environmental Assessment*, the environmental assessment (EA) for an investment project addresses the potential impact of the project on forests and/or the rights and welfare of local communities.¹⁵

14. For projects involving the management of forests proposed for Bank financing, the borrower furnishes the Bank with relevant information on the forest sector concerning the borrower's overall policy framework, national legislation, institutional capabilities, and the poverty, social, economic, or environmental issues related to forests. This information should include information on the country's national forest programs or other relevant country-driven processes. On the basis of this information and the project's EA,¹⁶ the borrower, as appropriate, incorporates measures in the project to strengthen the fiscal, legal, and institutional framework to meet the project's economic, environmental, and social objectives. These measures address, among other issues, the respective roles and legal rights of the government, the private sector, and local people. Preference is given to small-scale, community-level management approaches where they best harness the potential of forests to reduce poverty in a sustainable manner.¹⁷

15. As appropriate, the design of projects that use forest resources or provide environmental services includes an evaluation of the prospects for the development of new markets and marketing arrangements for non-timber forest products and related forest goods and services, taking into account the full range of goods and environmental services from well-managed forests.

¹⁴ See [BP 4.36, paragraph 5](#).

¹⁵ See [Definitions, item d](#).

¹⁶ See [BP 4.36, paragraph 3](#), for guidance on the assignment of EA categories for forest projects.

¹⁷ See [BP 4.36, paragraph 4](#).



Definitions

The following definitions apply in this policy:

- a. *Forest* is as an area of land of not less than 1.0 hectare with tree crown cover (or equivalent stocking level) of more than 10 percent that have trees with the potential to reach a minimum height of 2 meters at maturity *in situ*. A forest may consist of either closed forest formations, where trees of various stories and undergrowth cover a high proportion of the ground, or open forest. Young natural stands and all plantations that have yet to reach a crown density of 10 per cent or tree height of 2 meters are included under forest, as are areas normally forming part of the forest area that are temporarily unstocked as a result of human intervention such as harvesting or natural causes but that are expected to revert to forest. The definition *includes* forests dedicated to forest production, protection, multiple uses, or conservation, whether formally recognized or not. The definition *excludes* areas where other land uses not dependent on tree cover predominate, such as agriculture, grazing or settlements. In countries with low forest cover, the definition may be expanded to include areas covered by trees that fall below the 10 percent threshold for canopy density, but are considered forest under local conditions.
- b. *Natural forests* are forest lands and associated waterways where the ecosystem's biological communities are formed largely by native plant and animal species and where human activity has not essentially modified the area's primary ecological functions.
- c. *Critical forest areas* are the forest areas that qualify as critical natural habitats under [OP 4.04, Natural Habitats](#). Critical forest areas are the subset of natural forest lands that cover:
 - i. existing protected areas and areas officially proposed by governments as protected areas (e.g., reserves that meet the criteria of The World Conservation Union (IUCN) classifications¹), areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for the viability of these protected areas (as determined by the environmental assessment process²); or
 - ii. sites identified on supplementary lists prepared by the Bank or an authoritative source determined by the Regional environment sector unit. Such sites may include areas recognized by traditional local communities (e.g., sacred groves); areas with known high

¹ IUCN categories are as follows: I - Strict Nature Reserve/Wilderness Area: protected area managed for science or wilderness protection; II - National Park: protected area managed mainly for ecosystem protection and recreation; III - Natural Monument: protected area managed mainly for conservation of specific natural features; IV - Habitat/Species Management Area: protected area managed mainly for conservation through management intervention; V - Protected Landscape/Seascape: protected area managed mainly for landscape/seascape conservation and recreation; and VI - Managed Resource Protected Area: protected area managed mainly for the sustainable use of natural ecosystems.

² See [OP/BP 4.01, Environmental Assessment](#).



suitability for biodiversity conservation; and sites that are critical for rare, vulnerable, migratory, or endangered species.³ Listings are based on systematic evaluations of such factors as species richness; the degree of endemism, rarity, and vulnerability of component species; representativeness; and integrity of ecosystem processes.

- d. *Local community* describes the group of people living in or near a forest, who are considered to have some significant level of dependence upon or interaction with the forest.
- e. *Forests operating under joint forest or community management* are those where local communities are the principal participants in production and other activities in these forests, and the major beneficiaries in the proceeds.

³ Rare, vulnerable, endangered, or similarly threatened, as indicated in the IUCN Red List of Threatened Animals, BirdLife World List of Threatened Birds, IUCN Red List of Threatened Plants, or other credible international or national lists accepted by the Regional environmental sector units.

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Note: [OP/BP 4.36, Forests](#), 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, [OP/BP 10.00, Investment Project Financing](#), have been revised, among other things, to incorporate [OP/BP 13.05, Supervision](#), (which have consequently been retired). [OP/BP 4.36](#) have consequently been updated to reflect these changes as well as to clarify the extent of applicability of this OP/BP to Development Policy Lending and Program-for Results-Financing and to reflect the updated title of the Bank’s policy on access to information.

Other related Bank policies include [OP 4.01, Environmental Assessment](#), [OP 4.04, Natural Habitats](#), [OP 4.10, Indigenous Peoples](#), [OP 4.11, Physical Cultural Resources](#), and [OP 4.12, Involuntary Resettlement](#).

Questions on this OP/BP may be addressed to the Safeguard Policies Helpdesk in OPCS (safeguards@worldbank.org).

Forests

1. When the Bank identifies the potential for its Country Assistance Strategy (CAS) to have a significant impact upon forests, the country department ensures that the forest-related concerns are appropriately addressed in the CAS.

Project Preparation

2. Early in project processing, the task team (TT) consults with the Regional environmental sector unit and, as necessary, with ESSD and other Networks to identify forest issues likely to arise during the project.

3. For each project covered under the scope of the policy as set forth in [OP 4.36, para. 3](#), Bank staff ensure that an EA category is assigned in accordance with the requirements of [OP/BP 4.01, Environmental Assessment](#). A project with the potential for conversion or degradation of natural forests or other natural habitats that is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented is classified as Category A; projects otherwise involving forests or other natural habitats are classified as Category B, C, or FI, depending on the type, location, sensitivity, and scale of the project and the nature and magnitude of its environmental impacts.¹

4. During project preparation, the TT ensures that the borrower provides the Bank with an assessment of the adequacy of land use allocations for the management, conservation, and sustainable development of forests, including any additional allocations needed to protect critical forest areas. This assessment provides an inventory of such critical forest areas, and is undertaken at a spatial scale that is ecologically, socially, and culturally appropriate for the forest area in which the project is located. The assessment involves all affected parties in accordance with [OP 4.04, Natural Habitats](#),² and is subject to independent scientific peer review.³ In addition, in accordance with [OP 4.10, Indigenous Peoples](#), and

¹ See [OP 4.01, Environmental Assessment, para 8](#), and [BP 4.04, Natural Habitats, para. 2](#) for requirements concerning EA classification.

² See [OP 4.04, Natural Habitats, para. 10](#) for guidance on involvement of parties in the assessment process.

³ See [OP 4.01, Environmental Assessment](#), for guidance on independent assessment work.

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[OP 4.12, Involuntary Resettlement](#), the TT ensures that the borrower assesses the potential impact of the project on local communities, including their legal rights of access to, and use of, designated forest areas. If the project involves investments in forests under [OP 4.36, para. 12](#), the TT ensures that the borrower also assesses the feasibility of giving preference to small-scale, community level harvesting approaches to harness the potential of forests to reduce poverty in a sustainable manner.

Harvesting Operations

5. If the project involves harvesting operations to be financed by the Bank under [OP 4.36, paras. 9\(b\) or 12\(b\)](#), the TT ensures that the project incorporates the time-bound action plan, as well as the associated performance benchmarks and the timeframe required to achieve appropriate forest management standards pursuant to [OP 4.36, paras. 9-12](#). The TT includes the time-bound action plan (and the associated performance benchmarks) in the Project Appraisal Document, which is made available to the public in accordance with the World Bank's disclosure policy.⁴

Community-Based Forest Management and Development

6. If the project is designed to support community-based forest management and development, the TT ensures that, as appropriate, the project's design takes the following into account:

- a. the extent to which the livelihoods of local communities depend on and use trees in the project and adjacent area,
- b. the institutional, policy, and conflict management issues involved in improving the participation of indigenous people⁵ and poor people in the management of the trees and forests included in the project area; and(c) forest product and forest service issues relevant to indigenous people and poor people living in or near forests in the project area, as well as opportunities for promoting the involvement of women.

7. If the project involves forest restoration or plantation development, the TT ensures that, as appropriate, the project design incorporates means of addressing the following issues: the potential of forest restoration to improve biodiversity and ecosystem functions; the potential to establish plantations on non-forest lands that do not contain critical natural habitats; the need to avoid conversion or degradation of natural habitats; and the capacities of the government, nongovernmental organizations, and other private entities to cooperate in the forest restoration and plantation development.

Project Implementation and Supervision

8. The Regional vice-president, through the relevant country director, ensures the availability of resources for effective supervision of projects covered by [OP 4.36](#).

⁴ See [The World Bank Policy on Access to Information](#), (Washington, D.C., World Bank, 2002).

⁵ See [OP 4.10, Indigenous Peoples](#).

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9. If a project involves commercial harvesting of forests, the TT ensures that the borrower makes available to the public the results of all forest management assessments carried out under the independent forest certification system referred to in [OP 4.36](#).
10. Each project is supervised in accordance with [OP/BP](#) 10.00, *Investment Project Financing*. Throughout project implementation, the TT ensures that the requisite forest technical expertise is included in Bank supervision missions.



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Note: OP/BP 4.37, *Safety of Dams* 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, OP/BP 10.00, *Investment Project Financing*, have been revised, among other things, to incorporate OP/BP 13.05, *Supervision*, (which have consequently been retired). OP/BP 4.37 have consequently been updated to reflect these changes. Other Bank policies that may apply to projects that involve dams include the following: OP/BP 4.01, *Environmental Assessment*; OP/BP 4.04, *Natural Habitats*; OP/BP 4.10, *Indigenous Peoples*; OP/BP 4.11, *Physical Cultural Resources*; OP/BP 4.12, *Involuntary Resettlement*; and OP/BP 7.50, *Projects on International Waterways*.

Questions on dam safety should be addressed to the Safeguard Policies Helpdesk in OPCS (Safeguards@worldbank.org).

Safety of Dams

1. For the life of any dam, the owner¹ is responsible for ensuring that appropriate measures are taken and sufficient resources provided for the safety of the dam, irrespective of its funding sources or construction status. Because there are serious consequences if a dam does not function properly or fails, the Bank² is concerned about the safety of new dams it finances and existing dams on which a Bank-financed project is directly dependent.

New Dams

2. When the Bank finances a project that includes the construction of a new dam,³ it requires that the dam be designed and its construction supervised by experienced and competent professionals. It also requires that the borrower⁴ adopt and implement certain dam safety measures for the design, bid tendering, construction, operation, and maintenance of the dam and associated works.

3. The Bank distinguishes between small and large dams.

- a. Small dams are normally less than 15 meters in height. This category includes, for example, farm ponds, local silt retention dams, and low embankment tanks.
- b. Large dams are 15 meters or more in height. Dams that are between 10 and 15 meters in height are treated as large dams if they present special design complexities--for example, an unusually large flood-handling requirement, location in a zone of high seismicity, foundations

¹ The owner may be a national or local government, a parastatal, a private company or a consortium of entities. If an entity other than the one with legal title to the dam site, dam, and/or reservoir holds a license to operate the dam, and has responsibility for its safety, the term "owner" includes such other entity.

² "Bank" includes IBRD and IDA, and "loans" include IDA credits and IDA grants.

³ For example, a water storage dam for a hydropower, water supply, irrigation, flood control, or multipurpose project; a tailings or a slimes dam for a mine project; or an ash impoundment dam for a thermal power plant.

⁴ When the owner is not the borrower, the borrower ensures that the obligations of the borrower under this OP are properly assumed by the owner under arrangements acceptable to the Bank.

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- that are complex and difficult to prepare, or retention of toxic materials.⁵ Dams under 10 meters in height are treated as large dams if they are expected to become large dams during the operation of the facility.
4. For small dams, generic dam safety measures designed by qualified engineers are usually adequate.⁶ For large dams, the Bank requires
- a. reviews by an independent panel of experts (the Panel) of the investigation, design, and construction of the dam and the start of operations;
 - b. preparation and implementation of detailed plans: a plan for construction supervision and quality assurance, an instrumentation plan, an operation and maintenance plan, and an emergency preparedness plan;⁷
 - c. prequalification of bidders during procurement and bid tendering,⁸ and
 - d. periodic safety inspections of the dam after completion.
5. The Panel consists of three or more experts, appointed by the borrower and acceptable to the Bank, with expertise in the various technical fields relevant to the safety aspects of the particular dam.⁹ The primary purpose of the Panel is to review and advise the borrower on matters relative to dam safety and other critical aspects of the dam, its appurtenant structures, the catchment area, the area surrounding the reservoir, and downstream areas. However, the borrower normally extends the Panel's composition and terms of reference beyond dam safety to cover such areas as project formulation; technical design; construction procedures; and, for water storage dams, associated works such as power facilities, river diversion during construction, ship lifts, and fish ladders.
6. The borrower contracts the services of the Panel and provides administrative support for the Panel's activities. Beginning as early in project preparation as possible, the borrower arranges for periodic Panel meetings and reviews, which continue through the investigation, design, construction, and initial

⁵ The definition of "large dams" is based on the criteria used to compile the list of large dams in the World Register of Dams, published by the International Commission on Large Dams.

⁶ See paragraph 9 of [BP 4.37, Safety of Dams](#).

⁷ [BP 4.37, Annex A](#), sets out the content of these plans and the timetable for preparing and finalizing them. In the dam safety practice of several countries, the operation and maintenance plan includes both the instrumentation plan and the emergency preparedness plan as specific sections. This practice is acceptable to the Bank, provided the relevant sections are prepared and finalized according to the timetable set out in [BP 4.37, Annex A](#).

⁸ See [Guidelines: Procurement under IBRD Loans and IDA](#) (Washington, D.C., World Bank).

⁹ The number, professional breadth, technical expertise, and experience of Panel members are appropriate to the size, complexity, and hazard potential of the dam under consideration. For high-hazard dams, in particular, the Panel members should be internationally known experts in their field.



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filling and start-up phases of the dam.¹⁰ The borrower informs the Bank in advance of the Panel meetings, and the Bank normally sends an observer to these meetings. After each meeting, the Panel provides the borrower a written report of its conclusions and recommendations, signed by each participating member; the borrower provides a copy of that report to the Bank. Following the filling of the reservoir and start-up of the dam, the Bank reviews the Panel's findings and recommendations. If no significant difficulties are encountered in the filling and start-up of the dam, the borrower may disband the Panel.

Existing Dams and Dams under Construction

7. The Bank may finance the following types of projects that do not include a new dam but will rely on the performance of an existing dam or a dam under construction (DUC): power stations or water supply systems that draw directly from a reservoir controlled by an existing dam or a DUC; diversion dams or hydraulic structures downstream from an existing dam or a DUC, where failure of the upstream dam could cause extensive damage to or failure of the new Bank-funded structure; and irrigation or water supply projects that will depend on the storage and operation of an existing dam or a DUC for their supply of water and could not function if the dam failed. Projects in this category also include operations that require increases in the capacity of an existing dam, or changes in the characteristics of the impounded materials, where failure of the existing dam could cause extensive damage to or failure of the Bank-funded facilities.

8. If such a project, as described in para. 7, involves an existing dam or DUC in the borrower's territory, the Bank requires that the borrower arrange for one or more independent dam specialists to (a) inspect and evaluate the safety status of the existing dam or DUC, its appurtenances, and its performance history; (b) review and evaluate the owner's operation and maintenance procedures; and (c) provide a written report of findings and recommendations for any remedial work or safety-related measures necessary to upgrade the existing dam or DUC to an acceptable standard of safety.

9. The Bank may accept previous assessments of dam safety or recommendations of improvements needed in the existing dam or DUC if the borrower provides evidence that (a) an effective dam safety program is already in operation, and (b) full-level inspections and dam safety assessments of the existing dam or DUC, which are satisfactory to the Bank, have already been conducted and documented.

10. Necessary additional dam safety measures or remedial work may be financed under the proposed project. When substantial remedial work is needed, the Bank requires that (a) the work be designed and supervised by competent professionals, and (b) the same reports and plans as for a new Bank-financed dam (see para. 4(b)) be prepared and implemented. For high-hazard cases involving significant and complex remedial work, the Bank also requires that a panel of independent experts be employed on the same basis as for a new Bank-financed dam (see paras. 4(a) and 5).

11. When the owner of the existing dam or DUC is an entity other than the borrower, the borrower enters into agreements or arrangements providing for the measures set out in paras. 8-10 to be undertaken by the owner.

¹⁰ If the Bank's involvement begins at a later stage than project preparation, the Panel is constituted as soon as possible and reviews any aspects of the project that have already been carried out.



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Policy Dialogue

12. Where appropriate, as part of policy dialogue with the country, Bank staff discuss any measures necessary to strengthen the institutional, legislative, and regulatory frame-works for dam safety programs in the country.



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Note: [OP/BP 4.37, Safety of Dams](#), 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, [OP/BP 10.00, Investment Project Financing](#), have been revised, among other things, to incorporate OP/BP 13.05, *Supervision*, (which have consequently been retired). OP/BP 4.37 have consequently been updated to reflect these changes.

Other Bank policies that may apply to projects that involve dams include the following: [OP/BP 4.01, Environmental Assessment](#); [OP/BP 4.04, Natural Habitats](#); [OP/BP 4.11, Physical Cultural Resources](#); [OP/BP 4.10, Indigenous Peoples](#); [OP/BP 4.12, Involuntary Resettlement](#); and [OP/BP 7.50, Projects on International Waterways](#).

Questions on dam safety should be addressed to the Safeguard Policies Helpdesk in OPCS (Safeguards@worldbank.org).

Safety of Dams

Project Processing

1. When the Bank¹ begins processing a project that includes a dam, the processing team includes individuals who have relevant experience in dam engineering and in preparation and supervision of previous Bank-funded projects that have included dams. If such individuals are not available within the Region, the task team (TT) consults the Safeguard Policies Helpdesk in OPCS for referral to appropriate specialists inside or outside the Bank.
2. Bank projects involving dams are processed according to the procedures set forth in [BP 10.00, Investment Project Financing](#).
3. As soon as a project involving a dam is identified, the TT discusses with the borrower the Bank's policy on dam safety ([OP 4.37](#)).

Preparation

4. The TT ensures that the borrower's terms of reference (TOR) for technical services to investigate the site and design the dam, supervise new or remedial construction, advise on initial reservoir filling and start-up operations, and perform inspections and safety assessments, as well as the qualifications of the professionals (e.g., engineers, geologists, or hydrologists) to be employed by the borrower, are adequate to the complexity of the particular dam.
5. If an independent panel of experts (the Panel) is required, the TT advises borrower staff, as necessary, on the preparation of TOR. The TT reviews and clears the TOR and the Panel members proposed by the borrower. Once the Panel is in place, TT staff normally attend Panel meetings as observers.

¹ "Bank" includes IBRD and IDA, and "loans" includes IDA credits and IDA grants.



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6. The TT reviews all reports relating to dam safety prepared by the borrower, the Panel, the independent specialists who assess an existing dam or a dam under construction, and the professionals hired by the borrower to design, construct, fill, and start up the dam.

7. The TT monitors the borrower's preparation of the plans for construction supervision and quality assurance, instrumentation, operation and maintenance, and emergency preparedness (see [OP 4.37, para. 4\(b\)](#) and BP 4.37, [Annex A](#)).

Appraisal

8. The appraisal team reviews all project information relevant to dam safety, including cost estimates; construction schedules; procurement procedures; technical assistance arrangements; environmental assessments; and the plans for construction supervision and quality assurance, instrumentation, operation and maintenance, and emergency preparedness. The team also reviews the project proposal, technical aspects, inspection reports, Panel reports, and all other borrower action plans relating to dam safety. If a Panel has been required, the team verifies that the borrower has taken the Panel's recommendations into consideration and, if necessary, assists the borrower in identifying sources for dam safety training or technical assistance.

9. For small dams, generic dam safety measures designed by qualified engineers are usually adequate. The task team will agree on appropriate safety measures with the Borrower, will ensure the involvement of qualified engineers, and will confirm that the environmental assessment (EA) for the project has determined that there would be no risk or negligible risk of significant adverse impacts due to potential failure of the structure to local communities and assets, including assets to be financed as part of the proposed project. Based on such determination potential adverse impacts would be addressed through [OP/BP 4.01, Environmental Assessment](#) and not [OP/BP 4.37](#), and measures will be included in the Environmental Management Plan or Environmental and Social Management Framework, as applicable, in accordance with [OP/BP 4.01, Environmental Assessment](#).

10. The TT and the assigned Bank lawyer ensure that the legal agreements between the Bank and the borrower require the borrower

- a. if a Panel has been required, to convene Panel meetings periodically during project implementation and retain the Panel through the start-up of a new dam;
- b. to implement the required plans (see [Annex A](#)) and raise to the required standard any that have not been adequately developed; and
- c. after filling and start-up of a new dam, to have periodic dam safety inspections performed by independent qualified professionals who have not been involved with the investigation, design, construction, or operation of the dam.

Supervision

11. During implementation, the TT monitors all activities relating to the dam safety provisions in the Loan Agreement, using technical staff and, as appropriate, consultants to assess the borrower's

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performance. If performance in regard to dam safety is found to be unsatisfactory, the TT promptly informs the borrower that the deficiencies must be remedied.

12. During the latter stages of project implementation, the TT discusses post-project operational procedures with the borrower, stressing the importance of ensuring that written instructions for flood operations and emergency preparedness are retained at the dam at all times. The TT also points out that the advent of new technology or new information (e.g., from floods, seismic events, or discovery of new regional or local geologic features) may in the future require the borrower to modify the technical criteria for evaluating dam safety; the TT urges the borrower to make such modifications and then apply the revised criteria to the project dam and, as necessary, to other dams under the borrower's jurisdiction.

13. To ensure that completed dams are inspected and maintained satisfactorily, Regional staff may carry out supervision beyond the closing date of the project, either during work on follow-up projects or during specially scheduled supervision missions.



Bank Procedures

Dam Safety Reports: Content and Timing

1. *Plan for construction supervision and quality assurance.* This plan is provided to the Bank by appraisal. It covers the organization, staffing levels, procedures, equipment, and qualifications for supervision of the construction of a new dam or of remedial work on an existing dam. For a dam other than a water storage dam,¹ this plan takes into account the usual long construction period, covering the supervision requirements as the dam grows in height--with any accompanying changes in construction materials or the characteristics of the impounded material--over a period of years. The task team uses the plan to assess the need to fund components under the loan to ensure that dam-safety-related elements of the design are implemented during construction.
2. *Instrumentation plan.* This is a detailed plan for the installation of instruments to monitor and record dam behavior and the related hydrometeorological, structural, and seismic factors. It is provided to an independent panel of experts (the Panel) and the Bank during the design stage, before bid tendering.
3. *Operation and maintenance (O&M) plan.* This detailed plan covers organizational structure, staffing, technical expertise, and training required; equipment and facilities needed to operate and maintain the dam; O&M procedures; and arrangements for funding O&M, including long-term maintenance and safety inspections. The O&M plan for a dam other than a water storage dam, in particular, reflects changes in the dam's structure or in the nature of the impounded material that may be expected over a period of years. A preliminary plan is provided to the Bank for use at appraisal. The plan is refined and completed during project implementation; the final plan is due not less than six months prior to the initial filling of the reservoir. Elements required to finalize the plan and initiate operations are normally financed under the project.²
4. *Emergency preparedness plan.* This plan specifies the roles of responsible parties when dam failure is considered imminent, or when expected operational flow release threatens downstream life, property, or economic operations that depend on river flow levels. It includes the following items: clear statements on the responsibility for dam operations decision making and for the related emergency communications; maps outlining inundation levels for various emergency conditions; flood warning system characteristics; and procedures for evacuating threatened areas and mobilizing emergency forces and equipment. The broad framework plan and an estimate of funds needed to prepare the plan in detail are provided to the Bank prior to appraisal. The plan itself is prepared during implementation and is provided to the Panel and Bank for review not later than one year before the projected date of initial filling of the reservoir.

¹ For example, a mine tailings, ash impoundment, or slag storage dam.

² In the dam safety practice of several countries, the operation and maintenance plan includes both the instrumentation plan and the emergency preparedness plan as specific sections. This practice is acceptable to the Bank, provided the relevant sections are prepared and finalized according to the timetable set out in this annex.



Revised March 2012

This Operational Policy statement was revised in March 2012 to take into account the provisions of [OP/BP 9.00](#), issued in February 2012.

Note: OP 4.76 is based on the paper *Policy on Tobacco* (R91-225), October 9, 1991, and the chairman's summing up of the executive directors' discussion of the paper on November 26, 1991 (SecM91-1565). It replaces the version dated March 1994.

Questions may be addressed to the Director, Health, Nutrition, and Population.

Tobacco

1. The Bank¹ does not lend directly for, invest in, or guarantee investments or loans for tobacco production, processing, or marketing. Exceptions, which must be approved by the Vice President, Operations Policy and Strategy, may be allowed for countries that are heavily dependent on tobacco as a source of income (especially for poor farmers and farm workers) and foreign exchange earnings (i.e., those where tobacco accounts for more than 10 percent of exports). The Bank seeks to help these countries diversify away from tobacco.
2. To the extent practicable, the Bank does not lend indirectly for tobacco production activities, although some indirect support of the tobacco economy may occur as an inseparable part of a project/program that has a broader set of objectives and outcomes (e.g., rural roads).
3. Unmanufactured and manufactured tobacco, tobacco processing machinery and equipment, and related services are included in the negative list of imports in Loan Agreements.
4. Tobacco and tobacco-related producer or consumer imports may be exempt from borrowers' agreements with the Bank to liberalize trade and reduce tariff levels.
5. Bank activities in the health sector--including sector work, policy dialogue, and lending--discourage the use of tobacco products.²

¹ "Bank" includes IBRD and IDA, and "loans" includes IDA credits and IDA grants.

² See *Curbing the Epidemic: Governments and the Economics of Tobacco Control* (Washington, D.C.: World Bank, 1999), available at the following website: <http://go.worldbank.org/USV7H5C800>.

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Note: This Operational Policy was 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, a number of OP/BPs have been consolidated and are now reflected in [OP/BP 8.60, Development Policy Lending](#), [OP/BP 9.00, Program-for-Results Financing](#) and [OP/BP 10.00, Investment Project Financing](#); policy provisions that were previously reflected in the OP/BPs, but are also reflected in the Board-approved General Conditions, have not been repeated in these 3 OP/BPs. Consequently, this OP has been updated to reflect the requirement that any changes to the General Conditions require LEGVP approval.

Questions should be addressed to the Chief Counsel, Operations Policy.

Lending Operations: Choice of Borrower and Contractual Agreements

Choice of Borrower

IBRD

1. *Borrower.* IBRD under its Articles of Agreement may lend to (a) a member country; (b) a political subdivision of a member; and (c) any business, industrial, and agricultural enterprise in the territories of a member.¹
2. IBRD generally prefers to lend directly to the entity responsible for the implementation and operation of the project² for which the loan is made. The IBRD Articles of Agreement require the Bank to make arrangements to ensure that the proceeds of the loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency.³ By lending directly to the entity responsible for project implementation, the Bank is better able to monitor the project's implementation efficiently and suggest corrective steps when there are shortcomings in project implementation. When such an entity is not the member country and direct lending to it is not feasible or practical, IBRD may lend to the member country or another entity if the project can nevertheless be efficiently implemented and operated.⁴

¹ IBRD Articles of Agreement, Article III, Section 4.

² Unless the context requires otherwise, "projects" includes programs supported by Program-for- Results financing and development policy lending.

³ IBRD Articles of Agreement, Article III, Section 5(b).

⁴ Staff should consult with LEG for guidance on the considerations affecting the choice of borrower for various types of projects.



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3. *Guarantor.* If the member in whose territories the project is located is not itself the borrower, the member must guarantee the payment of the principal and interest and other charges on the loan.⁵ When a member guarantees a loan, it does so as a principal debtor and not merely a surety. Thus, IBRD may call directly on the guarantor for payment, and is not required first to exhaust its remedies against the borrower. When the member effectively controls the entity in charge of implementing and operating the project, IBRD requires the member to guarantee performance as well as repayment.⁶

4. *Regional Organizations as Borrowers.* IBRD may finance a project to be carried out by an enterprise owned jointly by two or more members or by public or private entities of such members. In this type of lending, IBRD requires either joint and several guarantees or several guarantees from the members in whose territories the project is located (the amount of each such guarantee being related, for instance, to expected or actual benefits flowing from the loan), as long as these guarantees together cover the total amount of the principal and interest and other charges on the loan.

IDA

5. *Borrower.* IDA under its Articles of Agreement may lend to (a) member country; (b) the government of a territory included within IDA's membership; (c) a political subdivision of any of the foregoing; (d) a public or private entity in the territories of a member or members; or (e) a public international or regional organization.⁷

6. IDA lending is designed to assist in the development of the low-income countries included in its membership. IDA normally makes credits to member countries only, whether the member itself or another entity is responsible for project implementation, to ensure that the full benefit of the concessionality of IDA resources is accorded to the members.

7. *Guarantee.* Although IDA normally does not make credits to entities other than a member country, if it were to do so, its Articles of Agreement provide that it may, at its discretion, require a suitable governmental or other guarantee.⁸

⁵ IBRD Articles of Agreement, Article III, Section 4(i). While the Articles provide that the member or the central bank or some comparable agency of the member acceptable to the Bank must provide this guarantee, the Bank requires the guarantee of the member for the following reasons: (a) the Bank's desire to have the full faith and credit of the member behind the guarantee; (b) the fact that guarantee agreements contain undertakings that a central bank could not validly undertake or effectively comply with; and (c) the Bank's desire to create, by the guarantee agreement, a contractual relationship under public international law that will not be subject to impairment as a result of restrictions or provisions of the laws of the member.

⁶ Staff should consult with LEG for guidance on the application of this paragraph.

⁷ IDA Articles of Agreement, Article V, Section 2(c).

⁸ IDA Articles of Agreement, Article V, Section 2(d).



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Contractual Agreements

Documents

8. When making a loan,⁹ the Bank uses a variety of documents to define its contractual relationships with the borrower, guarantor, and other entities that are responsible for the project or that have a direct interest in the project or in the achievement of its objectives.¹⁰

9. *Loan Agreement.* For each loan, the Bank and borrower enter into a Loan Agreement that sets forth the amount of the loan or credit and the terms and conditions on which it is made.

10. *Guarantee Agreement.* If IBRD makes a loan to an entity other than the member country concerned, it enters into a Guarantee Agreement with the member, which sets forth the member's contractual obligations as guarantor. Additional undertakings made by the guarantor to facilitate the achievement of the loan's purposes are set forth in the Guarantee Agreement.

11. *Security Arrangements.* Generally, IBRD does not require specific security from its borrowers. However, IBRD may take some form of specific security for a loan to a privately owned borrower or a loan to a non-creditworthy member or entity owned by such a member.¹¹ In such cases, additional contractual documentation is required.

12. *Project and Other Agreements.* If the Bank lends to an entity other than the entity that is responsible for the implementation and operation of the project, it normally enters into a Project Agreement with such entity. The Project Agreement contains the normal covenants of a Loan Agreement concerning the implementation and operation of the project. Whether or not the Bank enters into a Project Agreement, it may require the borrower to enter into subsidiary agreements with the project implementing entity or other project beneficiary, setting forth the respective obligations of the borrower and such entities with respect to the project. The Bank may also enter into agreements with other entities that have a direct interest in the project or in the achievement of its objectives. These agreements set forth the obligations of such parties with respect to the project.

13. The Loan and Guarantee Agreements incorporate by reference the applicable General Conditions. Since the General Conditions are approved by the Executive Directors (EDs), any amendment of their provisions requires clearance by the LEG VP, who also decides whether approval by the EDs is also required. The Loan, Guarantee and/or Project Agreements incorporate, as applicable, guidelines such as the [Guidelines: Procurement under IBRD Loans and IDA Credits](#); [Guidelines: Selection and Employment](#)

⁹ For purposes of this and following sections of the OP, "Bank" includes IBRD and IDA, "loan" includes IDA credit and IDA grant, and "Loan Agreement" includes Development Credit Agreement.

¹⁰ Staff should consult with LEG for guidance on the considerations relating to the design and content of contractual arrangements.

¹¹ Examples of such loans: mortgages, other liens, trust arrangements, or assignments of contractual rights such as rights under purchase contracts between the borrower and third parties, or specific guarantees from shareholders.



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of Consultants by World Bank Borrowers and *Guidelines for Conversion of Loan Terms for Fixed-Spread Loans*.¹²

14. *Covenants.* The undertakings, or covenants, that are included in the contractual documents set out the parties' obligations with clarity and specificity. The covenants are tailored to the specific responsibilities of the contracting party (i.e., borrower, guarantor, or implementing entity). In particular, covenants must not require the party to cause certain actions to be taken by an entity over which it cannot exercise the necessary control. Covenants should cover aspects that are essential for the operation. Covenants must be (a) reasonable in number; (b) realistic and reasonable in substance and in their time horizon and monitorable; and (c) consistent with other covenants with the same parties. The Bank does not stipulate covenants that require the member to enact legislation, and tries to work within existing law to the extent possible.¹³ If enactment of particular legislation is necessary to achieve the project's objectives, the appropriate steps to be taken for such enactment should be clearly defined; and such enactment is made a condition of negotiation, Board presentation, effectiveness, or disbursement, rather than a covenant.¹⁴

15. *Supplemental Letters.* A supplemental letter may be used to (a) elaborate on a particular covenant or provisions of the General Conditions; or (b) contain representations made by the borrower, the guarantor, or the implementing entity at the time the loan is made. A supplemental letter specifying the member's obligation to provide information about its financial and economic condition¹⁵ is signed for each loan. A supplemental letter including representations regarding the financial condition of the borrower (other than a member) or party to the Project Agreement is normally signed for each loan. A supplemental letter should not be used to create obligations additional to those reflected in the Loan Agreement.

16. *Letter of Development Policy.* For a development policy loan, the Letter of Development Policy (LDP) sets out the salient elements of the proposed program to be supported by the loan.¹⁶ The borrower's commitment to carry out the program is set out in the LDP or the Loan Agreement. The contents of the LDP are defined as "the Program" and are incorporated by reference in the Loan Agreement. Receipt by the Bank of this letter, duly executed, constitutes a condition of Board presentation of the Loan.

¹² See [OP/BP 11.00, Procurement](#), and [OP 3.10, Loan Charges, Currencies and Payment Terms of IBRD Loans and IDA Credits](#).

¹³ If the amendment of a particular law would impede the achievement of the project's objectives, the contractual agreements may provide that such amendment would constitute an event of suspension. See Section 6.02 of the relevant General Conditions.

¹⁴ Development policy loans require often entail significant changes in existing laws, regulations, and administrative practices. The legislative steps to be undertaken are normally described in the Letter of Development Policy (see para. 16), but may also be part of the specific actions incorporated in the Loan Agreement as conditions of Board presentation or conditions of disbursement of particular loan tranches, rather than as covenants.

¹⁵ See Section 9.02 of the relevant General Conditions.

¹⁶ See [OP 8.60, Development Policy Lending](#).



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17. *Agreed Minutes of Negotiation.* In order to assist in the interpretation of the contractual documents, the Bank's practice is to have a brief agreed record of the negotiations, known as Minutes of Negotiations. Agreed Minutes of Negotiations are not enforceable documents; thus they do not include undertakings that the Bank expects to enforce in the future.

Responsibility

18. The Legal Department is responsible for the contractual arrangements of each loan. It also ensures that the contractual documents to which the Bank is a party, or which are entered into for the benefit of the Bank, duly reflect the agreements reached between the parties to the documents.

**Revised March 2012**

This Operational Policy statement was revised in March 2012 to take into account the provisions of [OP/BP 9.00](#), issued in February 2012.

Note: This OP replaces OP 7.20 dated July 1998. Questions should be addressed to the Chief Counsel, Operations Policy.

Security Arrangements

1. For loans to member countries or government-owned entities, IBRD does not require security¹ except: (a) when a project/program cofinancier is granted security; (b) through operation of IBRD's negative pledge clause; or (c) when it makes a loan to a non-creditworthy member or to a governmental entity of such a member.
2. For loans to private borrowers, IBRD may take some form of security in addition to the guarantee of the applicable IBRD member, if such security is required under the circumstances and its value would not be greatly undermined by sharing arrangements or negative pledge clauses in favor of other creditors.
3. The recommendation on whether to seek security for a loan is made by the country director concerned in consultation with the relevant chief counsel and the Credit Risk Department.

Negative Pledge Clause

4. The General Conditions applicable to all IBRD Loan and Guarantee Agreements include a negative pledge provision² that limits the creation of security in favor of other creditors over assets of borrowing entity and, where the borrower is not the member country, assets of the member country concerned (including assets of subdivisions of the member, entities owned or controlled by the member, and entities operating on the member's account or for its benefit). The negative pledge provision does not prohibit the creation of security in favor of other creditors. Instead, it prohibits the establishment of a priority for other debts over the debt due to IBRD by requiring that IBRD ratably share in security created in favor of other creditors.

¹ In this statement, "security" means a mortgage, pledge, charge, privilege, or priority of any kind. See also the term "lien" in the relevant General Conditions Applicable to Loan and Guarantee Agreements, which is defined in the same manner.

² See Section 9.03 of the relevant General Conditions: *General Conditions Applicable to Loan and Guarantee Agreements for Currency Pool Loans*; *General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans*; or *General Conditions Applicable to Loan and Guarantee Agreements for Fixed Spread Loans*. The General Conditions Applicable to Development Credit Agreements do not contain a negative pledge provision. When IBRD provides guarantees, the negative pledge clause is normally included in the indemnity agreements between the member country concerned and IBRD, so that the member's payment obligations to IBRD under such agreements are the same as the member's payment obligations under loan and guarantee agreements with IBRD.

**Revised March 2012***Applicability*

5. When the borrower or guarantor is a member, the negative pledge clause applies to any security over public assets that results in a priority in the use of foreign exchange for the benefit of external creditors. When the borrower is not the member, the clause applies to any security on any assets of the borrower as security for any debt.
6. The negative pledge clause does not apply to security on property for the payment of the purchase price of the property (or for the payment of debt incurred to finance the purchase of such property), or to security arising in the ordinary course of banking transactions for a debt maturing not more than one year after the date on which it was originally incurred.

Waiver

7. In exceptional cases, upon request, IBRD may grant a waiver in respect of the negative pledge clause.³ A proposed waiver must be recommended by the country director, through the Regional vice president (in consultation with the Vice President and General Counsel and the Director, Credit Risk Department), to the Managing Director (MD) concerned. The proposed waiver is then submitted to the Board for approval. In exceptional circumstances in which the assets subject to the security are considered to have no material effect on the country's ability to service IBRD debt, the MD's approval is sufficient.

Security as Condition of Effectiveness

8. When IBRD requires security, the completion of the security arrangements is normally a condition of effectiveness of the Loan and Guarantee Agreements.
9. If a member requires, as a condition for the effectiveness of the member's guarantee to IBRD, security to secure the borrower's obligations to the member in respect of the guarantee, the completion of such security arrangements is a condition of effectiveness of the Loan and Guarantee Agreements. IBRD does not require that it share in such security or that equivalent security be provided to it.

³ Staff should refer to the Board paper, *IBRD's Negative Pledge Policy with Respect to Debt and Debt Service Reduction Operations* (R90-151) July 19, 1990.



Revised April 2013

Note: This Operational Policy was 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, a number of OP/BPs have been consolidated and are now reflected in [OP/BP 8.60, Development Policy Lending](#), [OP/BP 9.00, Program-for-Results Financing](#), and [OP/BP 10.00, Investment Project Financing](#), while other OP/BPs, including OP/BP 13.40, *Suspension of Disbursements*, have been retired. This OP has consequently been updated to reflect these changes.

Questions may be addressed to the Chief Counsel, Operations Policy.

Dealings with De Facto Governments

1. A "de facto government" comes into, or remains in, power by means not provided for in the country's constitution, such as a coup d'état, revolution, usurpation, abrogation or suspension of the constitution.
2. A decision to make a loan¹ to, or to have a loan guaranteed by, a country with a de facto government, or to continue disbursing under existing loans to or guaranteed by such country, or to provide a guarantee in respect of a project in the territories of such country,² does not in any sense constitute Bank "approval" of the government, nor does refusal indicate "disapproval". The Bank under its Articles is required to refrain from interfering in the political affairs of any member; moreover, its decisions may not be influenced by the political character of the member country concerned.³
3. In many cases, a de facto government either suspends the constitution or abrogates it. In other instances, the constitution and other basic laws remain partially or wholly in force. In either situation, the Bank when continuing disbursements under an existing loan or making a new loan or issuing a guarantee ascertains that (a) a proper legal framework exists to secure approval of the Bank loan or the Bank guarantee and the related counter-guarantee of the country, to permit the project to be carried out, to allow the project objectives to be achieved and to allow the loan to be repaid or any required payments under the country's counter-guarantee of the Bank guarantee to be made; and (b) all parties to the agreements with the Bank in respect of the project have taken or will be able to take all actions necessary to carry out their respective obligations under their respective agreements with the Bank. The Bank also ascertains that these obligations are or will be valid and binding.⁴

¹ "Loan" includes IDA credits and IDA grants; "Bank" includes IBRD and IDA; and "project" includes a development policy lending program supported under a Bank loan or guarantee, and a program supported under Program-for-Results financing.

² For information regarding Bank guarantees, see [OP 14.25, Guarantees](#).

³ See IBRD Articles of Agreement, Article IV, Section 10, and IDA Articles of Agreement, Article V, Section 6.

⁴ The issues addressed in this OP may arise in the context of a country emerging from conflict. For a general discussion of the Bank's assistance to countries emerging from conflict, see [OP 2.30, Development Assistance and Conflict](#).



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Existing Operations

4. The Bank may not unilaterally suspend disbursements under existing loans⁵ or suspend or terminate its obligations under guarantees provided by it unless there are grounds for such suspension or termination based on existing agreements. Thus, the Bank deals with a de facto government with respect to loans made by the Bank before the government assumed power, provided that:
- a. the Bank is satisfied that the government is in effective control of the country (an issue requiring more careful assessment when two or more political or military factions claim to be in control of the national government);
 - b. the government generally recognizes the country's past international obligations;
 - c. the government states that it is willing and able to assume all of its predecessors' obligations to the Bank;
 - d. the government is able to ensure the continued implementation of the relevant project or program; and
 - e. the government duly authorizes a representative for the purpose of requesting withdrawals.

New Operations

5. In considering whether to extend a new loan to a country with a de facto government, to make a new loan with the guarantee of such country, or to provide a guarantee in respect of a project in the territories of such country, the Bank first allows a certain time to pass to weigh:
- a. whether a new loan or guarantee would expose the Bank to additional legal or political risks associated with the country's financial obligations and obligations to carry out the project, given the government's de facto nature;⁶
 - b. whether the government is in effective control of the country and enjoys a reasonable degree of stability and public acceptance;
 - c. whether the government generally recognizes the country's past international obligations, in particular any past obligations to the Bank (in this regard, the Bank examines the country's

⁵ See, depending on the instrument involved, [OP/BP 8.60, Development Policy Lending](#), [OP/BP 9.00, Program-for-Results Financing](#), and [OP/BP 10.00, Investment Project Financing](#); see also, the applicable General Conditions for standard events giving rise to the right to suspend disbursements.

⁶ Agreements between the Bank and its members are governed by international law. International law also prescribes certain principles with respect to de facto governments. Under a general but not unqualified principle of international law, obligations entered into by de facto governments, purporting to be binding on the state, must be honored by successor governments. The qualifications of the general principle may relate to the nature of both the de facto government and the obligation it entered into. For instance, a successor government may question the power of a de facto government that had characterized itself as an interim government to enter into long-term obligations not connected with the immediate needs of the country concerned.



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- record; one indicator is whether past governments have generally recognized the obligations incurred by the de facto governments that have preceded them);
- d. the number of countries (particularly neighboring) that have recognized the government or dealt with it as the government of the country; and
 - e. the position of other international organizations toward the government.



Revised April 2013

Note: This BP was 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, a number of OP/BPs have been consolidated and are now reflected in [OP/BP 8.60 Development Policy Lending](#), [OP/BP 9.00 Program-for-Results Financing](#), and [OP/BP 10.00, Investment Project Financing](#), have been updated, while other OP/BPs, including [OP/BP 13.40, Suspension of Disbursements](#), have been retired. This OP has consequently been updated to reflect these changes.

Questions may be addressed to the Chief Counsel, Operations Policy.

Dealings with De Facto Governments

1. When a de facto government takes power in a Bank¹ member country, the concerned country director (CD): (a) gathers all relevant information about the status, policies, and public acceptance of the new government; and (b) initiates the internal process to determine whether to continue or suspend disbursements under existing loans² and whether to process new loans or guarantee operations.
2. Immediately upon the change of government, and even if no final decision has been taken on the Bank's future relations with the de facto government, the CD contacts the Legal Vice Presidency (LEG) and Loan Department (LOA) to (a) ascertain the status of processing of withdrawal requests under loans to or guaranteed by the member country, and (b) ensure that no further withdrawal requests are authorized for payment under such loans (pending consultation with the de facto government). However, the Bank makes payments under such loans claimed against special commitments (in accordance with their terms) and may continue to make direct payments under such loans to suppliers, contractors, or consultants, if these applications were received at headquarters or a country office prior to the change in government.
3. The CD consults the sector manager concerned to determine (a) the status of projects under implementation (e.g., whether they are experiencing supervision problems or adverse physical conditions); and (b) whether the objectives of the ongoing projects and those under preparation are consistent with the de facto government's stated policies. Before making a recommendation on suspending or continuing disbursements under existing loans and/or processing new loans or guarantee operations, the CD ascertains the nature and extent of the de facto government's commitment to existing and proposed projects.
4. The Bank may reach an informal agreement with the new authorities in the country to withhold disbursements under loans (other than disbursements required to be made under special commitments) until a decision has been made on dealings with the de facto government. However, once

¹ "Bank" includes IBRD and IDA; "loans" includes IDA credits and IDA grants; and "project" includes a development policy lending program supported under a Bank loan or guarantee, and a program supported under Program-for-Results financing.

² Depending on the instrument involved, suspension of disbursements under a loan is processed in accordance with [OP/BP 8.60, Development Policy Lending](#), [OP/BP 9.00, Program-for-Results Financing](#), or [OP/BP 10.00, Investment Project Financing](#).

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the Bank is satisfied that the government meets the criteria set forth in [OP 7.30, paras. 3 and 4](#), the Bank decides in a matter of days whether to suspend or continue disbursements under each loan.

5. The Bank makes disbursements under loans (beyond those outlined in para. 2) only when it receives from the de facto government (a) confirmation that representatives previously appointed to sign withdrawal applications remain in authority: or (b) satisfactory evidence of authorized signatures of newly appointed representatives. The CD, in close collaboration with LEG, verifies the authority of the borrower's representatives to sign withdrawal applications before further disbursements beyond those outlined in para. 2 are authorized.

6. Responsibility for a final decision concerning the Bank's relationship with a de facto government rests with the Regional vice president (RVP). The RVP bases this decision on a recommendation made by the CD in consultation with the office of the Director, Credit Risk Group in the office of the Vice President and Chief Financial Officer and cleared by LEG. In case of doubt, the RVP consults the managing director (MD), operations, concerned and the Vice President and General Counsel (LEGVP). Before advising the member country of the decision, the RVP in any event informs the MD, the LEGVP, the Vice President, Resource Mobilization and Cofinancing, and the Vice President, External Affairs.

**Revised March 2012**

This Operational Policy statement was revised in March 2012 to take into account the provisions of [OP/BP 9.00](#), issued in February 2012.

Note: This OP 7.40 replaces OP 7.40, dated May 1996. Questions may be addressed to the Chief Counsel, Operations Policy.

Disputes over Defaults on External Debt, Expropriation, and Breach of Contract

1. The Bank¹ takes an interest in disputes, arising out of certain international financial transactions, between a member country or a public body within a member country and nationals of other member countries. Such disputes consist primarily of three types: (a) disputes over a failure to service external debt in accordance with its terms; (b) disputes over compensation to aliens for property they own that has been expropriated; and (c) disputes over the breach of a governmental contract with aliens for goods or services.

Disputes over Defaults and Expropriation

Disputes over Defaults on External Debt

2. If the Bank receives notice that a member country is unwilling to take steps to resolve a dispute over its failure to service external debt and if the Bank deems such failure to have a significant effect on the member's creditworthiness or on its ability to implement Bank-financed projects/programs or service Bank loans, the Bank examines the procedures followed by the parties in addressing the issue and determines what action, if any, it should take.

3. If the Bank is seriously dissatisfied with the position taken by the member country, it may, at its discretion, decide not to make new loans to or with the guarantee of the member country until the country takes certain actions to rectify the situation. In making its decision, the Bank considers whether the circumstances of the default give rise to concerns about the member country's creditworthiness for continued Bank lending.

4. If the defaulting debtor is a political entity or a public body for whose debts the member country is not legally responsible, the Bank normally limits any restrictions on lending (including suspension pursuant to applicable Loan Agreements) to the defaulting entity or body only and continues to lend to the member or other borrowers in the country. If debt service for such a defaulting debtor is maintained through payments by a guarantor, the Bank may, at its discretion, decide to apply such restrictions on its lending to only the original obligor that is in default. While lending is thus restricted, the Bank determines its other activities with respect to the member country or the defaulting body in light of the particular circumstances.

¹ "Bank" includes IBRD and IDA; "loans" includes IDA credits and IDA grants; and "Loan Agreement" includes Development Credit Agreement.



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Disputes over Expropriation

5. The Bank recognizes that a member country may expropriate property of aliens in accordance with applicable legal procedures, in pursuance in good faith of a public purpose, without discrimination on the basis of nationality, and against payment of appropriate compensation. When there are disputes over expropriations that, in the opinion of the Bank, the member country is not making reasonable efforts² to settle and that are substantially harming the country's international credit standing, the Bank considers whether to continue making new loans to or with the guarantee of the member country. Further, the Bank may decide not to appraise proposed projects/programs in such a country unless it has good grounds for believing that the obstacles to lending will soon be removed.

6. Even if the alien whose property was expropriated has received compensation through an investment guarantee or insurance scheme, the Bank generally determines its position toward the expropriating country as if such compensation had not been paid. The Bank takes into account whether or not the alien's government seeks redress from the expropriating country, and normally considers a dispute resolved if a settlement is reached between the expropriating country and the alien's country.

7. The Bank does not lend for the purpose of enabling a country to expropriate an enterprise by providing the funds needed for compensation. However, if the question of compensation is satisfactorily settled, the fact of expropriation does not, of itself, prevent the Bank from lending, in appropriate cases, to enlarge or improve properties that have been expropriated.

Bank Involvement in Disputes over Defaults and Expropriation

8. The Bank seeks to avoid passing judgment on the merits of the types of disputes described above (although it may eventually have to do so for the purpose of determining its own position). In general, the Bank limits its role to improving communications between the parties to the dispute and impressing on them the desirability of a settlement. The Bank may seek to promote prompt and adequate settlements, either negotiated between the parties on a mutually satisfactory basis or arrived at through mediation, conciliation, arbitration, or judicial determination. The Bank may point out to parties that they may submit their dispute to any of the various internationally recognized forms of conciliation or arbitration, including conciliation or arbitration under the auspices of the International Center for Settlement of Investment Disputes (ICSID), the World Bank Group organization established to facilitate the resolution of disputes between governments and foreign investors.

Disputes over Breach of Governmental Contracts

9. If a dispute over the breach of a governmental contract arises in connection with a Bank-financed project/program, the Bank's interest in having the project/program completed promptly and satisfactorily calls for a prompt and equitable settlement of the dispute. The Bank may assist in facilitating this result, usually through the normal processes of project/program supervision.

² In judging "reasonable efforts", the Bank gives the benefit of any reasonable doubts to the expropriating country for at least a brief period of time if the country demonstrates its willingness to accept independent dispute-settlement procedures or its recognition of the principle of compensation. The Bank takes serious negotiations or mediation efforts as evidence of reasonable efforts.



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10. If the dispute does not involve a Bank-financed project/program, the Bank seeks to avoid any involvement in the issue. If no steps are being taken to resolve the dispute and if the existence of the dispute is likely to impair the country's general reputation for business-like dealings, the Bank may urge both parties to act promptly to resolve the dispute.



Revised March 2012

This Bank Procedures statement was revised March 2012 to take into account the provisions of [OP/BP 9.00](#), issued in February 2012.

Note: This BP 7.40 replaces BP 7.40 dated May 1996. Questions may be addressed to the Chief Counsel, Operations Policy.

Disputes over Defaults on External Debt, Expropriation, and Breach of Contract

1. When a dispute over default, expropriation, or governmental breach of contract comes to the attention of a Bank¹ staff member, the staff member informs the country director (CD) and the Legal Vice Presidency (LEG). In consultation with LEG, the CD recommends a Bank position to the Regional vice president (RVP). If, on this basis, the RVP decides not to make any new loans to the member country or with the guarantee of the country, the RVP informs the relevant managing director and the Vice President and General Counsel.
2. If, at the time a loan is presented to the executive directors for approval, there are any substantial amounts in dispute between the borrowing or guaranteeing country and suppliers or lenders to, or investors in, that member country, the matter is mentioned in the Project/Program Appraisal Document²/President's Report.
3. If the Bank decides to lend while a dispute over default or expropriation is pending, staff monitor the situation during project/program implementation to assess progress toward a settlement or decision.

¹ "Bank" includes IBRD and IDA; and "loan" includes IDA credit and IDA grant.

² If the matter involves information of a sensitive nature, it may be disclosed in the Memorandum and Recommendation of the President.



Revised March 2012

This Operational Policy statement was revised in March 2012 to take into account the provisions of [OP/BP 9.00](#), issued in February 2012; and previously revised in August 2004 to reflect the term "development policy lending" (formerly adjustment lending), in accordance with [OP/BP 8.60](#), issued in August 2004.

Note: OP and [BP 7.50](#) replace OP and BP 7.50, dated October 1994. Questions may be addressed to the Chief Counsel, Environmentally and Socially Sustainable Development and International Law.

Projects on International Waterways

Applicability of Policy

1. This policy applies to the following types of international waterways:
 - a. any river, canal, lake, or similar body of water that forms a boundary between, or any river or body of surface water that flows through, two or more states, whether Bank¹ members or not;
 - b. any tributary or other body of surface water that is a component of any waterway described in (a) above; and
 - c. any bay, gulf, strait, or channel bounded by two or more states or, if within one state, recognized as a necessary channel of communication between the open sea and other states--and any river flowing into such waters.
2. This policy applies to the following types of projects:
 - a. hydroelectric, irrigation, flood control, navigation, drainage, water and sewerage, industrial, and similar projects that involve the use or potential pollution of international waterways as described in para. 1 above; and
 - b. detailed design and engineering studies of projects under para. 2(a) above, including those to be carried out by the Bank as executing agency or in any other capacity.

Agreements/Arrangements

3. Projects on international waterways may affect relations between the Bank and its borrowers and between states (whether members of the Bank or not). The Bank recognizes that the cooperation and goodwill of riparians is essential for the efficient use and protection of the waterway. Therefore, it attaches great importance to riparians' making appropriate agreements or arrangements for these purposes for the entire waterway or any part thereof. The Bank stands ready to assist riparians in achieving this end. In cases where differences remain unresolved between the state proposing the project (beneficiary state) and the other riparians, prior to financing the project the Bank normally urges the beneficiary state

¹ "Bank" includes IBRD and IDA; "loans" include IDA credits and IDA grants; and "project" includes all projects/programs financed under Bank loans or IDA credits, but does not include development policy lending programs supported under Bank loans and IDA credits; and "borrower" refers to the member country in whose territory the project is carried out, whether or not the country is the borrower or the guarantor.

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to offer to negotiate in good faith with the other riparians to reach appropriate agreements or arrangements.

Notification

4. The Bank ensures that the international aspects of a project on an international waterway are dealt with at the earliest possible opportunity. If such a project is proposed, the Bank requires the beneficiary state, if it has not already done so, formally to notify the other riparians of the proposed project and its Project/Program Details (see [BP 7.50, para. 3](#)). If the prospective borrower indicates to the Bank that it does not wish to give notification, normally the Bank itself does so. If the borrower also objects to the Bank's doing so, the Bank discontinues processing of the project. The executive directors concerned are informed of these developments and any further steps taken.

5. The Bank ascertains whether the riparians have entered into agreements or arrangements or have established any institutional framework for the international waterway concerned. In the latter case, the Bank ascertains the scope of the institution's activities and functions and the status of its involvement in the proposed project, bearing in mind the possible need for notifying the institution.

6. Following notification, if the other riparians raise objections to the proposed project, the Bank in appropriate cases may appoint one or more independent experts to examine the issues in accordance with [BP 7.50, paras. 8-12](#). Should the Bank decide to proceed with the project despite the objections of the other riparians, the Bank informs them of its decision.

Exceptions to Notification Requirement

7. The following exceptions are allowed to the Bank's requirement that the other riparian states be notified of the proposed project:

- a. For any ongoing schemes, projects involving additions or alterations that require rehabilitation, construction, or other changes that in the judgment of the Bank (i) will not adversely change the quality or quantity of water flows to the other riparians; and (ii) will not be adversely affected by the other riparians' possible water use. This exception applies only to minor additions or alterations to the ongoing scheme; it does not cover works and activities that would exceed the original scheme, change its nature, or so alter or expand its scope and extent as to make it appear a new or different scheme. In case of doubt regarding the extent to which a project meets the criteria of this exception, the executive directors representing the riparians concerned are informed and given at least two months to reply. Even if projects meet the criteria of this exception, the Bank tries to secure compliance with the requirements of any agreement or arrangement between the riparians.
- b. Water resource surveys and feasibility studies on or involving international waterways. However, the state proposing such activities includes in the terms of reference for the activities an examination of any potential riparian issues.
- c. Any project that relates to a tributary of an international waterway where the tributary runs exclusively in one state and the state is the lowest downstream riparian, unless there is concern that the project could cause appreciable harm to other states.



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Presentation of Loans to the Executive Directors

8. The Project Appraisal Document (PAD) for a project on an international waterway deals with the international aspects of the project, and states that Bank staff have considered these aspects and are satisfied that
- a. the issues involved are covered by an appropriate agreement or arrangement between the beneficiary state and the other riparians; or
 - b. the other riparians have given a positive response to the beneficiary state or Bank, in the form of consent, no objection, support to the project, or confirmation that the project will not harm their interests; or
 - c. in all other cases, in the assessment of Bank staff, the project will not cause appreciable harm to the other riparians, and will not be appreciably harmed by the other riparians' possible water use. The PAD also contains in an annex the salient features of any objection and, where applicable, the report and conclusions of the independent experts.



Revised March 2012

This Bank Procedures statement was revised March 2012 to take into account the provisions of [OP/BP 9.00](#), issued in February 2012; and previously revised in August 2004 to reflect the term "development policy lending" (formerly adjustment lending), in accordance with [OP/BP 8.60](#), issued in August 2004.

Note: [OP](#) and BP 7.50 replace OP and BP 7.50, dated October 1994. Questions may be addressed to the Chief Counsel, Environmentally and Socially Sustainable Development and International Law.

Projects on International Waterways

1. A potential international water rights issue is assessed as early as possible during project identification¹ and described in all project documents starting with the Project/Program Information Document (PID). The task team (TT) prepares the project concept package, including the PID, in collaboration with the Legal Vice Presidency (LEG) to convey all relevant information on international aspects of the project. When the TT sends the project concept package to the Regional vice president (RVP), it sends a copy to the Vice President and General Counsel (LEGVP). Throughout the project cycle the Region, in consultation with LEG, keeps the managing director (MD) concerned abreast of the international aspects of the project and related events.

Notification

2. As early as possible during identification, the Bank² advises the state proposing the project on an international waterway (beneficiary state) that, if it has not already done so, it should formally notify the other riparians of the proposed project giving available details (see para. 3). If the prospective borrower indicates to the Bank that it does not wish to give notification, normally the Bank itself does so. If the beneficiary state also objects to the Bank's doing so, the Bank discontinues processing of the project. The Region informs the executive directors concerned of these developments and of any further steps taken.

3. The notification contains, to the extent available, sufficient technical specifications, information, and other data (Project/Program Details) to enable the other riparians to determine as accurately as possible whether the proposed project has potential for causing appreciable harm through water deprivation or pollution or otherwise. Bank staff should be satisfied that the Project/Program Details are adequate for making such a determination. If adequate Project/Program Details are not available at the time of notification, they are made available to the other riparians as soon as possible after the notification. If, in exceptional circumstances, the Region proposes to go ahead with project appraisal before Project/Program Details are available, the country director (CD), via a memorandum prepared in consultation with LEG and copied to the LEGVP, notifies the RVP of all relevant facts on international

¹ See [BP 10.00](#), *Investment Lending: Identification to Board Presentation*.

² "Bank" includes IBRD and IDA; "loans" include IDA credits and IDA grants; and "projects" includes all projects and programs financed under Bank loans or IDA credits, but does not include development policy lending programs supported under Bank loans and IDA credits; and "borrower" refers to the member country in whose territory the project is carried out, whether or not the country is the borrower or the guarantor.

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aspects and seeks approval to proceed. In making this decision, the RVP seeks the advice of the MD concerned.

4. The other riparians are allowed a reasonable period, normally not exceeding six months from the dispatch of the Project/Program Details, to respond to the beneficiary state or Bank.

Responses/Objections

5. After giving notice, if the beneficiary state or Bank receives a positive response from the other riparians (in the form of consent, no objection, support to the project, or confirmation that the project will not harm their interests), or if the other riparians have not responded within the stipulated time, the CD, in consultation with LEG and other departments concerned, addresses a memorandum to the RVP. The memorandum reports all relevant facts, including staff assessment of whether the project would (a) cause appreciable harm to the interests of the other riparians, or (b) be appreciably harmed by the other riparians' possible water use. The memorandum seeks approval for further action. In making this decision, the RVP seeks the advice of the MD concerned.

6. If the other riparians object to the proposed project, the CD, in collaboration with LEG and other departments concerned, sends a memorandum on the objections to the RVP and copies it to the LEGVP. The memorandum addresses

- a. the nature of the riparian issues;
- b. the Bank staff's assessment of the objections raised, including the reasons for them and any available supporting data;
- c. the staff's assessment of whether the proposed project will cause appreciable harm to the interests of the other riparians, or be appreciably harmed by the other riparians' possible water use;
- d. the question of whether the circumstances of the case require that the Bank, before taking any further action, urge the parties to resolve the issues through amicable means such as consultations, negotiations, and good offices (which will normally be resorted to when the other riparians' objections are substantiated); and
- e. the question of whether the objections are of such a nature that it is advisable to obtain an additional opinion from independent experts in accordance with paras. 8-12.

7. The RVP seeks the advice of the MD concerned and the LEGVP, and decides whether and how to proceed. On the basis of these consultations, the RVP may recommend to the MD concerned that the Operations Committee consider the matter. The CD then acts upon either the Operations Committee's instructions, which are issued by the chairman, or the RVP's instructions, and reports the outcome in a memorandum prepared in collaboration with LEG and other departments concerned. The memorandum, sent to the RVP and copied to the LEGVP, includes recommendations for processing the project further.



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Seeking the Opinion of Independent Experts

8. If independent expert opinion is needed before further processing of the project (see [OP 7.50, para. 6](#)), the RVP requests the Vice President, Environmentally and Socially Sustainable Development (ESDVP) to initiate the process. The Office of the ESDVP maintains a record of such requests.
9. The ESDVP, in consultation with the RVP and LEG, selects one or more independent experts from a roster maintained by ESDVP (see para. 12). The experts selected may not be nationals of any of the riparians of the waterways in question, and also may not have any other conflicts of interest in the matter. The experts are engaged and their terms of reference prepared jointly by the offices of the ESDVP and the RVP. The latter finances the costs associated with engaging the experts. The experts are provided with the background information and assistance needed to complete their work efficiently.
10. The experts' terms of reference require that they examine the Project/Program Details. If they deem it necessary to verify the Project/Program Details or take any related action, the Bank makes its best efforts to assist. The experts meet on an ad hoc basis until they submit their report to the ESDVP and the RVP. The ESDVP or RVP may ask them to explain or clarify any aspect of their report.
11. The experts have no decision-making role in the project's processing. Their technical opinion is submitted for the Bank's purposes only, and does not in any way determine the rights and obligations of the riparians. Their conclusions are reviewed by the RVP and ESDVP, in consultation with the LEGVP.
12. The ESDVP maintains, in consultation with the RVPs and LEG, the roster of highly qualified independent experts, which consists of 10 names and is updated at the beginning of each fiscal year.

Maps

13. Documentation for a project on an international waterway includes a map that clearly indicates the waterway and the location of the project's components. This requirement applies to the PAD, the Project/Program Information Document (PID), and any internal memoranda that deal with the riparian issues associated with the project. Maps are provided for projects on international waterways even when notification to riparians is not required by the provisions of [OP 7.50](#). Maps are prepared and cleared in accordance with [Administrative Manual Statement](#) 7.10, Cartographic Services, and its annexes.
14. However, the inclusion of maps in the cited documents, except internal memoranda, is subject to any general instruction or decision of the Regional vice president, taken in consultation with the Vice President and General Counsel, to omit maps of the beneficiary state in their entirety or in part.

**Revised March 2012**

This Operational Policy statement was revised in March 2012 to take into account the provisions of [OP/BP 9.00](#), issued in February 2012; and previously revised in August 2004 to reflect the term "development policy lending" (formerly adjustment lending), in accordance with [OP/BP 8.60](#), issued in August 2004.

Note: OP and [BP 7.60](#) replace OP and BP 7.60, dated November 1994. Questions may be addressed to the Chief Counsel, Environmentally and Socially Sustainable Development and International Law.

Projects in Disputed Areas

1. Projects¹ in disputed areas may raise a number of delicate problems affecting relations not only between the Bank and its member countries, but also between the country in which the project is carried out and one or more neighboring countries. In order not to prejudice the position of either the Bank or the countries concerned, any dispute over an area in which a proposed project is located is dealt with at the earliest possible stage.
2. The Bank may support a project in a disputed area if the governments concerned agree that, pending the settlement of the dispute, the project proposed for country A should go forward without prejudice to the claims of country B.

Presentation of Loans to the Executive Directors

3. For every project in a disputed area, Bank staff consider the nature of the dispute. The Project/Program Appraisal Document (PAD) for a project in a disputed area discusses the nature of the dispute and affirms that Bank staff have considered it and are satisfied that either
 - a. the other claimants to the disputed area have no objection to the project; or
 - b. in all other instances, the special circumstances of the case warrant the Bank's support of the project notwithstanding any objection or lack of approval by the other claimants. Such special circumstances include the following
 - i. that the project is not harmful to the interest of other claimants, or
 - ii. that a conflicting claim has not won international recognition or been actively pursued. In all cases, the project documentation bears a disclaimer stating that, by supporting the project, the Bank does not intend to make any judgment on the legal or other status of the territories concerned or to prejudice the final determination of the parties' claims. The Legal Vice Presidency prepares the relevant portions of the project documentation.

¹ "Bank" includes IBRD and IDA; "loans" include IDA credits and IDA grants; and "projects" includes all projects/programs financed under Bank loans or IDA credits, but does not include development policy lending programs supported under Bank loans and IDA credits.



Revised March 2012

This Bank Procedures statement was revised March 2012 to take into account the provisions of [OP/BP 9.00](#), issued in February 2012; and previously revised in August 2004 to reflect the term "development policy lending" (formerly adjustment lending), in accordance with [OP/BP 8.60](#), issued in August 2004.

Note: [OP](#) and BP 7.60 replace OP and BP 7.60, dated November 1994. Questions may be addressed to the Chief Counsel, Environmentally and Socially Sustainable Development and International Law.

Projects in Disputed Areas

1. The presence of any territorial dispute affecting a proposed Bank project¹ is ascertained as early as possible and described in all project documents starting with the initial Project/Program Information Document (PID). The country director (CD), through the Regional vice president (RVP), promptly brings the dispute to the attention of the managing director (MD) concerned and the Vice President and General Counsel (LEGVP), and keeps them informed of the dispute throughout the project processing.
2. For this purpose, the CD prepares, in close collaboration with the Legal Vice Presidency (LEG) and in consultation with other departments concerned, a memorandum to be submitted to the MD concerned through the RVP and copied to the LEGVP. The memorandum
 - a. conveys all pertinent information on the international aspects of the project, including information as to the procedure followed and the outcome of any earlier projects the Bank may have considered in the disputed area;
 - b. makes recommendations for dealing with the issue; and
 - c. seeks approval for taking the actions recommended and for proceeding with project processing.
3. Following project preparation, the full details of the dispute and the basis for the decision on whether to proceed to appraisal are included in the transmittal memorandum for the revised decision package. This memorandum, addressed to the RVP and copied to the LEGVP, is prepared in close collaboration with LEG and in consultation with other departments concerned. Based on the information in the memorandum, the RVP, on the advice of the MD concerned (who consults with the LEGVP), decides whether to proceed with appraisal.
4. The MD concerned may, in consultation with the LEGVP, decide at any stage of the project cycle to inform the executive directors concerned of the proposed project and the dispute.

¹ Bank" includes IDA; "loans" include IDA credits and grants; and "projects" includes all projects and programs financed under Bank loans or IDA credits, but does not include development policy lending programs supported under Bank loans and IDA credits.

**Revised March 2012**

Maps

5. For the delineation of boundaries on maps concerned, the applicable guidelines appear in [Administrative Manual Statement 7.10](#), *Cartographic Services*, and its annexes. However, the inclusion of maps in the PAD and other project documentation is subject to any general instruction or decision of the RVP, taken in consultation with the LEGVP, to omit maps of the country concerned in their entirety or in part.

**Revised July 1, 2014**

"OP/BP 8:00" *Rapid Response to Crises and Emergencies*", were revised on July 2014 to take into account the recommendations in "World Bank Group A New Approach to Country Engagement" (R2014-0089), which were approved by the Executive Directors on May 22, 2014. As a result of these recommendations, [OP/BP 13.16, Country Portfolio Performance Reviews](#) has been retired, [OP/BP 2.30 Development Cooperation and Conflict](#) references to ISN were replaced by CEN and included in the Country Engagement Directive; [OP 1.00 Poverty Reduction](#) footnote 2 has been deleted; [BP 3.10, Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits](#), [OP/BP 4.02 Environmental Action Plans](#), [OP 8.00, Rapid Response to Crises and Emergencies](#), [OP 11.00, Procurement](#) have also been updated to reflect editorial changes.

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

Rapid Response to Crises and Emergencies

8. The Bank's¹ policy on rapid response to crises and emergencies rests on four guiding principles:
- (a) application of the rapid response policy to address major adverse economic and/or social impacts resulting from an actual or imminent natural or man-made crisis or disaster;
 - (b) continued focus of the Bank's direct assistance on its core development and economic competencies and always in line with its mandate, including in all situations where the Bank supports peace-building objectives and relief to recovery transitions;
 - (c) close coordination and establishment of appropriate partnership arrangements with other development partners, including the United Nations (UN), in line with the comparative advantage and core competencies of each such partner; and
 - (d) appropriate oversight arrangements, including corporate governance and fiduciary oversight, to ensure appropriate scope, design, speed, and monitoring and supervision of emergency operations.
9. Consistent with these principles, the Bank may provide a rapid response to a member country's request for urgent assistance in respect of an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact associated with natural or man-made crises or disasters. The Bank's assistance may consist of immediate support in assessing the emergency's impact and developing a recovery strategy or the restructuring of existing, or provision of new, Investment Project financing.²
10. In all cases, the Bank adapts its rapid response in form and scope to the emergency's particular circumstances and takes into account the Bank's assistance strategy for the country. The country financing program may be adjusted to accommodate emergency

¹ In this OP, unless the context requires otherwise, the term: (a) "Bank" means IBRD and IDA (whether acting in its own capacity or as administrator of trust funds funded by other donors); and (b) "financing" means any loan, credit, or grant made by the Bank from its resources or from trust funds funded by other donors and administered by the Bank, or a combination of these.

² See [OP 10.00, Investment Project Financing](#).



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operations, normally within the country's general financing allocation, taking credit risk and IDA financing policies into account.

Objectives of Bank Rapid Response

11. The Bank may provide rapid response in support of one or more of the following objectives:

- (a) rebuilding and restoring physical assets;
- (b) restoring the means of production and economic activities;
- (c) preserving or restoring essential services;
- (d) establishing and/or preserving human, institutional, and/or social capital, including economic reintegration of vulnerable groups;³
- (e) facilitating peace building;⁴
- (f) assisting with the crucial initial stages of building capacity for longer-term reconstruction, disaster management, and risk reduction;⁵ and
- (g) supporting measures to mitigate or avert the potential effects of imminent emergencies or future emergencies or crises in countries at high risk.

12. In support of these objectives, the Bank focuses direct assistance on areas of its core development and economic competencies, and, in response to a country's request, and subject to the guiding principles set out in [paragraph 1](#) of this OP, may (a) extend such assistance to all country agencies and institutions involved in the emergency recovery effort; and/or (b) support, in partnership with other donors, an integrated emergency recovery program that includes activities outside the Bank's traditional areas, such as relief,⁶ security, and specialized peace-building.⁷ The Bank recognizes the lead of other international institutions, in particular the UN, in such activities, and forms appropriate partnership arrangements with other donors for the

³ These may include, for example, refugees, ex-combatants, and internally displaced people. In support of this objective, emergency operations may include activities forming part of the government's transitional social safety net programs, including cash payments, grant or micro-credit programs, and reintegration packages.

⁴ For guiding principles on the Bank's support of the peace-building objective, see [OP 2.30, Development Cooperation and Conflict](#).

⁵ In support of this objective, emergency operations may include studies and institutional and policy analysis relating to disaster management and risk reduction. In post-conflict situations, they may also include a full range of capacity-building activities necessary to restore state functions that have collapsed.

⁶ Activities that form part of the government's transitional social safety net programs described in footnote 3 do not constitute "relief" within the meaning of this OP.

⁷ For guiding principles on Bank support of integrated programs involving such activities in conflict-affected areas, see [OP 2.30, Development Cooperation and Conflict](#).

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preparation, appraisal, and supervision of activities outside its core competencies in line with the comparative advantage and core competencies of each such donor.⁸

13. Emergency operations do not address long-term economic issues, including those that are triggered by economic shocks and require a policy response from the government that the Bank normally supports through development policy operations.⁹ They should also not include conditions other than those directly related to the emergency recovery activities and, if appropriate, to preparedness and mitigation. The duration of emergency operations should be realistically linked to the issues being addressed.

Risk and Design Considerations

14. The Bank recognizes both the inherent risks involved in working in emergency situations, including the risks and lost opportunities associated with a delayed response, and the critical importance of speed, flexibility, and simplicity to an effective rapid response.

15. To maximize Bank assistance in emergency and crisis situations, at the country's request, the country director may approve a temporary increase in the cost-sharing limits in all Bank-financed operations in the country.

Cooperation and Coordination with Development Partners

16. Harmonization, collaboration, and cooperation with other development partners—including participating in joint strategy discussions and conducting activities in concert with them—are key to mobilization of needed resources and to a successful response to an emergency. In this respect, trust funds can play a vital role. To ensure maximum coordination, harmonization, and flexibility when administering emergency-related trust funds, the Bank may administer such trust funds in accordance with specific policies and procedures agreed with the trust fund's donor(s), and may agree with such donor(s) to joint preparation, appraisal, and supervision of activities supported under the trust fund.

Risk Reduction and Crisis Prevention

1. Recognizing the importance of integrating risk reduction and crisis prevention into the development strategies of countries at high risk of disasters or rising conflict, the WBG encourages countries to include policies and procedures intended to reduce the impact of future disasters or crises, including prevention and mitigation measures, into national development strategies. Where appropriate, these issues are reflected in the Country Partnership Framework (CPF).

⁸ The government concerned, local groups, bilateral relief programs, local nongovernmental organizations, and specialized international relief organizations often have a comparative advantage in providing immediate relief. Similarly, other agencies, including bilateral agencies, United Nations peace-keeping operations, and regional organizations often have a comparative advantage in providing support in the areas of security and political governance.

⁹ See [OP 8.60, Development Policy Lending](#), including paragraphs 32 and 33, which set out policies related to development policy lending to countries in crisis or conflict.



Revised April 2013

Note: Based on the approval by the Executive Directors of the recommendations in “*Investment Lending Reform: Modernizing and Consolidating Operational Policies and Procedures* (R2012-0204 [IDA/R2012-0248]) on October 25, 2012, [OP/BP 10.00, Investment Project Financing](#) have been updated and now include provisions formerly contained in this OP. Questions may be addressed to [OPCS Help Desk](#).

Technical Assistance

1. The Bank¹ finances technical assistance (TA),² complementing its lending activities, to help borrowers:
 - a. properly design, prepare, and implement lending operations;
 - b. undertake analytical work necessary to underpin reform or policy development; and
 - c. strengthen their human and institutional capacity for policy reform and sustainable development.

Borrower Commitment and Involvement

2. The Bank uses its research and policy work and its country economic and sector work to:
 - a. promote a dialogue with governments on creating a reform agenda that could be assisted through appropriately phased TA interventions, and
 - b. help borrowers define their TA needs and priorities. The Bank does not lend for or manage TA when a government is not committed to the objectives of the TA.
3. The Bank supports borrowers' active participation in designing and implementing TA programs. Specifically, it encourages borrowers to play a decisive role in determining the nature of the TA, its time frame, the agency responsible for implementation, and measurable outputs and milestones by which to gauge progress.

¹ In this OP, unless the context requires otherwise, the term: (a) "Bank" means IBRD and IDA (whether acting in its own capacity or as administrator of trust funds funded by other donors); and (b) "financing" means any loan, credit, or grant made by the Bank from its resources or from trust funds funded by other donors and administered by the Bank, or a combination of these.

² Technical assistance is the transfer, adaptation, mobilization, and utilization of services, skills, knowledge, technology, and engineering to build national capacity on a sustainable basis. The Bank uses the terms "technical assistance" (TA) and "technical cooperation" (TC) interchangeably. The Organization for Economic Co-operation and Development (OECD) distinguishes between TC and TA: TC relates to freestanding activities that have the primary purpose of increasing the stock of the recipient's human intellectual capital and its institutional capacities; TA relates to labor and expertise provided as part of the implementation of capital projects. The United Nations Development Programme (UNDP) uses the term "technical cooperation" to cover both TA and TC as defined by OECD.



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Financing of Technical Assistance*Grants*

4. The Bank uses its administrative budget to fund TA, giving both quantified support for specific activities through the Special Grants Program--for example, Mediterranean Environmental TA Program--and embedded support.³ At a borrower's request, the Bank may also provide ad hoc nonreimbursable TA to familiarize the borrower with such matters as management information systems or procurement.
5. The Bank recognizes that borrowers generally prefer grant financing of TA over loans, and it encourages and assists them to seek such financing. Kinds of grants available for TA include:
 - a. Bank-administered trust funds from bilateral and multilateral agencies;
 - b. the Bank's Institutional Development Fund; and
 - c. special programs administered by the Bank (e.g., the Global Environment Facility).⁴

Cost Recovery

6. When the Bank provides services to member countries (both TA donors and recipients) that go beyond its normal work or practice, it usually recovers both the direct cost and the institutional overhead cost of these services (as established by the Planning and Budgeting Department). However, the Bank provides, on a nonreimbursable basis, up to one staff year of TA per fiscal year for:
 - a. any capital-surplus country, and
 - b. any graduating country during the graduation period and for a reasonable period thereafter.⁵ Overhead costs are not recovered when Bank staff are seconded to other international organizations, or when such costs are relatively small and costly to recover. Loan proceeds and cofinancing administered by the Bank are not used to finance seconded (regular or fixed-term) Bank staff.

TA Delivery

7. TA may be delivered through long- or short-term advisers, twinning relationships, or training.

³ "Embedded" TA is the TA that results from the Bank staff's normal wide-ranging work--for example, economic and sector work, project cycle, preliminary work leading to development policy lending, and project supervision.

⁴ For information on these kinds of grants, see respectively [OP/BP 14.40](#), Trust Funds; [OP/BP 8.45](#), Grants; and [OP/BP 10.20](#), Procedures for Investment Operations under the Global Environment Facility.

⁵ However, if the program duration exceeds one year, the borrower bears the entire cost of the seconded staff.



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Consultation with Donors

8. The Bank promotes coordination among aid sources by routinely consulting with the United Nations Development Programme, bilateral donors, and regional development banks.



Note: OP 8.45 reflects the policies set out in *Development Grant Facility (DGF): A Proposal* (R97-185; M97-52), July 29, 1997; *The Development Grant Facility: FY98 DGF Annual Review and Proposed FY99 DGF Budget* (R98-258), October 28, 1998; and *The Development Grant Facility: FY99 DGF Annual Review and Proposed FY00 DGF Budget* (R99-150), July 26, 1999.

Questions may be directed to the DGF Secretariat, RMC.

Grants

1. Grants are an integral part of the Bank's¹ development work and an important complement to its lending and advisory services.² The Bank's main objectives in extending grants are to encourage innovation, catalyze partnerships, and broaden the scope of Bank services. Grants enable the Bank to leverage its financial resources, people, and skills, and to combine forces with other partners in pursuit of shared objectives. Grants can complement, expand, and enhance Bank programs, but they do not substitute for Bank financing of regularly budgeted activities.

2. The Bank provides grants from the following main sources: (a) the IBRD administrative budget through the Development Grant Facility, (b) IBRD net income, and (c) IDA resources. This OP sets out Bank policy governing grants from these sources. The Bank also administers and in some cases executes grants from donor-supported trust funds.³ Trust fund policies and procedures are set out in [OP/BP 14.40, Trust Funds](#).

Grants from the IBRD Administrative Budget: Development Grant Facility

3. Because grants are an integral part of the Bank's work, they are generally made from the IBRD administrative budget. Such grants are normally channeled through the Development Grant Facility (DGF) to enable the Bank to prioritize allocations.⁴ DGF grants are used only to support activities that meet the Bank's overall grant-making objectives (see para. 1) and that are consistent with the Bank's

¹ "Bank" includes IBRD and IDA.

² At the *country level*, grants can complement loans to achieve poverty reduction where potential returns are high but less immediate, such as in the case of technical assistance or capacity building. They can also be useful where the recipient is financially weak and lending is either unavailable or inappropriate, such as in post-conflict situations. At the *global and regional levels*, grants can complement loans where potential returns are high, such as in health research or global rule-making, but take a longer time to develop and are not captured in a single country or through market mechanisms.

³ Major donor-supported trust funds include, for example, the [Global Environmental Facility](#) (GEF) and the [Energy Sector Management Assistance Program](#) (ESMAP).

⁴ In special cases, other parts of the administrative budget extend grants, primarily within the Bank. For example, two programs support innovation within the Bank-the Innovation Marketplace (\$3 million in FY98) and the PSD Exchange (\$1 million in FY99)-and one program supports research within the Bank-the Research Support Budget (about \$5 million in FY98).



institutional and sector priorities.⁵ DGF grants must also substantially meet eight eligibility criteria (see [Annex A](#)).

4. Grants under the DGF are made from an annual budget endorsed by a Bankwide DGF Council, recommended by Management, and approved by the Bank's Board of Executive Directors. The Executive Directors have delegated to Management the authority to approve grants of up to \$1 million per individual program for programs that meet the eligibility criteria and the Bank's strategic priorities, from amounts derived through reallocations within the DGF budget approved by the Board, up to an aggregate of no more than 10 percent of that budget.

Policies Under Individual DGF Programs

5. Some grant programs included in the DGF, while broadly consistent with overall DGF policies and procedures, have their own governance structures, subgrant eligibility criteria, and subgrant allocation procedures.⁶

Grants from IBRD Net Income

6. On the recommendation of Management and the Executive Directors, the Governors of the Bank allocate funds from IBRD's net income in the interests of the IBRD's members as a whole and in support of the Bank's development priorities.⁷ In making these allocations, they take into account the IBRD's overall financial position, risk, and outlook: allocation of grants from the IBRD's net income is considered only if there are funds available beyond the amounts necessary to maintain adequate reserves.

7. Grants from IBRD net income are generally used in three ways: (a) to support IDA countries, as transfers made either directly to IDA or to related instruments; (b) for special country-specific situations for which use of the Bank's normal lending instruments is not feasible; and (c) in special circumstances, to support associated multilateral institutions or other priority activities.

⁵ Institutional priorities are identified in a variety of forums, including the Strategic Compact, Strategic Forums, the Strategic Directions paper, and other Bank documents and discussions. Sector Boards are responsible for establishing sector strategies.

⁶ These grant programs include, for example, the Institutional Development Fund, the Small Grants Program, and the Consultative Group for International Agricultural Research; further information is available at the [DGF website](#).

⁷ In certain cases (e.g., IDA), indicative allocations have been included in multidonor agreements. However, in all such cases, allocations are contingent on fund availability and approval by the Board of Governors. Individual grants from net income allocations (for example, individual HIPC grants or grants under the IDA Debt Reduction Facility) are approved by the Executive Directors.

**IDA Grant Funding⁸**

8. Under certain circumstances, IDA can provide a limited amount of grant funding in lieu of IDA credits, subject to normal IDA Board approval procedures and policies. Use of IDA grants is limited to (a) funding in the context of debt relief provided under the Highly Indebted Poor Country (HIPC) debt initiative; and (b) for exceptional support to post-conflict countries, as a last resort, where other resources are inadequate or inappropriate and as part of a concerted international effort.

⁸ Operational policies related to IDA are contained in the IDA12 and earlier replenishment agreements approved by the Board of Governors. For further reference, see *Additions to IDA Resources: Twelfth Replenishment-A Partnership for Poverty Reduction* (IDA/R98-105), December 23, 1998.



Operational Policies

DGF Eligibility Criteria

Programs requesting grants through the Development Grant Facility (DGF) are reviewed against the following Board-approved eligibility criteria. DGF criteria are applied with careful judgment, to enable the Bank to best achieve the objectives of grant-supported activities.¹

1. The program contributes to furthering the Bank's development and resource mobilization objectives in fields basic to its operations, but it **does not compete with or substitute for regular Bank instruments**. Special grants should address new or critical development problems, and should be clearly distinguishable from the Bank's regular programs.
2. The Bank has a **distinct comparative advantage** in being associated with the grant program; it does not replicate the role of other donors. The relevant operational strengths of the Bank are in economic, policy, sector and project analysis, and management of development activities. In administering special grants, the Bank has expertise in donor co-ordination, fund raising, and fund management.
3. The program encompasses **multi-country benefits** or activities which it would not be efficient, practical or appropriate to undertake at the country level. Informational economies of scale are important for research and technology work; and operations to control diseases or address environmental concerns (e.g., protect fragile ecosystems) might require a regional or global scope to be effective. In the case of grants directed to a single country, the program will encompass **capacity-building activities** where this is a significant part of the Country Assistance Strategy and cannot be supported by other Bank instruments or by other donors. This will include, in particular, programs funded under the IDF. It will also include programs related to initial post-conflict reconstruction efforts (for example, in countries or territories emerging from internal strife or instability).
4. The Bank's presence provides **significant leverage** for generating financial support from other donors. Bank involvement should provide assurance to other donors of program effectiveness, as well as sound financial management and administration. Any single grant to a recipient should generally not exceed 15 percent of expected funding over the life of Bank funding to a given program, or over the rolling 3-year plan period, whichever is shorter. Where grant programs belong to new areas of activities (involving, for example, innovations, pilot projects, or seed-capital) some flexibility will be introduced to allow for the Bank's financial leverage to build over time. The target for the Bank grant not to exceed 15 percent of total expected funding will be pursued after allowing for an initial start-up phase (maximum 3 years).
5. The grant is normally given to an institution with a **record of achievement** in the program area and **financial probity**. A new institution may have to be created where no suitable institution exists. The quality of the activities implemented by the recipient institution (existing or new) and the competence of its management are important considerations.

¹ The eligibility criteria are reproduced here as they appear in *The Development Grant Facility: FY98 DGF Annual Review and Proposed FY99 DGF Budget* (R98-258), October 28, 1998.



Operational Policies

6. The management of the recipient institution is independent of the Bank Group. While an **arm's length** relationship with the Bank's regular programs is essential, the Bank may have a role in the governance of the institution through membership in its governing Board or oversight committee. The arm's length relationship with the Bank's regular programs is appropriate in most cases, and will be maintained. In cases of highly innovative or experimental programs, Bank involvement in supporting the recipient to execute the program will be allowed. This will provide the Bank with an opportunity to benefit from the learning experience, and to build operational links to increase its capacity to deliver more efficient services to client countries.

7. Grant programs are expected to incorporate an explicit **disengagement strategy**. In the proposal, monitorable action steps should be outlined indicating milestones and targets for disengagement. The Bank's withdrawal should cause minimal disruption to an ongoing program or activity.²

8. A key element of the DGF is that programs and activities financed under it should **promote and reinforce partnerships** with key players in the development arena, e.g., multilateral development banks, UN agencies, foundations, bilateral donors, professional associations, research institutions, private sector corporations, NGOs, and civil society organizations.

² The FY98 DGF Annual Review (R98-258) clarified that disengagement should be tailored to individual programs. For some, it means completion or reduction of activities. For others, it means handing the reins to other partners, commercializing services, or mainstreaming the activity into the Bank. It could also mean refocusing resources on new opportunities within ongoing programs that continue to meet the Bank's strategic objectives. The FY99 DGF Annual Review (R99-150) further clarifies that (a) longer-term programs should take into account work programs and partnership arrangements, and (b) shorter-term programs to pioneer innovative approaches would typically disengage over a two- to four-year period.



Note: Questions on BP 8.45 may be addressed to the DGF Secretariat, RMC.

Grants

Grants from the IBRD Administrative Budget: Development

Grant Facility

DGF Governance

1. The Development Grant Facility (DGF) was established by the Board of Executive Directors in 1997. The Board provides strategic direction to the DGF and approves the DGF budget each year. The DGF is governed by a DGF Council with Bankwide representation,¹ and is supported by a DGF Secretariat. This BP sets out the roles of the DGF Council and the DGF Secretariat, as well as those of the Networks and Sector Boards, sponsoring units, and program managers.

DGF Application and Allocation

2. Each year the Development Grant Facility (DGF) Council and Secretariat set the parameters and a timetable for receiving and reviewing DGF grant applications for the following fiscal year.²

3. Each proposed DGF program is sponsored by a Bank unit and is under the direct responsibility of an individual Bank program manager. The program manager prepares the grant application,³ clears it with the manager of the sponsoring Bank unit, and forwards it to the relevant Sector Board head.⁴

4. The Sector Board reviews the proposals received, endorses them as appropriate, and ranks them in terms of priority for funding against sector strategies. It forwards them to the Network head, under cover of an overview note. This submission is the Sector Grant Package.

5. The Network Council reviews the Sector Grant Packages, adjusts them as appropriate to reflect Network priorities, and forwards them to the DGF Secretariat for consideration by the DGF Council.

¹ Management is responsible for setting the DGF Council's membership to best reflect institutional strategy. In FY99 it included representatives from all five Networks, three Regions (on a rotating basis), Strategy and Resource Management, Resource Mobilization and Cofinancing, and the Legal Department.

² In selected cases, the DGF Council may endorse multiyear funding for programs with longer-term work programs and strong partnership arrangements. Any such endorsement is contingent on the program's meeting regular reporting requirements and on annual Board approval.

³ A model DGF grant application is available to Bank staff at [DGF](#).

⁴ If the program involves activities pertinent to more than one Sector Board or Network, the primary Sector Board/Network evaluates the proposal, seeking the views of other Sector Boards/Networks as appropriate.



6. The DGF Council, with the assistance of the DGF Secretariat, reviews the Sector Grant Packages, taking into consideration the relative quality of each individual proposal, its consistency with grant-making principles and DGF eligibility criteria, and its fit with institutional priorities. The DGF Council then endorses a Bankwide submission, including a total proposed DGF budget, for Management's recommendation and Board approval. The DGF Council may also reallocate funds within the parameters set out in [OP 8.45 para. 4](#).

Grant Letters of Agreement

7. Once the DGF budget, including allocations to particular programs within this budget, is approved, DGF funds are made available to recipients.⁵ The program manager normally prepares a Grant Letter of Agreement between the Bank and the recipient of the grant funds, specifying the grant recipient, grant amount, grant purpose and activities, grant period, and reporting requirements. The Grant Letter of Agreement is cleared by the Legal Department (LEG) and the DGF Secretariat, signed on behalf of the Bank by the vice president of the grant-sponsoring unit or a person designated by the vice president, and countersigned by an authorized officer of the recipient organization.⁶

8. When the Bank receives the countersigned Grant Letter of Agreement, the program manager sends the original to LEG and a copy to the DGF Secretariat, which commits the funds for the approved grant.

Disbursement and Implementation

9. The manager of the Bank sponsoring unit normally makes disbursement requests to the DGF Secretariat on behalf of the recipient, according to the provisions of the Grant Letter of Agreement.⁷ Upon receipt of the disbursement request, the DGF Secretariat initiates disbursement of the funds to the specified account.

10. DGF grants are normally executed by recipients that have a record of achievement and demonstrated financial probity. Grant recipients are required to exercise the same care in the administration of the grant as they exercise in the administration of their own funds, having due regard to

⁵ The procedures set out in this section relate to individual grants disbursed directly by the DGF Secretariat to institutions outside the Bank for activities executed under Grant Letters of Agreement between the Bank and the recipient. In special cases, the DGF may disburse funds to a program housed within the Bank (without a Grant Letter of Agreement) if the program (a) has its own secretariat in the Bank funded directly by the DGF, or (b) is responsible for making numerous subgrants and obtaining clearance of Grant Letters of Agreement from LEG (specialized Grant Letters of Agreement for these programs are available from the respective secretariats; examples include the Institutional Development Fund, Post-Conflict Fund, InfoDev, and Small Grants Program); or (c) the program is covered by a multilateral agreement. In a few exceptional cases approved by the Executive Directors (e.g., Institutional Development Fund, Post-Conflict Fund), grants may be disbursed into trust funds administered by the Bank.

⁶ A sample format for the Grant Letter of Agreement is available to Bank staff at [DGE](#).

⁷ A sample disbursement request format is available to Bank staff at [DGE](#).



economy, efficiency, and the need to uphold the highest standards of integrity, including the prevention of fraud and corruption, in the administration of public funds.⁸

11. Recipients are required to return to the Bank any grant funds not used within the time frame set out in the Grant Letter of Agreement.

Supervision, Monitoring, and Evaluation

12. The recipient organization implements the activities and prepares all reports specified in the Grant Letter of Agreement, including an annual statement of account showing the use of grant funds, audited annual financial statements, and a report summarizing activities and results.

13. The program manager supervises implementation and, in particular, obtains and reviews all relevant program reports, including those required from the recipient. The program manager also ensures that an appropriate level of independent evaluation is provided.⁹

14. At the end of the year's activities, if the program manager applies for further Bank grant funds, he/she prepares a Progress Report on the program and forwards it, along with audited financial statements, for review with the new application for funding.¹⁰

15. If the DGF's funding for the program is ending, the program manager prepares a Grant Completion Report within six months after the closing date of the final Grant Letter of Agreement, clears it with the manager of the Bank sponsoring unit, and forwards it to the DGF Secretariat. The Grant Completion Report describes the extent to which objectives were met and activities completed, assessing the program's development impact, identifying problems in the program's execution, and providing lessons learned. The Grant Completion Report should also include audited financial statements and any independent or recipient-prepared evaluation reports.¹¹

⁸ DGF grant programs (e.g. PCF, IDF) that provide financing for country-based activities similar to those supported under Bank lending operations are normally required to follow the Bank's procurement guidelines and procedures. In such cases, where institutions are weak, grants may be extended to recipients that are developing, but have not fully achieved, a track record of achievement. DGF grants that are provided to international organizations and similar entities, where the Bank grant finances a small portion of the overall activity and where it is not feasible to supervise activities on a contract-by-contract basis, may be administered in accordance with the recipient's own rules, if they are consistent with the principles set out in para. 10.

⁹ All DGF programs receiving over \$300,000 annually from the DGF are required to have an arrangement for regular and independent evaluations. In some cases, the program manager, in consultation with the Sector Board, may arrange for evaluations to be carried out in conjunction with other programs in the same sector. Smaller programs should also consult with Sector Boards about an appropriate level of evaluation.

¹⁰ A model grant progress report is available to Bank staff at [DGE](#).

¹¹ A model grant completion report is available to Bank staff at [DGE](#).



16. The DGF Secretariat reviews and reports on DGF programs, Progress Reports, and Grant Completion Reports in the DGF Annual Review it prepares for the Board. The DGF Secretariat also reviews and endorses any individual DGF program report separately provided to the Board.

17. The DGF and programs under it are subject to periodic reviews conducted by the Operations Evaluation Department and to periodic audits carried out by the Internal Audit Department.

Grants from IDA and IBRD Net Income

18. IDA grant funding, like IDA credits, is provided in the context of the Country Assistance Strategy, which takes into account country performance and the overall availability of resources. Individual operations funded by IDA grants, like those funded with IDA credits, are subject to Board approval. IDA grants are processed in the same way as IDA credits and are disbursed, monitored, and evaluated in accordance with regular procedures for IDA credits.

19. Allocations from IBRD net income are forwarded to the Board of Governors for approval, based on the recommendation of Management and the Executive Directors. Such allocations are normally considered at the end of each fiscal year as part of the overall use of the Bank's net income, to ensure that their size, modalities, and timing are formulated in light of IBRD's overall financial situation and after ensuring that adequate reserves are maintained.¹² Individual grants from these allocations (for example, individual HIPC grants or grants under the IDA Debt Reduction Facility) are approved by the Executive Directors.

20. Allocations from IBRD net income to IDA are disbursed, monitored, and evaluated in accordance with regular procedures for IDA credits. Allocations from net income for special country-specific situations for which use of the Bank's normal lending instruments is not feasible are typically deposited into a trust fund and may be provided to recipients as grants or on IDA terms, repayable to IDA. These funds are normally administered in accordance with regular IDA procedures. Procedures for disbursing and administering other allocations from net income are developed as appropriate to the particular circumstances.

¹² In exceptional cases of an urgent nature, grants from net income may be considered at other times of the fiscal year.



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Note: This OP and BP 8.60, *Development Policy Financing*, were updated on July, 2014, to reflect the recommendations in the document entitled *Enhancing the World Bank's Operational Policy Framework on Guarantees* (R2013-0206 [IDA/R2013-0298]), 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 BP, OP and BP 10.00 as well as in the Bank Policy and Directive, *Financial Terms and Conditions*, and Bank Policy, *Lending Operations: Choice of Borrower and Contractual Agreement*.

Development Policy operations are governed by this OP/BP, and the following OPs and BPs (including any relevant Operational Memoranda and Instructions [internal use only]), as applicable: [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 4.07, Water Resource Management](#); [OP/BP 4.20, Gender and Development](#); [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 7.60, Projects in Disputed Areas](#); [OP/BP 8.45, Grants](#); [OP/BP 10.20, Global Environmental Facility Operations](#); [OP/BP 11.00, Procurement](#); [OP/BP 13.16, Country Portfolio Performance Reviews](#); [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 on Development Policy Financing may be addressed to the [OPCS Help Desk](#).

Development Policy Financing

1. The Bank¹ provides development policy financing (“Development Policy Financing” or “DPF”) in the form of a policy-based Bank Loan² or a policy-based Bank Guarantee.³ A DPF is aimed at helping a Member Country address actual or anticipated development financing requirements that have domestic or external origins. The Bank may provide a Bank Loan to a Member Country or to one of its Political Subdivisions; and it may provide a Bank Guarantee of debt incurred by a Member Country or by one of its Political Subdivisions.⁴

1. In this OP, unless the context requires otherwise, the term: (a) “Bank” means IBRD and/or IDA (whether acting for its own account or as administrator of trust funds funded by donors); (b) “Member Country” means a member country of the Bank; and (c) “Political Subdivision” means a political or administrative entity of a member country with the budget authority and legal competence required to implement the actions supported by a DPF; but the term “Political Subdivision” does not include a public enterprise. Throughout this OP and where relevant, references to Member Country apply equally to its Political Subdivision if the DPF is made to, or guarantees, a debt of the Political Subdivision.
2. In this OP, unless the context requires otherwise, the term: (a) “Bank Loan” means a loan, credit or grant made by the Bank from its own resources or from trust funds administered by the Bank, or a combination of these; and (b) “Member Country Guarantee” means a guarantee provided by a 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, of financing extended by private entities; and (b) “Member Country Indemnity” means the counter-guarantee and indemnity provided by a Member Country to the Bank in connection with a Bank Guarantee.
4. If a Bank Loan is made to a Political Subdivision of a Member Country: (a) the Political Subdivision is required to have the legal authority necessary to borrow directly from, and enter into an agreement with, the Bank; and (b) the Member Country provides the Bank with a Member Country Guarantee. A Bank Guarantee



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Considerations for Development Policy Operations

2. *General:* Through development policy operations, the Bank supports a Member Country's program of policy and institutional actions that promote growth and sustainable poverty reduction. Development policy operations are supportive of, and consistent with, the Member Country's economic and sectoral policies and institutions aimed at broad-based sustainable growth and efficient resource allocation. They support a program of policy and institutional actions, for example, to improve the investment climate, diversify the economy, create employment, improve public finances, strengthen service delivery, and meet applicable international commitments. Any Investment Project Financing or Program-for-Results Financing subcomponent included in a DPF is subject to the relevant operational policies for Investment Project Financing and Program-for-Results Financing, respectively.⁵
3. *Financing Criteria and Selectivity.* The Bank's decision to extend a DPF is based on an assessment of the Member Country's policy and institutional framework—including its economic situation, governance, environmental/natural resource management, and poverty and social aspects. The Bank considers the strength of the program proposed for support and the Member Country's commitment to, and ownership of, the program against its track record. It also assesses the Member Country's institutional capacity and ability to effectively implement the program to be supported and describes the country's capacity-building efforts.
4. *Macroeconomic Framework.* *The Bank provides a DPF for a Member Country or its Political Subdivision only when it has determined that the Member Country's macroeconomic policy framework is adequate.*⁶ If the DPF is made as a Bank Guarantee of debt of an IDA Member Country or its Political Subdivision, the Member Country must also have low or moderate risk of debt distress and comply with applicable Bank policies relating to non-concessional borrowing. *In addition, if the DPF is a Bank Loan to a Political Subdivision or a Bank Guarantee guaranteeing the debt of a Political Subdivision, the Political Subdivision must have an adequate expenditure program, sustainable debt, and adequate fiscal arrangements with the central government in accordance with the country's constitutional and legislative framework.*
5. *Consultations and Participation.* In carrying out dialogue with a Member Country, the Bank advises it to consult with and engage the participation of key stakeholders in the country in

provided to guarantee the debt of a Political Subdivision requires a Member Country Indemnity. See [OP 7.00](#), [Bank Loans and Guarantees: Contractual Agreements]. If a Bank Loan is made to a Political Subdivision or a Bank Guarantee is made to guarantee the debt of a Political Subdivision, the considerations and requirements applicable to the Member Country set out in this OP apply equally to the Political Subdivision, as relevant.

5. [OP/BP 10.00](#), *Investment Project Financing*, and [OP/BP 9.00](#), *Program-for-Results Financing*.
6. The presence of an IMF program is usually an important input in this determination. If there is no IMF arrangement, Bank staff ascertain, before making their own assessment, whether the IMF has any major outstanding concerns about the adequacy of the country's macroeconomic policies. Issues relevant to the adequacy of the macroeconomic policy framework raised by the IMF are communicated to Executive Directors through the IMF's "Fund Relations Note" attached as an annex in the Bank's Program Document.



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the process of formulating its development strategies.⁷ For a development policy operation, the Member Country draws on this process of strategy formulation to determine, in the context of its constitutional and legislative framework, the form and extent of consultations and participation in preparing, implementing, and monitoring and evaluating the operation. The Bank's program document ("Program Document" or "PD") describes the Member Country's arrangements for consultations and participation relevant to the operation, and the outcomes of the participatory process adopted in formulating the Member Country's development strategy. Relevant analytic work conducted by the Bank, particularly on poverty and social impacts and on environmental aspects, is made available to the public as part of the consultation process, in accordance with the Bank's [Policy on Access to Information](#).

6. *Coordination with Development Partners.* In preparing development policy operations, the Bank collaborates with the IMF and other international financing institutions and donors, as appropriate, while retaining responsibility for its financing decisions.

Design of Development Policy Operations

7. *Development Objectives.* The Executive Directors consider and approve each DPF as meeting the special circumstances provision of the Bank's Articles of Agreement. In addition, the Executive Directors consider and approve each DPF in the form of a Bank Guarantee of debt of an IDA Member Country or its Political Subdivision as meeting the special cases provision of IDA's Articles of Agreement.⁸ The Program Document sets out the Member Country's program being supported by the Bank and the associated expected specific results. The program design includes measurable indicators for monitoring and evaluating the results on completion.

8. *Analytic Underpinnings.* A development policy operation draws on relevant analytic work on the Member Country undertaken by the Bank, the Member Country, and third parties—for example, as appropriate, analyses of the Member Country's economy wide or sectoral policies and institutions aimed at stimulating investment, creating employment, and accelerating and sustaining growth, as well as analyses of the poverty and social impacts of proposed policies,⁹ environment and natural resource management,¹⁰ governance and public expenditure

7. Key stakeholders include social groups directly affected by the operations, as well as public sector, private sector, and donor organizations relevant to the operation.

8. The Bank's Articles of Agreement provide that loans made or guaranteed by the Bank should finance specific projects "except in special circumstances." *IBRD Articles*, Article III, Section 4 (vii). See also *IDA Articles*, Article V, Section 1 (b). 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. See Article V Section 5(iv).

9. For guidance on poverty analysis, see [OP 1.00, Poverty Reduction](#). For specific guidance on analyzing distributional effects, staff may refer to the *User's Guide on Poverty and Social Impact Analysis*.

10. See the sections on Country Environmental Analysis and Strategic Environmental Assessment in the Analytic and Advisory Assistance section of the [World Bank Environment website](#).

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management, procurement, and financial accountability systems. The Program Document describes the main pieces of analytic work used in the preparation of the operation and shows how they are linked to the proposed development policy program.

9. *Poverty and Social Impacts.* The Bank determines whether specific policies supported by the operation are likely to have significant poverty and social consequences, especially on poor people and vulnerable groups.¹¹ For policies with likely significant effects, the Bank summarizes in the Program Document relevant analytic knowledge of these effects and of the Member Country's systems for reducing adverse effects and enhancing positive effects associated with the specific policies being supported. If there are significant gaps in the analysis or shortcomings in these systems, the Bank describes in the Program Document how such gaps or shortcomings would be addressed before or during program implementation, as appropriate.

10. *Environmental, Forests, and other Natural Resource Aspects.* The Bank determines whether specific country policies supported by the operation are likely to cause significant effects on the Member Country's environment, forests, and other natural resources. For policies with likely significant effects, the Bank assesses in the Program Document the Member Country's systems for reducing such adverse effects and enhancing positive effects, drawing on relevant country-level or sectoral environmental analysis. If there are significant gaps in the analysis or shortcomings in these systems, the Bank describes in the Program Document how such gaps or shortcomings would be addressed before or during program implementation, as appropriate.

11. *Program Funding and Size of Operation.* The Bank extends a DPF only when the overall program is adequately funded, considering both domestic and external sources of finance. The size of each DPF is determined individually on the basis of the Member Country's circumstances, including the overall projected financing requirements at the time of the operation, the availability of alternative financing, debt sustainability, creditworthiness and IBRD exposure (for IBRD borrowers) or relative claim on available concessional resources (for IDA countries). The financial costs and benefits, improvement of access to private financing, and financial leverage of Bank resources, among other considerations stated in this OP, are important factors in deciding the form of DPF.

12. *Conditions.* The Bank determines which of the policy and institutional actions the Member Country has committed to take are critical for the implementation and expected results of the program supported by the development policy operation. Bank approval of the DPF is subject to maintenance of an adequate macroeconomic policy framework, implementation of the overall program in a manner satisfactory to the Bank, and compliance with the program's prior actions. Disbursement under a Bank Loan¹², and signing of each agreement providing for a Bank Guarantee, is conditioned on: (a) satisfactory implementation of the program supported by the

11. For guidance to assist in the application of OP and [BP 8.60](#), including possible criteria for the selection of policies for analysis, staff may refer to the *Guidance Note on Using Poverty and Social Impact Analysis to Support Development Policy Financing*.

12. For disbursements of Bank Loans with a deferred drawdown option for catastrophic risk see paragraph 22.

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DPF, including compliance with the program's prior actions and tranche release conditions (in the case of a multi-tranche Bank Loan); and (b) maintenance of a satisfactory macroeconomic policy framework. The Bank seeks to harmonize these conditions with those of other development partners in consultation with the Member Country.

13. *Operational Structure.* All development policy operations are embedded in an explicit medium-term framework and are based on adequate prior policy and institutional actions. DPF in the form of a Bank Loan may be provided in one or more tranches, depending on the Member Country's policy environment and capacity, its financing requirements and other available financing, and the content and phasing of the program being supported by the development policy operation. Development policy operations following a programmatic approach consist of a series of operations within a medium-term framework of policy and institutional actions.¹³

14. *Bank Guarantees.* A Bank Guarantee covers a Member Country's (or its Political Subdivision's) debt service defaults. The Bank only provides guarantees to the extent necessary to mobilize private financing, taking into account country and market circumstances. The Member Country requesting the Bank Guarantee provides a Member Country Indemnity¹⁴ to the Bank. The portion of debt guaranteed by the Bank is not subject to debt rescheduling or debt restructuring without the Bank's consent.

15. *Risk Management.* The Member Country is responsible for managing operational risks affecting the development effectiveness of the development policy operation. The Bank independently identifies risks associated with the program supported and ensures, when possible, that the operation contains appropriate mitigation measures.

16. *Monitoring and Evaluation.* The Member Country monitors progress during the implementation of the program supported by the development policy operation, and evaluates results on completion. The Bank assesses and monitors the adequacy of the arrangements by which the Member Country will carry out these responsibilities, with due regard to the Member Country's capacity. In addition, the Bank reviews implementation progress during supervision to verify fulfillment of program conditions and compliance with legal covenants of the legal agreements with the Bank, and to validate monitoring and evaluation findings. Supervision includes a focus on development impact, assessing the results of the operation.

Fiduciary Arrangements for a Development Policy Operation

13. This approach involves (a) clear, monitorable indicators with quantitative baselines and targets, whenever possible, (b) indicative prior actions (or triggers) for the subsequent operations in the series, and (c) notional timing and amounts of subsequent operations.

14. The Indemnity is provided by the Member Country, not its Political Subdivision, even if the debt guaranteed is that of the Political Subdivision. If the Bank Guarantee is funded under a trust fund, and the constituent documents of the trust fund permit, the Bank may forego the requirement of a Member Country Indemnity.

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17. Drawing on relevant analysis of the Member Country's public financial management system, the Bank determines whether the operation should include measures to address identified fiduciary weaknesses.

18. *Use of Funds.* For a Bank Loan, the Member Country undertakes not to use the proceeds of the Bank Loan for expenditures excluded under the legal agreements with the Bank.¹⁵ The Bank normally disburses the proceeds of the Bank Loan into an account that forms part of the country's official foreign exchange reserves (normally held by the central bank), and an amount equivalent to these proceeds is credited to an account of the government to finance budgeted expenditures. Similarly, for a Bank Guarantee, the Member Country undertakes to use the proceeds of the financing supported by the Bank Guarantee exclusively for budgeted expenditures other than those excluded under the legal agreements.¹⁶

19. *Fiduciary Arrangements.* The Bank focuses on the Member Country's overall use of foreign exchange and budget resources as follows:

- a. *Foreign exchange.* The Bank reviews and discusses with IMF staff as appropriate, the IMF's most recent assessment of the Member Country's central bank. When the assessment shows that the control environment of the central bank is satisfactory, or reveals issues for which the Member Country plans to take remedial actions that are monitored by the IMF, the Bank takes no further action.
- b. *Budget resources.* The Bank reviews the Member Country's public financial management and procurement arrangements through diagnostic work and through reports prepared by the Member Country and others, including published annual audit reports of the central bank and of the government.¹⁷

These reviews inform Bank decisions on the amount of the DPF, tranching of the Bank Loan, program content, conditionality, and risk mitigation measures. When the analysis identifies weaknesses in the central bank's control environment or budget management system, or when an acceptable action plan to deal with identified weaknesses is not in place, the Bank identifies the additional steps needed to secure acceptable fiduciary arrangements for the DPF: for example,

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15. For Bank Loans, excluded expenditures consist, among others, of goods and services financed by another domestic or international financial institution or agency or by the Bank under another loan, alcoholic beverages, tobacco products, luxury items, military goods, radioactive materials and nuclear reactors, environmentally hazardous goods, payments prohibited by UN Security Council decisions under Chapter VII of the UN Charter and expenditures with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by any recipient of the loan proceeds without satisfactory action having been taken to address such practices when they occur.
 16. Excluded expenditures in the case of financing supported by a Bank Guarantee are essentially the same as those for Bank Loans.
 17. For a DPF to or for the benefit of a Political Subdivision, the Bank reviews the financial management and procurement arrangements of the country, of the Political Subdivision, and of other applicable subdivisions, in accordance with the country's constitutional and legislative framework.

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requiring dedicated accounts for Bank Loan proceeds or counterpart funds, and having a right to request an audit of these dedicated accounts.

Options

20. A DPF may include one or more options that have specific requirements.

Deferred Drawdown under Bank Loans

21. A regular deferred drawdown option (DDO) or deferred drawdown option for catastrophe risks (Cat DDO) allows the Member Country to postpone drawing down a Bank Loan for a defined drawdown period after the loan agreement has been declared effective.

22. *Eligibility, Drawdown Period, and Conditions.* IBRD-eligible Member Countries may defer disbursement of the Bank Loan for up to three years. During this time, the Member Country must continue to implement the program being supported in accordance with its Letter of Development Policy (LDP) and, for a DDO, must maintain an adequate macroeconomic policy framework. For a DDO, the drawdown is available upon the Member Country's request; for a Cat DDO, the drawdown is available only if a pre-specified trigger linked to a natural catastrophe—typically the Member Country's declaration of a state of emergency—has been met. All specific conditions of disbursement for a Bank Loan with a DDO option (whether a DDO or Cat DDO) must be met before Board presentation and before tranche release approval for a multiple-tranche Bank Loan; none are included as effectiveness conditions in the legal agreement.

23. *Deferral and Renewal.* A Bank Loan with a DDO or Cat DDO option includes a deferral period of up to three years. DDO or Cat DDO may be renewed if the Member Country's implementation of the program set out in its LDP remains satisfactory. A DDO may be renewed once for up to three additional years. A Cat DDO may be renewed four times for up to three years each time, for a total deferral of 15 years. Cat DDO amounts repaid during the deferral period are again available for drawdown.

Special Development Policy Financing

24. *For IBRD-eligible Member Countries that are approaching, or are in, a crisis with substantial structural and social dimensions, and that have urgent and extraordinary financing needs, the Bank may, on an exceptional basis, provide special DPF. The magnitude of such financial support is subject to the availability of adequate IBRD financial and risk-bearing capacity.*

25. *Design and Eligibility Criteria.* To be eligible for special DPF, the Member Country must have a disbursing IMF-supported program in place. Special DPF must be part of an international support package—which may include multilaterals, bilateral donors, and private lenders and investors—of structural, social, and macroeconomic policy, with conditionality embedded in a strong policy program. The Bank determines that the Member Country's external financing plan



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is sustainable, and ascertains that the special DPF and its associated debt service are within medium-term debt sustainability limits. A special DPF in the form of a Bank Loan may have one or more tranches.

26. *Financial Terms.* The financial terms of special DPF reflect the special nature and high risks of financing for crisis support.

Supplemental Development Policy Financing

27. *In exceptional cases, the Bank may provide a separate supplemental DPF additional to the original DPF—in support of the objectives of the program supported by the original DPF and under implementation. A supplemental DPF may be provided for a development policy operation for which an unanticipated gap in financing jeopardizes a reform program that is otherwise proceeding on schedule and in accordance with the agreed policy agenda. A supplemental DPF is approved only when:*

- a. the program is being implemented in compliance with the provisions of the legal agreement with the Bank
- b. the Member Country is unable to obtain sufficient funds from other lenders or guarantors on reasonable terms or in a reasonable time without the supplemental DPF;
- c. the time available is too short to process a further free-standing Bank DPF; and
- d. the Member Country remains committed to the program and the implementing agencies have demonstrated competence in carrying it out.

Debt and Debt Service Reduction

28. *There may be circumstances under which the Bank may be called upon to use its financial resources in support of loan restructuring, equity conversion, or interest rate swaps relating to debt not previously guaranteed by the Bank. DPF for debt and debt service reduction of such debt helps highly indebted countries reduce commercial debt and debt service to a manageable level, as part of a medium-term financing plan in support of sustainable growth.¹⁸ The focus is on rationalizing the Member Country's external commercial debt not already guaranteed by the Bank, by either converting it to lower-interest instruments or buying it back at a discount. In the case of Bank Loans, funds are disbursed against tendered commercial debt for*

¹⁸ In the context of sovereign debt crisis, DPF can help to catalyze a process of debt restructuring but the proceeds of DPF flow only after a comprehensive, orderly, and adequate sovereign debt restructuring agreement has been reached (completed) at the policy level, including in line with the IMF's policies and practice on sovereign debt restructuring (including as regards to the provisions of non-tolerance of unresolved arrears to official bilateral or multilateral creditors). In this regard, staff coordinate with the IMF, the Paris Club, and other organizations, as appropriate, to achieve a concerted action in these situations.

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buy-backs or for purchasing acceptable collateral, to reduce principal and interest payments on new instruments issued in exchange for existing debt. The following cases may be distinguished:

- a. In Member Countries where a program of structural reform supported by DPF is already in place or will be at the same time as the Bank-supported debt restructuring, the Bank must satisfy itself that the savings resulting from debt reduction will increase resources available for investment, because of the comprehensiveness of the program or specific assurances by the Member Country.
- b. In Member Countries where the Bank is not currently engaged in DPF, in order to provide a Bank Loan to the Member Country or a Bank Guarantee of the Member Country's debt, for debt restructuring, the Bank needs to show that: (i) the reduction in debt service permitted by the operation is expected to be translated into increased productive domestic investment¹⁹ and thus enhance economic growth and development even in the absence of an accompanying Bank-supported development policy program; and (ii) the Member Country's supportive policy framework is expected to remain in place.
- c. For debt/equity conversion (direct and indirect) and interest rate swaps, Bank involvement is justified when the Bank Loan or Bank Guarantee assists the Member Country to: (i) undertake a specific new investment; (ii) enhance an existing project; or (iii) in special circumstances, pave the way, significantly and materially, for conditions more conducive to investment.

Documentation and Disclosure

Program Document

29. *For each development policy operation proposed for Bank financing, the Bank prepares a Program Document that describes the operation and the Bank's appraisal of it.²⁰ A Fund Relations Note with the IMF's views on the country's macroeconomic policy framework is normally attached as an annex to the Program Document. The Program Document is available to the public after the DPF has been approved by Executive Directors, unless the Member Country consents to disclosure before the Executive Directors' consideration of the operation.²¹*

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19. Investment has been defined broadly in the Bank's practice to include spending not only for enlarging the productive basis of a country, but also for making it more productive. Investment includes both physical and human capital, as well as spending which directly substitutes for future investment requirements, such as spending on improved operations and maintenance.
 20. For a supplemental DPF, a concise Program Document, known as the Supplemental DPF Document ("SDPFD"), is prepared. It is disclosed in the same fashion as the Program Document.
 21. Program Documents may be disclosed before Board discussion if the Member Country concerned consents to such early disclosure, according to the [World Bank Policy on Access to Information](#), July 1, 2010, paragraph 23 (b), (ii).

**Revised July 2014***Letter of Development Policy*

30. *The Member Country sets out the program of objectives, policies, and measures to be supported by the DPF—typically a subset of the government’s overall strategy—in a Letter of Development Policy (LDP), which is included in the documentation presented for approval.²² The LDP is available to the public after the Bank approves the operation, unless the Member Country consents to disclose the Program Document, to which the LDP is attached, before approval.²³*

Tranche Release

31. *For each tranche of a multiple-tranche Bank Loan after the first one, the Bank prepares a Tranche Release Document that reports on the status of the program being supported under the operation. If the Bank Loan was approved by the Executive Directors: (a) they are notified of the release of the tranche; and (b) they approve any waiver of a tranche condition. The Tranche Release Document is available to the public after such notification or waiver.*

Crisis and Post-Conflict Situations

32. *Countries affected by crisis²⁴ or conflict²⁵ may require an unusually quick response from the Bank. There may not be sufficient time or country capacity to adequately address design considerations (such as possible distributional effects, effects on natural resources and the environment, fiduciary arrangements), or to develop a strong policy program with stakeholder consultation.*

33. *In such situations, DPF is justified on an exceptional basis. In such operations, the Bank describes in the Program Document when and how such design considerations would be addressed.*

Managing Development Policy Financing*Signing*

22. When the Member Country has prepared its own strategy document describing its development and reform program, that strategy document—depending on its coverage and specificity—may serve as the primary vehicle for setting out the substance of the country’s program. The LDP can then become a short letter reflecting specific parts of the country’s own strategy supported by the DPF.

23. See [The World Bank Policy on Access to Information](#), July 1, 2010, paragraph 20 (c).

24. Member Countries affected by crisis referred to in this OP are those facing either an urgent financial crisis (actual or potential) with substantial structural and social dimensions, or actual or potential serious economic dislocation caused by shocks. These might include Member Countries eligible for special DPF under paragraphs 24-26 of this policy statement.

25. Countries affected by conflict referred to in this OP are those that need DPF for urgent rehabilitation, and whose medium-term structural reform agenda is still emerging. (For countries affected by conflict, staff may refer to [OP 2.30, Development Cooperation and Conflict](#).)

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34. Signing of legal agreements for DPF 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 of the Bank Loan, 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.

Bank Loan Closing Date

35. The closing date of a Bank Loan (“Loan Closing Date”) is the date after which the Bank may stop accepting withdrawal applications under the Bank Loan and cancel any undisbursed balance. The Loan Closing Date is not extended: (a) if the Bank Loan is subject to suspension of disbursements, except for items (if relevant) exempted from suspension, or (b) if the Member Country has any audit reports that are outstanding or are not satisfactory to the Bank, unless the Member Country 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.

Bank Guarantee Closing Date; Bank Guarantee Expiration Date

36. The closing date for a Bank Guarantee (“Bank Guarantee Closing Date”) is the date after which the Bank stops monitoring the program. 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.

Recourse and Remedies

37. If the Member Country 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 DPF, the Bank consults with the Member Country, and requires it to take timely and appropriate corrective measures. The Bank’s legal remedies are specified in the relevant legal agreements with the Bank. In the case of a Bank Loan, these remedies may include suspension of disbursements of, and cancellation of, unwithdrawn amounts of the Bank Loan. In the case of a Bank Guarantee, these remedies 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 program-specific circumstances, the extent of possible harm caused by circumstances giving rise to the remedy, and the Member Country’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.



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Note: This BP and OP 8.60, *Development Policy Financing*, were updated on July, 2014, to reflect the recommendations in the document entitled *Enhancing the World Bank's Operational Policy Framework on Guarantees* (R2013-0206 [IDA/R2013-0298]), 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 BP, OP and BP 10.00 as well as in the Bank Policy and Directive, *Financial Terms and Conditions*, and Bank Policy, *Lending Operations: Choice of Borrower and Contractual Agreement*.

Development Policy operations are governed by this OP/BP, and the following OPs and BPs (including any relevant Operational Memoranda and Instructions [internal use only]), as applicable: [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 4.07](#), *Water Resource Management*; [OP/BP 4.20](#), *Gender and Development*; [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 7.60](#), *Projects in Disputed Areas*; [OP/BP 8.45](#), *Grants*; [OP/BP 10.20](#), *Global Environmental Facility Operations*; [OP/BP 11.00](#), *Procurement*; [OP/BP 13.16](#), *Country Portfolio Performance Reviews*; [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 on development policy financing may be addressed to the [OPCS Help Desk](#).

Development Policy Financing

Identification through Appraisal

1. *Identification.* At an early stage of preparation of a development policy operation, the Bank¹ consults with the IMF, IFC and MIGA. As appropriate, to establish a coordinated approach to the development policy program, the Bank in coordination with the Member Country solicits the views of the concerned regional development bank and other external donors on policy objectives.
2. *Concept Documentation.* After the program concept is defined the Bank prepares a concept Program Document (“PD”)² explaining the rationale for the proposed development policy operation, linking it with the Country Partnership Framework, and describing its objectives, expected results, and provisions. For a Bank Guarantee, it also includes an indicative term sheet. The Bank also prepares an initial program information document (“PID”) summarizing the main elements of the evolving operation.

Concept Decision. The concept Program Document and PID are reviewed and discussed at a Bank-wide concept decision meeting. The Bank decides at the concept decision meeting: (a) whether to proceed with the preparation of development policy operation; and (b) on the future preparatory work required. For a DPF in the form of a Bank Guarantee, the Bank also decides on the key features of the guarantee structure, and whether to proceed to initiate negotiations

1. The terms used in this BP have the meanings set forth in OP 8.60. If the DPF is to, or guarantees the debt of, a Political Subdivision, the requirements applicable to the Member Country also apply to its Political Subdivision, as relevant.
2. A template for development policy operations Program Documents is available in the [OPCS website](#).



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with the Member Country and potential lenders to further develop such key features.³ For proposed special DPF,⁴ the Region consults informally with the Board at an early stage of preparation, and thereafter as necessary.

3. *Program Document.* As policy discussions evolve, the Bank continues the preparation of the Program Document (“PD”), which includes the policy and results matrix.⁵ The PD clearly sets out the objectives of the proposed operation in terms of the specific results expected from the program being supported. The results have measurable indicators (with quantitative baselines and targets, whenever possible) for evaluating results on completion. In addition, the PD covers the considerations, design provisions, and fiduciary arrangements⁶ discussed in OP 8.60. Finally, it includes the proposed terms of the DPF.

4. *Decision.* Decision meetings for DPFs are at the corporate level.⁷ The decision meeting assesses the adequacy of the proposed program of prior actions to achieve its stated results and objectives and other considerations. On conclusion of the meeting, the Bank decides: (a) whether to authorize appraisal and negotiations of a DPF in the form of a Loan; or (b) whether to authorize appraisal and continuation of negotiations of a DPF in the form of a Bank Guarantee. It also specifies further actions required.

5. *Appraisal.* During appraisal, the Bank reviews the status of the prior actions and documentation supporting their execution. After appraisal, the Bank updates program documentation, including the draft legal agreements for a Bank Loan.

Negotiations through Effectiveness

6. *Negotiations of Bank Loans.* Management authorizes negotiations of a Bank Loan based on the relevant documentation. The Bank and the Member Country then 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 Bank Loan are raised during the negotiations, based on a consideration of these issues, Management decides whether to proceed.

7. *Submission to Executive Directors.* After negotiations, the Bank finalizes the PD. If any information raises issues of confidentiality or sensitivity, or may adversely affect relations

3. Negotiations of a Bank Guarantee are normally an ongoing process, rather than a discrete step, and may be concluded following approval by the Executive Directors.

4. See [OP 8.60](#), *Development Policy Financing*, paras 24-26.

5. A template of the policies and results matrix can be found as part of the PD template in the OPCS website.

⁶ This includes a clear statement in the PD ascertaining that the General Government Budget is made available to the public in printed form or on an external website; or, in exceptional cases, that the authorities commit to publish the budget within 12 months.

7. Corporate level is carried out at the Regional Operations Committee or Operations Committee. See DPF Instructions.



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between the Bank and the Member Country, and is deemed relevant to the Executive Directors in their decision-making process, such information is not included in the PD, and is described in the Memorandum of the President (MOP) instead. The LDP and the Fund Relations Note are normally attached as annexes to the PD. When there are: (a) payments under any IBRD loan or IDA credit to or guaranteed by the Member Country that are overdue by 30 days; or (b) payments due by the Member Country under any Member Country Indemnity that are overdue by 30 days; the PD is not submitted to the Executive Directors unless exception is granted by Management.

8. *Bank Loan Approval.* For Bank Loans requiring approval by the Executive Directors, after all requirements for Board approval have been met, the Executive Directors decide whether to approve the proposed DPF.

9. *Bank Guarantee Approval.* Management may seek approval by the Executive Directors of a Bank Guarantee before negotiations have been completed. The PD will include the structure of the Bank Guarantee, the proposed risk coverage, and indicative terms and conditions of the Bank Guarantee. The terms and conditions of the underlying guaranteed financing and the Bank Guarantee may be finalized after approval. If the completion of negotiations results in substantial changes to the Bank Guarantee previously approved by the Executive Directors, Management resubmits the proposal to them for approval of the changes.

10. *Management approval.* Management decides whether to approve any DPF that does not require approval by the Executive Directors.

11. *Signing.* After approval of the DPF, the Bank arranges for signing of the relevant legal documents as soon as the relevant signing requirements are met. The legal agreements for a Bank Guarantee are signed after approval of the Bank Guarantee and completion of negotiations. If the legal documents for a Bank Loan are not signed within 6 months following approval, the Bank normally withdraws the offer of the DPF. If the legal documents for a Bank Guarantee are not signed within 12 months following approval, the Bank normally withdraws the offer of the Bank Guarantee. Exceptionally, Management may decide to grant additional time for signing to take place.

12. *Effectiveness.* The legal agreements for a Bank Loan 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; the deadline is not extended beyond 12 months after Bank Loan approval. When the effectiveness deadline is extended, dated covenants, if any, 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 Member Country's agreement. Legal agreements for Bank Guarantees become effective in accordance with their terms.



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13. *Informing the Executive Directors.* For operations approved by the Executive Directors, Management informs the Executive Directors, as part of regular operational reporting, of the following: (a) withdrawals of the DPF offer; (b) legal agreements that terminate for failure to become effective; and (c) terminated legal agreements that have been reinstated.

14. *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 DPF was originally approved, the legal agreements are not signed or declared effective until Bank approval of the new conditions is obtained.

Deferred Drawdown Option

15. *Deferral Period.* Throughout the deferral period of a Bank Loan with DDO or Cat DDO option, the Bank maintains a close policy dialogue with the Member Country. As part of regular supervision and at least every 12 months, the Bank reviews the Member Country's continuing adherence to the overall program laid out in the LDP and, for a DDO, the adequacy of the Member Country's macroeconomic policy framework. If at any time during the deferral period, the Bank concludes that the Member Country no longer complies with the LDP program (or, for the DDO, no longer has an adequate macroeconomic policy framework), the Bank promptly notifies the Member Country, including the reasons for its determination; advises that if the Member Country requests a drawdown it will be subject to a full review of program implementation (and, for the DDO, of the macroeconomic policy framework); works with the Member Country to help it meet the relevant conditions; and notifies the Member Country when those conditions are again met.

16. *Drawdown and Renewal.* On the Member Country's request to draw on the Bank Loan, the Bank responds rapidly with the disbursement (for the Cat DDO, after confirming that the natural disaster condition has been met). However, if the Bank has previously advised the Member Country that it does not meet relevant conditions for the drawdown (set out in OP 8.60, para. 22) and the Member Country has not yet returned to compliance with those conditions, the Bank conducts a full review of the overall program implementation (and, for the DDO, of the macroeconomic policy framework) as early as possible on receipt of the Member Country's drawdown request. Once the Bank confirms that the Member Country has met the relevant drawdown conditions, the Bank proceeds with disbursement. DDOs and Cat DDOs can be renewed with approval of the RVP provided that the overall program continues to be implemented in a manner satisfactory to the Bank and macroeconomic policies are adequate.

Disbursement, Supervision, Monitoring, and Evaluation

17. *Bank Loan Disbursement; Tranches.* After the legal agreements have been declared effective, the Bank disburses the proceeds of the Bank Loan in accordance with the terms and conditions of the legal agreement, including tranche release conditions. These conditions include Bank satisfaction with: (a) the program being carried out by the Member Country; and (b) the adequacy of the Member Country's macroeconomic policy framework. Each subsequent tranche



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of a multiple tranche operation is normally also conditioned on compliance with key actions included in the reform program supported by the Bank Loan.

18. *Tranche Release Document.* During the preparation of a Tranche Release Document (“TRD”), the Bank consults with the Member Country to identify any sections of the TRD that are confidential or sensitive, or that could adversely affect relations between the Member Country and the Bank if disclosed. As appropriate, the Bank makes adjustments to the TRD to deal with any matters raised by the Member Country.

19. *Tranche Release.* When the Member Country has, in all material respects, satisfactorily met the conditions for tranche release specified in the legal agreement, Management approves the tranche release and, for a Bank Loan approved by the Executive Directors, informs the Executive Directors accordingly. The MOP that accompanies the TRD may incorporate any information raising issues of confidentiality, sensitivity, or adverse relations between the Member Country and the Bank that Management wishes to convey to Executive Directors.

20. *Waivers of Tranche Release.* A waiver of the tranche release conditions for a Bank Loan approved by the Executive Directors, requires approval by the Executive Directors.

21. *Refunds of Excluded Expenditures.* If the Bank at any time determines that any amount withdrawn under the Bank Loan has been used for expenditures excluded under the legal agreement, the Bank requires the Member Country to refund the amount to the Bank. The amount so refunded is credited to the loan account and cancelled.

22. *Supervision, Monitoring & Evaluation.* Supervision of a development policy operation covers monitoring, evaluative review, reporting, and technical assistance activities as needed to:

- a. ascertain whether the Member Country is carrying out the program with due diligence to achieve its development objectives in conformity with the legal agreements;
- b. identify problems promptly as they arise during implementation and recommend to the Member Country ways to resolve them;
- c. recommend changes in program concept or design in programmatic series, as appropriate, and as the program evolves or circumstances change;
- d. identify the key risks to program sustainability and recommend appropriate risk management strategies and actions to the Member Country; and
- e. prepare the Bank’s implementation completion and results report (“ICR”), and draw lessons to improve the design of future operations, sector and country strategies, and policies.

23. In supervising a development policy operation, the Bank monitors the Member Country’s overall economic performance and the timely adoption and effective implementation of the



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program conditions. For multiple-tranche operations, the Bank assesses the Member Country's progress toward meeting the conditions for release of the next tranche. For programmatic operations, the Bank assesses the Member Country's progress in implementing the expected actions for the subsequent operation in the series. The Bank also validates the Member Country's monitoring and evaluation findings on the progress and results of program implementation. The task team consults and coordinates with the IMF and any co-financiers in carrying out its supervision work.

24. *Changes to Programmatic Series.* For a programmatic series of development policy operations, if priorities or circumstances surrounding the program change during program implementation, it may be desirable to introduce corresponding changes in program objectives and/or design, to be reflected in subsequent operations in the series. On receipt of a written request from the Member Country for the change, the Bank determines whether the change is significant or minor. Significant changes—for example, revisions to the number of operations in a series or in the number or substantive content of triggers for subsequent operations—are vetted at the corporate level.

25. *Monitoring Bank Guarantees after the Guarantee Closing Date.* In the case of a DPF in the form of a Bank Guarantee, following the Guarantee Closing Date (which is commonly 12 months after the effectiveness date) and the preparation of the ICR, monitoring continues at the corporate level until the Bank Guarantee Expiration Date, focusing on the specific risks covered under the Bank Guarantee.

Supplemental Financing

26. Before considering supplemental DPF, the Bank explores with the Member Country other solutions, including identifying alternative sources of funds. Staff develop a concise Program Document, known as the Supplemental Financing Document (“SFD”), that explains why supplemental financing is needed and what measures have already been taken to deal with the situation. The SFD sketches the recent developments relevant to the program and shows that the criteria for the supplemental DPF have been met. It also describes any changes required in the loan documents. Supplemental financing is provided as a separate Bank Loan or Bank Guarantee and constitutes a new commitment. If the DPF was originally approved by the Executive Directors, the supplemental DPF is approved by the Executive Directors.

Cancellation; Closing Date; Recourse and Remedies

27. *Suspension, Cancellation and Termination of a DPF.* Suspension, cancellation and/or termination of a DPF are effected in accordance with the relevant provisions of the legal agreements, and, in the case of Bank Loans, in accordance with the following provisions:

28. *Loan Cancellation.* The Member Country or the Bank may decide to cancel an unwithdrawn amount of the Bank Loan in accordance with the provisions of the legal agreements. When the Member Country decides to cancel an amount of the Bank Loan and



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gives notice to the Bank, the cancellation is effective as of the date of receipt of the notice. The Bank does not accept requests for retroactive cancellations.

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

30. *Loan Closing Date.* During implementation of the operation, the Bank monitors the approach of the Loan Closing Date, which is commonly 12 months after the effectiveness date, and works with the Member Country to ensure that closing procedures as set out below are followed. Upon a request from the Member Country, the Bank may decide to extend the Loan Closing Date if the Bank Loan has an undisbursed amount and the program remains on track as approved.

31. *Closing the Bank Loan Account.* The Bank closes the loan 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 Loan Closing Date. Any undisbursed balance of the Bank Loan is cancelled. The Bank notifies the Member Country of the final disbursement status of the Bank Loan account and the cancellation of any undisbursed balance.

32. *Suspended Bank Loan Disbursements.* If a suspension of disbursements is in effect on the Loan Closing Date, any unwithdrawn Bank Loan balance is normally canceled and the Bank Loan account is closed. Exceptionally, Management may decide to authorize a delay in canceling the balance and closing the Bank Loan account if suspension is likely to be lifted imminently and program 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 Loan Closing Date.

Evaluation

33. The Bank prepares an ICR on completion of an operation, due 12 months after the Closing Date.⁸ The ICR assesses: (a) the degree to which the program achieved its development objectives and results as set out in the Program Document; (b) other significant outcomes and impacts; (c) prospects for the program's sustainability; and (d) Bank and Member Country performance, including compliance with relevant Bank policies. It draws on the data and analysis to substantiate these assessments, and it identifies the lessons learned from implementation. For a programmatic DPF, a single ICR for the series is prepared on completion of the program, due 12 months after the Closing Date of the last operation in

⁸ "Closing Date" refers, collectively, or as the context requires, singularly, to a Loan Closing Date and/or a Bank Guarantee Closing Date.



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the series or the lapse of the series.⁹ Management may decide to authorize an extension of time for the completion of the ICR and its submission to Executive Directors.

⁹ A programmatic series is considered to have lapsed 24 months after the Executive Directors approval of the previous operations in the series.



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Note: OP/BP 9.00, *Program-for-Results Financing*, was revised on April 2013 to reflect 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 have been retired and their content reflected in this OP/BP: OP/BP 13.00, *Signing of Legal Documents and Effectiveness of Loans and Credits*; OP/BP 13.30, *Closing Dates*; OP/BP 13.40, *Suspension of Disbursements*; and OP/BP 13.50, *Cancellations* (and related Operational Memoranda).

Program-for-Results operations are governed by this OP, the related BP, and the following OPs and BPs (including any relevant Operational Memoranda and Instructions [internal use only]), as applicable: [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 4.07](#), *Water Resource Management*; [OP/BP 4.20](#), *Gender and Development*; [OP 4.76](#), *Tobacco*; [OP 7.00](#), *Lending Operations: Choice of Borrower and Contractual Agreements*; [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/BP 8.45](#), *Grants*; [OP/BP 10.20](#), *Global Environmental Facility Operations*; [OP/BP 13.16](#), *Country Portfolio Performance Reviews*; [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 related to this OP and BP 9.00 may be addressed to the [OPCS Help Desk](#).

Program-for-Results Financing

1. Program-for-Results Bank financing¹ aims to promote sustainable development and improve the efficiency and effectiveness of expenditures by:
 - a. financing the expenditures of specific borrower development programs;
 - b. disbursing on the basis of the achievement of key results (including prior results) under such programs;
 - c. using and, as appropriate, strengthening the program systems to provide assurance that program funds are used appropriately and that environmental and social impacts are adequately addressed by such programs; and
 - d. strengthening, where appropriate, the institutional capacity necessary for such programs to achieve their intended results.
2. Programs supported by Program-for-Results financing (hereinafter “Programs”) have expenditures, activities, and defined results, and promote sustainable development. The Programs may be:
 - (a) new or already under implementation;
 - (b) national, subnational, multisectoral, sectoral, or sub-sectoral in scope;
 - (c) part of broader, longer-term, or geographically larger programs; and/or
 - (d) carried out by governmental and/or nongovernmental parties.

¹ Program-for-Results Bank financing refers to the provision of loans, credits, or grants financed by the Bank (including IBRD and IDA) from its resources or from trust funds financed by other donors and administered by the Bank, or a combination of these (hereinafter “Program-for-Results financing”).

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3. Subject to the other applicable requirements of this OP, Program-for-Results financing may be extended to any type of expenditures, provided the Program is productive and Program oversight arrangements, including the fiduciary arrangements, provide reasonable assurance that financing proceeds will be used for the purposes for which the financing is granted, with due consideration of economy and efficiency. The amount of Program-for-Results financing should be equal to or less than the total Program expenditures. If by the end of the Program, the amount of Program-for-Results financing disbursed exceeds the total amount of expenditures under the Program, taking into account contributions from other financing sources, the borrower is required to refund the difference to the Bank.

4. Subject to the other applicable provisions of this OP, financing proceeds are disbursed upon the achievement of verified results specified as disbursement-linked indicators (DLIs). Such disbursements are not dependent upon or attributable to individual transactions or expenditures. Under appropriate circumstances, such as to provide the borrower with resources to allow the Program to start or to facilitate the achievement of one or more DLIs, the Bank may agree to disburse a portion of the financing proceeds as an advance for DLIs that have not yet been achieved.

Considerations for Program-for-Results Financing

5. The Bank's assessment of a proposed Program is based on various country and Program-specific strategic, technical, and risk considerations. These include the Program's strategic relevance, technical soundness, expenditure analysis, economic rationale, results framework, fiduciary and environmental and social systems² and risks, including governance arrangements.³ The assessments evaluate the relevant risks and the scope for improvements and managing such risks, including proposed institution strengthening activities to be undertaken before, if deemed appropriate, and during Program implementation.

6. The *technical assessment* considers, among other things, the Program's rationale and its development objectives (taking into account consistency with the Bank's overall assistance strategy for the member country in question); the borrower's commitment; relevant institutional and implementation arrangements, including governance; the Program's activities and expenditures framework; the degree to which the Program aims to achieve specific, measurable, and verifiable results; the monitoring and evaluation arrangements; and the general policy, legal, regulatory, and institutional frameworks relevant to the Program.

7. The *fiduciary systems assessment* considers whether Program systems provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The Program

² In this OP, the term "systems" or "Program systems" refers to the systems of the institutions responsible for Program implementation, including the relevant rules, procedures, controls, risk identification and mitigation arrangements, and, when applicable, past implementation experience and record.

³ In this OP, references to the Program governance arrangements and risks refer to: (a) good governance principles (transparency, integrity, accountability and effectiveness); (b) handling the risks of fraud, corruption, coercion, collusion, and similar activities (hereinafter "fraud and corruption"), and how such risks are managed and/or mitigated; and (c) compliance with the requirements set out in the Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing (February 1, 2012), as such guidelines may be amended from time to time.

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procurement systems are assessed as to the degree to which the planning, bidding, evaluation, contract award, and contract administration arrangements and practices provide reasonable assurance that the Program will achieve intended results through its procurement processes and procedures. The financial management systems are assessed as to the degree to which the relevant planning, budgeting, accounting, internal controls, funds flow, financial reporting, and auditing arrangements provide reasonable assurance on the appropriate use of Program funds and safeguarding of its assets. The fiduciary assessment also considers how Program systems handle the risks of fraud and corruption, including by providing complaint mechanisms, and how such risks are managed and/or mitigated.

8. The *environmental and social systems assessment* considers, as may be applicable or relevant in a particular country, sector, or Program circumstances, to what degree the Program systems:

- a. promote environmental and social sustainability in the Program design; avoid, minimize, or mitigate adverse impacts, and promote informed decision-making relating to the Program's environmental and social impacts;
- b. avoid, minimize, or mitigate adverse impacts on natural habitats and physical cultural resources resulting from the Program;
- c. protect public and worker safety against the potential risks associated with: (i) construction and/or operations of facilities or other operational practices under the Program; (ii) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the Program; and (iii) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards;
- d. manage land acquisition and loss of access to natural resources in a way that avoids or minimizes displacement, and assist the affected people in improving, or at the minimum restoring, their livelihoods and living standards;
- e. give due consideration to the cultural appropriateness of, and equitable access to, Program benefits, giving special attention to the rights and interests of the Indigenous Peoples and to the needs or concerns of vulnerable groups; and
- f. avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

9. Activities that are judged to be likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people, and activities that involve procurement of works, goods, and services under contracts whose estimated value exceeds specified monetary amounts (high-value contracts)⁴ are not eligible for Program-for-Results financing, and are excluded from the Program.

10. The Program *integrated risk assessment* considers key risks to achieving the Program's results and development objectives. The integrated risk assessment is informed by the results of the technical, fiduciary, and environmental and social systems assessments and provides a key input into the Bank's decision to provide Program-for-Results financing. This decision takes into account country/sector/multisector-specific circumstances, potential benefits of the Program, the needs and

⁴ See paragraph 5 of [BP 9.00](#).



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capacity of the borrower,⁵ and the degree to which the Program-for-Results financing and implementation support will contribute to the overall Program objectives and results.

Borrower and Bank Roles and Responsibilities in Program Preparation and Implementation

11. The borrower is responsible for preparing and implementing the Program. The Program's scope and objectives and the borrower's contractual obligations to the Bank are set out in the legal agreements with the Bank. These obligations include the requirement to carry out the Program with due diligence, and to maintain appropriate monitoring and evaluation arrangements (including credible DLI verification protocols), fiduciary and environmental and social Program systems, and governance arrangements. 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.

12. The Bank assesses and appraises the Program in accordance with this OP/BP 9.00, and other applicable policy, technical, operational, and procedural requirements. In relation to the environmental and social systems assessment, the Bank consults with Program stakeholders and discloses the results and recommendations of its assessment. As appropriate, the Bank agrees with the borrower on specific actions to be taken and arrangements to be maintained during the period of the Program, including measures to address identified weaknesses and risks and to strengthen institutional capacity.

13. The Bank provides implementation support to the borrower by reviewing implementation progress, achievement of the Program results and DLIs, and associated Program risks. The Bank monitors the borrower's compliance with its contractual obligations, including actions to strengthen institutional capacity.

Recourse, Remedies, and Sanctions

14. 14. If the borrower does not comply with its contractual obligations, the Bank consults with the borrower, and requires the borrower to take timely and appropriate corrective measures. The Bank's legal remedies are specified in the relevant legal agreements and include the right to suspend disbursement and to cancel Program-for-Results financing. The Bank exercises such remedies when warranted and as it deems appropriate, taking into account, among other things, country-, sector-, and Program-specific circumstances, the extent of and possible harm caused by circumstances giving rise to the remedy, and the borrower's commitment and actions to address the identified problems. However, the Bank takes a graduated approach to suspension for non-payment, and when an IBRD loan or IDA credit payment from the borrower to the Bank is overdue by 60 days, the Bank suspends all financings to or guaranteed by the country concerned.

15. The borrower is responsible, among other things, for taking appropriate measures to prevent, detect, and respond to fraud and corruption or allegations of fraud and corruption in the Program. The Bank has the right to investigate allegations of fraud and corruption in the Program and to sanction parties that engage in sanctionable practices.

⁵ In this OP, unless the context requires otherwise, references to the "borrower" include the borrower of record and any other entities involved in Program implementation.



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Managing Program-for-Results Financing

16. *Approval.* The Executive Directors decide whether to approve IBRD and IDA Program-for-Results Financing proposals. Except for IDA grants and trust fund-financed grants explicitly requiring approval by the Executive Directors, all other grants are approved by Management.
17. *Signing.* Signing of legal agreements for Program-for-Results Financing takes place after all required authorizations have been issued, and provided there are 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, unless, in exceptional circumstances, Management approves the signing and reports such information to the Executive Directors.
18. *Restructuring.* During the implementation of the Program, and as part of Bank implementation support, the Program may, with the agreement of the Bank and the borrower, be restructured to strengthen its development impact, modify its development objectives or DLIs, improve Program performance, address risks and problems that have arisen during implementation, make appropriate use of undisbursed financing, cancel unwithdrawn amounts prior to the Closing Date, extend the financing Closing Date, or otherwise respond to changed circumstances. A restructuring involving a modification of the original Program objectives is referred to as a Level One restructuring and is submitted for approval by the Executive Directors. A restructuring involving any other modification of the Program is referred to as a Level Two restructuring. The authority to approve Level Two restructuring is delegated by the Executive Directors to Management. Management periodically informs the Executive Directors of Level Two restructurings.
19. *Closing Date.* The closing date ("Closing Date") is the date after which the Bank may stop accepting withdrawal applications under the Program-for-Results Financing and cancel any undisbursed balance in the financing account. The Closing Date is not extended: (a) for financings subject to suspension of disbursements; or (b) for any financing to a borrower with any outstanding audit reports or with audit reports which are not satisfactory to the Bank, unless the borrower and the Bank have agreed on actions to address the deficiencies. Exceptionally, retroactive extensions of a Closing Date may be approved by Management.

Additional Program-for-Results Financing

20. The Bank may agree to provide additional Program-for-Results financing to an ongoing Program to meet: (a) unanticipated significant changes to expenditures parameters required to achieve the original Program results or DLIs; or (b) new or modified results, to be reflected in new or modified DLIs, that aim to scale up the impact or development effectiveness of the original Program. The Bank provides additional Program-for-Results financing if it is satisfied with the overall implementation of the original (or restructured) Program. The Bank considers the proposed additional Program-for-Results financing on the basis of, as necessary, updated or additional technical, fiduciary, environmental and social impacts, and integrated risk assessments. Additional Program-for-Results financing is separate and distinct from the original Program-for-Results financing and is submitted for approval by the Executive Directors or Management (as in paragraph 16 of this OP).

Disclosure of Information

21. During Program preparation and implementation support, the Bank discloses Program-related information in accordance with the [World Bank Policy on Access to Information](#).



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Program-for-Results operations are governed by this OP, the related BP, and the following OPs and BPs (including any relevant Operational Memoranda and Instructions [internal use only]), as applicable: [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 4.07](#), *Water Resource Management*; [OP/BP 4.20](#), *Gender and Development*; [OP 4.76](#), *Tobacco*; [OP 7.00](#), *Lending Operations: Choice of Borrower and Contractual Agreements*; [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/BP 8.45](#), *Grants*; [OP/BP 10.20](#), *Global Environmental Facility Operations*; [OP/BP 13.16](#), *Country Portfolio Performance Reviews*; [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 related to this OP and BP 9.00 may be addressed to the [OPCS Help Desk](#).

Program-for-Results Financing¹

1. The Bank assesses a program proposed by the borrower² for Program-for-Results Bank financing³ (hereinafter the “Program”) and, upon Program-for-Results financing approval, provides implementation support to the borrower in accordance with the requirements set forth in [OP 9.00](#) and this BP.

A. Preparation of the Program Operation

2. The preparation phase includes identification, assessment, and appraisal of the Program, and various interim processing and decision steps such as concept review, decision meeting, negotiations, and approval.

¹ BP 9.00 is derived from and accompanies [OP 9.00](#), and may be further supplemented by guidance and instructions issued from time to time by Management.

² In this BP, unless the context requires otherwise, references to the “borrower” include the borrower of record and any other entities involved in Program implementation.

³ Program-for-Results Bank financing refers to the provision of loans, credits, or grants financed by the Bank (including IBRD and IDA) from its resources or from trust funds financed by other donors and administered by the Bank, or a combination of these (hereinafter “Program-for-Results financing”).



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Identification to Concept Review

3. At the identification stage, the Bank consults with the borrower on the borrower's development program and goals, and seeks to identify the Program's overall parameters, objectives, financing requirements, possible level of Program-for-Results financing, and other general information. After the Bank and borrower have reached preliminary understanding on the Program concept and parameters, Bank budget is made available for further Program preparation, and a task team is formed, led by a team leader and comprising relevant specialists.
4. The task team preliminarily, and in consultation with the borrower:
 - a. defines the Program and assesses its development objectives, strategic relevance, rationale, and relation to the relevant Country Assistance Strategy (CAS), Country Partnership Strategy (CPS), or similar instrument;
 - b. identifies the results to be achieved under the Program;
 - c. identifies the overall Program expenditures, nature of activities and implementation arrangements;
 - d. estimates the possible scope of Program-for-Results financing;
 - e. considers whether the Program systems⁴ in the fiduciary, environmental and social, and governance⁵ areas are broadly adequate;
 - f. when the proposed Program is a part of an ongoing program, considers that program's performance to date and, if applicable, lessons learned from similar programs in the country; and
 - g. considers the risks to achieving the Program's objectives and results.
5. In accordance with paragraph 9 of [OP 9.00](#), the task team preliminarily assesses whether the proposed Program may involve activities that: (a) are judged to be likely to have a significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or (b) involve procurement of goods, works, and services under high-value contracts. For the purposes of this BP, "high-value contracts" means contracts with estimated values exceeding the monetary amounts, as may be amended from time to time, that require mandatory review by the Bank's Operations

⁴ In this BP, the term "systems" or "Program systems" refers to the systems of the institutions responsible for Program implementation, including the relevant rules, procedures, controls, risk identification and mitigation arrangements, and, when applicable, past implementation experience and record.

⁵ In this BP, references to the Program governance arrangements and risks refer to: (a) good governance principles (transparency, integrity, accountability and effectiveness); (b) handling the risks of fraud, corruption, coercion, collusion, and similar activities (hereinafter "fraud and corruption"), and how such risks are managed and/or mitigated; and (c) compliance with the requirements set out in the [Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing](#) (February 1, 2012), as such guidelines may be amended from time to time.

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Procurement Review Committee (OPRC).⁶ Such activities are not eligible for Program-for-Results financing, and are excluded from the Program.

6. The Bank coordinates its preparatory work with development partners and other parties that may cofinance the Program or be otherwise involved in Program-related activities.

7. After the Program concept is developed, but before further preparation takes place, the task team prepares a Program Concept Note (PCN) that describes the proposed Program, including the information under paragraphs 4 and 5 above. The task team also prepares an initial Program Information Document (PID) that summarizes the main elements of the Program and the proposed Bank financing. The PCN and the PID are submitted for the Concept Review. The Concept Review decides, among other things: (a) whether the Bank should proceed with the preparation of the Program-for-Results financing; (b) the overall parameters of the assessments to be carried out; (c) the level of subsequent Bank review(s);⁷ and (d) the timetable and resources for Program preparation.

8. Upon receiving authorization to continue with the preparation of the operation, the task team submits the PID for public disclosure.

Assessment and Appraisal

9. The Bank continues to carry out the Program technical, fiduciary systems, environmental and social systems, and integrated risk assessments (described in Part B of this BP), taking into account the country-, sector-, and Program-specific circumstances, the scope for improvements before and during implementation, the risks to achieving Program objectives and results, and associated risk mitigation measures. The integrated risk assessment is an ongoing process that requires periodic consultations between the task team and Management, and between the Bank and the borrower.

10. After the assessments have been carried out and most design and assessment issues have been resolved, the task team submits for Management's Decision Review Meeting the draft Program Appraisal Document (PAD), an updated draft PID, and the draft legal agreements.⁸ The Decision Review Meeting decides on, among other things, the following matters:

- a. the ability to achieve Program results and the adequacy of the disbursement-linked indicators (DLIs), and their verification protocols;

⁶ See [OPRC Thresholds](#).

⁷ Decision reviews may take place at either: (a) the corporate review level, through a Regional Operations Committee, or the Bank's Operations Committee; or (b) at a subcorporate level (review by country or regional management). For more details, see the [Guidelines and Procedures for Corporate Review of Operations and Country Strategies](#).

⁸ When significant Program design or other legally relevant issues remain partially unresolved, the draft legal documents may be excluded from the documents submitted for the decision meeting.

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- b. the adequacy of the recommendations from the assessments, as well as the Program action plan (if required) for enhancing the Program systems and mitigating risks;
 - c. the overall Program risk assessment;
 - d. the exclusion from the Program of activities referred to in paragraph 5 of this BP;
 - e. Program-for-Results financing conditions, including conditions of appraisal, negotiations, and Board presentation, and legal conditions;
 - f. the proposed implementation support arrangements; and
 - g. whether the task team should proceed with Program appraisal or whether the Program can be considered already appraised.
11. The task team appraises the Program-for-Results financing to confirm any relevant Program- and financing-related information and resolve any outstanding legal, design, and implementation issues, and then finalizes the draft PAD and draft legal documents. The updated PID is disclosed before the Program appraisal is completed.
12. Generally, the following information is finalized following the appraisal:
- a. the Program's definition, development objective, rationale, and scope, taking into account the provisions of paragraph 9 of [OP 9.00](#) and paragraph 5 of this BP, planned expenditures, financing requirements, and implementation and funds flow arrangements;
 - b. the technical, fiduciary, environmental and social systems, and integrated risk assessments carried out and the conclusions of those assessments, and, as necessary, the relevant risk management and other actions undertaken or to be undertaken during the preparation of the Program operation, and/or during Program implementation, to enhance Program systems and performance;
 - c. the main legal terms and conditions, DLI verification protocols, and/or the Program action plan, as applicable;
 - d. the results framework and the monitoring and evaluation arrangements, and, as appropriate, baseline references to be used in monitoring implementation and Program systems performance and assessing the development effectiveness of the Program at completion;
 - e. the DLIs and their credible verification protocols,⁹ and other disbursement-related provisions;

⁹ The credibility of verification protocols is finally assessed and confirmed at appraisal, and described in the Program documents, as appropriate. Depending on the nature of the specific DLIs and the overall context of the Program and country circumstances, the verification of DLIs can be carried out in various forms and by various parties, which could include but not be limited to government agencies, semi-autonomous entities, statistical or audit entities, and third-party entities such as nongovernmental organizations and representatives of civil



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- f. cofinancing or other collaboration arrangements with other development partners and stakeholders;
 - g. any proposed exceptions to or waivers from Bank policies or procedures; and
 - h. implementation support arrangements.
13. **DLIs and Disbursement.** The DLIs are specific, measurable, and verifiable indicators related to and/or derived from the Program development objectives and the results framework.¹⁰
14. Subject to the other requirements of [OP 9.00](#) and this BP, the Bank may agree to disburse up to 25 percent of Program-for-Results financing proceeds (unless a higher percentage is approved by Management) on account of the DLIs met by the borrower between the date of the Program Concept Review and the date of the legal agreement for Program-for-Results financing.
15. To provide a borrower with resources to allow the Program to start or to facilitate the achievement of one or more DLIs, the Bank may agree to make an advance payment (following the effectiveness of the Program-for-Results financing legal agreement) of up to 25 percent of Program-for-Results financing (unless a higher percentage is approved by Management) for one or more DLIs that have not yet been met (“advance”). When the DLI(s) for which an advance has been disbursed are achieved, the amount of the advance is deducted (recovered) from the amount due to be disbursed under such DLI(s). The advance amount recovered by the Bank is then available for additional advances (“revolving advance”). The Bank requires that the borrower refund any advances (or portion of advances) if the DLIs have not been met (or have been only partially met) by the Program Closing Date.
16. The combined amount of financing referred to in paragraph 14 and paragraph 15 of this BP 9.00 may not exceed 30 percent of the Program-for-Results financing (unless a higher percentage is approved by Management).

Negotiations and Approval

17. Following the appraisal, the task team submits for Management approval a request, supported by the relevant documents, to negotiate the Program-for-Results financing. After negotiations have been authorized, the Bank and borrower and any other Program-related parties conduct the negotiations and seek to finalize agreement on the relevant issues and documents. If new substantive issues or significant changes in the design of the Program or Program-for-Results financing are raised during the negotiations, the task team consults with Management. If the negotiations of the financing requiring approval by the Executive Directors are successfully completed, and there are no Board conditions, the task team finalizes the relevant draft Program-for-Results documents for submission to the Board. If any information in the

society. For disbursement purposes, the Bank retains the right to make the final decision whether DLIs have been achieved.

¹⁰ DLIs may be expressed as outcomes, outputs, intermediate outcomes or outputs, process indicators, or financing indicators. DLIs may also be defined as actions or process results deemed critical for strengthening performance under the Program (this could include actions for improving fiduciary, social and environmental issues and/or monitoring and evaluation), or as indicators of key institutional changes.



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PAD raises issues of confidentiality or sensitivity, 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, the task team, in consultation with Management, removes this information from the PAD and incorporates it in the draft MOP.

18. After all requirements for Board presentation of Program-for-Results Financing requiring Executive Directors approval have been met, the Executive Directors decide on whether to approve the proposed Program-for-Results financing.¹¹ The final PAD is disclosed in accordance with the Bank's [Policy on Access to Information](#).

B. Program Assessments

Technical Assessment

19. The technical assessment is carried out in accordance with the provisions set out in paragraph 6 of [OP 9.00](#) and paragraph 9 of this BP, and addresses the following matters:

20. ***Strategic relevance, technical soundness, and institutional arrangements.*** The task team assesses whether:

- a. there is a clear rationale for the Program, with the Program addressing an important development goal, and whether there is potential to significantly improve Program performance;
- b. the Program is consistent with the Bank's overall assistance strategy for the member country in question (as expressed in the CAS, CPS, or similar instrument);
- c. the technical approach proposed by the borrower under the Program, and the Program's structure and implementation arrangements (including governance arrangements), are adequate;
- d. the borrower's institutional capacity is adequate; and
- e. the general legal, regulatory, and institutional environment within which the Program will operate is adequate for Program implementation.

21. ***Expenditure Framework.*** The task team assesses the level, efficiency, transparency, and effectiveness of the expenditures included in the Program. This includes consideration of whether the planned expenditures are adequate to achieve the Program results, whether the medium-term budget is sustainable, and whether there are major discrepancies between budget allocations, releases, and actual expenditures.

22. ***Results Framework and DLIs.*** The task team assesses the Program's: (a) results framework, which may include outcomes, outputs, intermediate outcomes or outputs, including the degree to which

¹¹ For more details, see the OPCS Processing Steps Guidelines and [SECPO guidance detailing eSubmission of Board documents](#).



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the Program aims to achieve these results; (b) monitoring and evaluation framework; and (c) DLIs and the related verification protocols.

23. **Economic Evaluation.** The task team undertakes an economic evaluation providing the rationale for the public provision of the Program, where appropriate, as well as its expected impact, describing, among other things, the expected added value of Bank support. Evaluation methods range from narrative comparisons of scenarios to quantitative methods.

Fiduciary Systems and Environmental and Social Systems Assessments

24. The task team carries out the fiduciary and the environmental and social systems assessments in accordance with paragraphs 7 and 8 of [OP 9.00](#). The assessments consider whether the Program institutions have the capacity to carry out adequate planning, decision making, execution, reporting, monitoring and evaluation, auditing and information disclosure under the Program. The assessments include: (a) a review of the existing systems; (b) identification of areas in which the implementing entities should improve procedures and performance (which may be expressed through the Program's action plan, as necessary); and (c) inputs to the integrated risk assessment.

25. **Fiduciary Systems Assessment.** The assessment is carried out in accordance with paragraph 7 of [OP 9.00](#). The task team evaluates the Program fiduciary systems to determine whether they provide reasonable assurance that the Program expenditures will be used appropriately to achieve their intended purpose. The fiduciary systems assessments consider the degree to which:

- a. from a procurement perspective there is/are reasonable: (i) arrangements for planning and budgeting; (ii) procurement rules and such rules are easily accessible to the public; (iii) capacity for contract management and administration; (iv) complaint mechanisms, including clarity on how they are utilized; (v) systems for Program oversight and control; and
- b. from a financial management perspective: (i) the budgeted expenditures are realistic, prepared with due regard to relevant policies, and executed in an orderly and predictable manner; (ii) reasonable records are maintained and financial reports produced and disseminated for decision-making, management, and reporting; (iii) adequate funds are available to finance the Program; (iv) there are reasonable controls over Program funds; and (v) independent audit arrangements are in place.

26. As part of the assessments, and taking into account the requirements of the [Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing \(February 1, 2012\)](#) (ACGs), the Bank also assesses the degree to which Program systems handle the risk of fraud and corruption, including complaint mechanisms, and how such risks are managed and mitigated. The Bank and the borrower will, where required, agree on a Program-specific protocol describing the operational arrangements to handle allegations, information, and investigations related to fraud and corruption.¹²

27. The fiduciary systems assessment provides a reference that is used to monitor fiduciary systems performance during Program implementation and identifies actions, as needed, to enhance the fiduciary

¹² Such a protocol may be formulated in various forms, for example as a covenant in the legal agreement between the Bank and borrower, letter or memorandum of understanding, or as part of the minutes of negotiations.

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systems during Program preparation and implementation (the latter are included in the Program's action plan). The fiduciary risks and proposed mitigation measures are inputs to the integrated risk assessment.

28. ***Environmental and Social Systems Assessment.*** The task team assesses the Program systems for managing environmental and social effects, taking into account, among other things, the capacity to plan, implement, monitor, and report on the environmental and social mitigation measures, the scope for improvements, and the risks and related mitigation measures.

29. The assessment, carried out in accordance with paragraph 8 of [OP 9.00](#), considers, as may be applicable or relevant under particular country, sector, or Program circumstances, to what degree the Program systems:

- a. operate within an adequate legal and regulatory framework to guide environmental and social impact assessments at the Program level;
- b. incorporate recognized elements of environmental and social assessment good practice, including: (i) early screening of potential impacts; (ii) consideration of strategic, technical, and site alternatives (including the “no action” alternative); (iii) explicit assessment of potential induced, cumulative, and transboundary impacts; (iv) identification of measures to mitigate adverse environmental or social impacts that cannot be otherwise avoided or minimized; (v) clear articulation of institutional responsibilities and resources to support implementation of plans; and (vi) responsiveness and accountability through stakeholder consultation, timely dissemination of Program information, and responsive grievance redress measures;
- c. include appropriate measures for the early identification and screening of potentially important biodiversity and cultural resource areas;
- d. support and promote the protection, conservation, maintenance, and rehabilitation of natural habitats; avoid the significant conversion or degradation of critical natural habitats; and if avoiding the significant conversion of natural habitats is not technically feasible, include measures to mitigate or offset the adverse impacts of Program activities;
- e. take into account potential adverse effects on physical cultural property and provide adequate measures to avoid, minimize, or mitigate such effects;
- f. promote adequate community, individual, and worker safety through the safe design, construction, operation, and maintenance of physical infrastructure; or, in carrying out activities that may be dependent on such infrastructure, incorporate safety measures, inspections, or remedial works as appropriate;
- g. promote the use of recognized good practice in the production, management, storage, transport, and disposal of hazardous materials generated under the Program; promote the use of integrated pest management practices to manage or reduce pests or disease vectors; and provide training for workers involved in the production, procurement, storage, transport, use, and disposal of hazardous chemicals in accordance with the relevant international guidelines and conventions;

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- h. include adequate measures to avoid, minimize, or mitigate community, individual, and worker risks when Program activities are located in areas prone to natural hazards such as floods, hurricanes, earthquakes, or other severe weather or climate events;
- i. avoid or minimize land acquisition and related adverse impacts; identify and address economic and social impacts caused by land acquisition or loss of access to natural resources, including those affecting people lacking full legal rights to resources they use or occupy; provide compensation sufficient to purchase replacement assets of equivalent value and to meet any necessary transitional expenses, paid before taking land or restricting access; provide supplemental livelihood improvement or restoration measures if taking of land causes loss of income-generating opportunity (e.g., loss of crop production or employment); and restore or replace public infrastructure and community services that may be adversely affected by the Program;
- j. undertake free, prior, and informed consultations if the Indigenous Peoples are potentially affected (positively or negatively), to determine whether there is broad community support for the Program activities;
- k. ensure that the Indigenous Peoples can participate in devising opportunities to benefit from exploitation of customary resources or indigenous knowledge, the latter (indigenous knowledge) to include the consent of the Indigenous Peoples;
- l. give attention to groups vulnerable to hardship or disadvantage, including as relevant the poor, the disabled, women and children, the elderly, or marginalized ethnic groups; and, if necessary, take special measures to promote equitable access to Program benefits; and
- m. consider conflict risks, including distributional equity and cultural sensitivities

30. The environmental and social systems assessment provides a reference that is used to monitor environmental and social systems performance during Program implementation, and identifies actions, as needed, to enhance the systems during Program preparation and implementation (the latter are included in the Program's action plan). The environmental and social risks, and proposed mitigation measures, as appropriate, are inputs to the integrated risk assessment. The assessment includes a review of the arrangements by which Program activities that affect communities will be disclosed, consulted upon, and subject to a grievance redress process. Measures to address consultation, disclosure and grievance should be appropriate to the activities to be supported under the Program.

31. Before Program-for-Results appraisal, and as part of the environmental and social system assessment, the task team makes the draft assessment publicly available. The task team subsequently consults with Program stakeholders on the draft assessment. The Bank makes the final assessment publicly available. In addition, the PID, which is made publically available at the concept and appraisal stages, includes information about the environmental and social issues related to the Program.

Integrated Risk Assessment

32. At different points during the preparation of the Program-for-Results financing and subsequently during Program implementation, the Bank prepares, with the borrower's inputs, an integrated risk



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assessment to identify the major risks that the Program will not achieve its results. The Bank determines appropriate mitigation measures, and monitors the evolution of risks, the implementation of mitigation measures, and their impact, making adjustments as appropriate.

C. Implementation Support

33. **Signing** After approval of the 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.

34. **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.

35. **Informing the Executive Directors.** For financing 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) withdrawal 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 (e) terminated legal agreements that have been reinstated.

36. **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.

37. **Borrower's Role.** The borrower is responsible for implementing the Program, monitoring its progress, evaluating results on completion, and meeting the relevant contractual obligations (including the Program action plan) set out or referred to in the legal agreements with the Bank. These responsibilities include the requirement to maintain agreed fiduciary, environmental and social, and risk management systems, and to deal in a timely and effective manner with failures (individual or systemic) in these areas.

38. **Bank's Role.** In providing implementation support to the borrower in accordance with paragraph 13 of [OP 9.00](#), the task team pays particular attention to reviewing the monitoring and verification of the Program's results and DLIs, and the borrower's compliance with its contractual undertakings in the fiduciary, environmental and social, and risk management areas, including those related to the Program's action plan. The task team regularly assesses the Program, taking into account the integrated risk assessment developed during the preparation stage, uses the risk assessment to respond to and assist the borrower to respond to pre-identified and new risks, and recommends adjustments to the risk assessment, as may be appropriate. The task team undertakes field visits, liaises as necessary with relevant partners,



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provides appropriate support to the borrower, and reviews Program audit reports and progress reports prepared by the borrower. The task team regularly reports to Management on Program implementation by sharing the aide-mémoires that reflect review of documents, discussions with the borrower and relevant partners, and visits to Program sites and facilities.

39. **Program Financial Statements Audits.** The borrower is required to submit annual audited Program financial statements after the close of the borrower's financial year. Audits need to be carried out by auditors with independence, experience, and capacity acceptable to the Bank, and under terms of reference acceptable to the Bank. The Bank and borrower agree on, and confirm in the legal agreement, the period for receipt of the annual audit reports.

40. **Additional Reviews.** Depending on the nature of the Program and the findings of the assessments, the Program's annual financial statements audit may need to be complemented by other reviews to address certain risks or to strengthen the Program's audit/inspection arrangements.¹³

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

42. If the Bank cancels an amount of financing, the cancellation is effective as of the date of the Bank's cancellation notice to the borrower, except in the case of cancellation of the remaining unwithdrawn balance of the 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.

43. **Restructuring.** If, as part of Program implementation support, the task team identifies, normally with the borrower's input, a need to restructure the Program, the restructuring takes place in accordance with paragraph 16 of [OP 9.00](#).

44. **Additional Financing.** Additional Program-for-Results financing may be provided by the Bank in accordance with paragraph 17 of [OP 9.00](#). Approved additional Program-for-Results financing is formalized through a separate legal agreement or, if appropriate, through amendments to the original legal agreement(s).

45. **Fraud and Corruption.** Program-for-Results financing is subject to the ACGs. In providing Program-for-Results financing, the Bank has the right to investigate allegations of fraud and corruption in the Program and to sanction parties engaged in sanctionable practices under the Program.

46. The ACGs require the borrower to report complaints and undertake follow-up actions. When allegations of fraud and corruption under the Program are brought to the attention of the borrower or the Bank, the Bank's Integrity Vice Presidency (INT) informs and consults with as many relevant parties as is appropriate given the nature of the allegations and the impact that such discussions would have on any related investigations. Task team members report suspected or reported cases of possible fraud and

¹³ Such reviews may involve the following: procurement performance measures/indicators; physical inspection assessing the quality of goods, works and services; verification of DLIs; the efficiency and effectiveness of administrative activities; reviews of fraud and corruption "red flags" and complaint handling mechanisms.



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corruption to INT. Fraud and corruption investigations may be launched by INT in response to complaints received by the Bank directly or through the reporting on complaints received by the borrower. When the borrower carries out its own investigation into complaints under the Program, the findings by the responsible investigative agency and proposed actions are shared with INT and, as appropriate, other partners. The Bank monitors the progress in the borrower's investigation.

47. When allegations of fraud and corruption are substantiated by the borrower or the Bank, INT may seek administrative sanctions under the Bank's sanctions procedures against the individual(s) and/or entity(ies) involved, which may result in: (a) temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding; (b) debarment or other sanctions; (c) cross-debarment as agreed with other international financial institutions, including multilateral development banks; and (d) debarment by the World Bank Group's General Services Department. Based on its own findings or those provided by the borrower, INT makes referrals to relevant stakeholders in accordance with its policies and practices.

48. The borrower must undertake not to allow parties on the Bank's debarment or suspension lists to be awarded contracts under, or otherwise initiate participation in, the Program during their debarment/suspension period.

49. **Remedies.** The Bank's legal remedies are specified in the relevant legal agreements. If the task team identifies breaches in the borrower's compliance with its contractual obligations, including undertakings in the fiduciary, environmental and social, and risk management areas, including those related to the Program's action plan, the task team informs Management and makes appropriate recommendations. Management determines whether to exercise legal remedies in accordance with paragraph 14 of [OP 9.00](#). Normally, before exercising its remedies, the Bank provides the borrower with an opportunity to take timely and appropriate corrective measures agreed with the Bank.

50. **Extension of Closing Date.** Upon a request from the borrower, the Bank may decide to extend the Closing Date if: (a) the Program development objectives 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 Program.

51. **Withdrawals after the Closing Date.** The Bank may decide, without formally extending the Closing Date, to disburse or approve the use of proceeds of financing for withdrawal applications received within six months after the Closing Date for DLIs achieved by the borrower 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.

52. **Closing the Program 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.

53. **Program-for-Results 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 balance and closing the financing account if suspension is likely to be lifted imminently and

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Program 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.

54. ***Program Completion Report.*** On completion of the Program, the task team prepares an Implementation Completion and Results report (ICR). This covers, among other things, the degree to which the Program objectives and results have been achieved and the overall Program performance, including the achievement of the DLIs. The ICR incorporates the borrower's evaluation of the Program and Program-for-Results financing, as well as of its own performance and the performance of the Bank. Program implementation support and monitoring carried out by the Bank during the implementation period end at completion of the Program.



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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 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.



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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 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

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.



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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.

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:

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.

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



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- (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.
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.



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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.



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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

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.



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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 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

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.



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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*.



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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 accordingly in this OP and BP, as well as in the Policy and Directive, *Financial Terms and Conditions*, Bank Policy, *Lending Operations: Choice of Borrower and Contractual Agreements*, and OP and BP 8.60, *Development Policy Financing*.

Projects supported by Investment Project Financings are governed by this OP, the related BP, and the following OPs and BPs (including any relevant Operational Memoranda and [Instructions](#) [internal use only]): [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 on Investment Project Financing may be addressed to [OPCS Help Desk](#).

Investment Project Financing

1. The Bank¹ assesses a Project proposed by the Borrower in the case of a Bank Loan, or by Project Participant(s), in the case of a Bank Guarantee, for Investment Project Financing and, upon Investment Project Financing approval, provides implementation support to the Borrower or Project Participant, in accordance with the requirements set forth in OP 10.00 and this BP.
2. The structure of this BP follows the Project cycle: identification, preparation, appraisal, approval, implementation, and completion. The documentation requirements and decision points differ depending on whether a Bank Loan or a Bank Guarantee is proposed, and on Project risk and special considerations (as described in Section C (*Projects with Special Considerations*) of this BP 10.00). Additional financing and restructurings of Investment Project Financing during implementation also have differing documentation requirements and decision points as set out below.

¹ The terms used in this BP have the meanings set forth in OP10.00. If a Project is financed by a Bank Loan only, the references and requirements relating to the “Borrower” and “Bank Loan” apply; and the references and requirements relating to “Project Participant(s)” or “Implementing Entity” and “Bank Guarantee” do not apply. If a Project is financed by a Bank Guarantee only, the references and requirements relating to the “Project Participant(s)”, “Implementing Entity” and Bank Guarantee apply; and the references and requirements relating to “Borrower” and “Bank Loan” do not apply.



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A. Preparation Phase

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

From Identification through Concept

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

5. **Identification Stage.** At the identification stage, the Bank consults with the Borrower or Project Participant(s), on the proposed Project, and seeks to identify the Project's overall parameters, objectives, financing requirements and sources, possible level of Investment Project Financing and other general information. After the various parties have reached a 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 or Project Participant(s):

- (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 Investment Project Financing;
- (d) proposes the key features of the guarantee structure for a Project supported by a Bank Guarantee;
- (e) proposes, in accordance with OP/BP 4.01 or OP/BP 4.03, as appropriate, an environmental assessment category for the Project and indicates any other potentially applicable requirements under the Bank's social, environmental and other policies;
- (f) briefly identifies the type of economic rationale and/or analysis appropriate for the Project; and
- (g) 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 whether to proceed with the preparation of the Investment Project Financing, and provides appropriate guidance to teams on the future preparatory work. Decisions are also made on whether OP/BP 4.01 and/or OP/BP 4.03 applies, the relevant safeguards classification and scope of safeguards work, as well as subsequent processing and documentation requirements. For a Project supported by a Bank Guarantee, the Bank also decides on the key features of the guarantee structure, and whether to proceed to initiate negotiations with the Project Participant(s) to further develop such key



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features.² The Bank decides whether to convey an expression of interest to potential Project Participant(s) of a Project proposed for support by a Bank Guarantee, including the preliminary terms and conditions of the Bank Guarantee, with relevant caveats.

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, or in the case of a Bank Guarantee, from a member country, 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: (a) carries either interest on IBRD fixed-spread terms, or service charges on IDA credit terms; or (b) is made on IDA grant terms; depending on the member country’s borrowing status. Payment of interest or service charges, where applicable, is deferred until the PA is refinanced out of the proceeds of a Bank Loan under Investment Project Financing, 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 Investment Project Financing in a regional operation), with the exception of Projects covered by paragraph 12 of OP 10.00 and Section C (*Projects with Special Considerations*) 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 under a Bank Loan under IPF, Development Policy Financing or Program-for-Results Financing, Management may decide to extend the refinancing date, including, in exceptional cases, to extend such date retroactively.

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 for Bank Loans.** If requested by the Borrower, the Bank may provide retroactive financing under a Bank Loan. Retroactive financing may only 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

² Negotiations of a Bank Guarantee are normally an ongoing process, rather than a discrete step, and may be concluded following approval by the Executive Directors.



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percent or less of the Bank Loan amount³ (40 percent for Projects covered by paragraph 12 of OP10.00); and (d) the payments are made by the Borrower not more than 12 months before the expected date of the signing of the legal agreements for the Bank Loan.

From Concept through Appraisal

15. By the end of this stage, the Bank decides whether to proceed to negotiations with the Borrower on the provision of the Bank Loan, or whether to continue negotiations with the Project Participant(s) on the provision of the Bank Guarantee. If decided at the concept stage, the appraisal stage may incorporate a decision point. The Bank: (a) works with the Borrower or the Project Participant(s), as it (they) prepare(s) 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. The Bank conducts its own appraisal, but may rely on evaluations of the Project conducted by IFC or MIGA or by other financiers of, or relevant parties involved in, the Project whose evaluation capacity and procedures are satisfactory to the Bank. For any of the assessments listed below, the Bank may draw on evaluations by third parties, as appropriate.

16. **Technical Assessment.** The Bank assesses the Project's technical design or approach, and its appropriateness to the Project's DOs. This work includes consideration of the organizational and managerial structures and capacity relevant to the Project, 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: (a) the Project's expected contribution to the country's socioeconomic development; (b) the rationale for the public sector provision; and (c) the value added of the Bank's support. For a Project supported by a Bank Guarantee, a financial viability analysis is also required. While these key questions are relevant for all analysis, the specifics take into account country circumstances, Project context, alternatives and risks, and 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.

³ In extraordinary circumstances, Management may approve exceptions to this limit.



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19. **Procurement, Environmental and Social Considerations.** The Bank considers the procurement, environmental and social and other safeguard aspects of the proposed Project in accordance with: (a) applicable Bank policies as set out in paragraphs 8 and 9 of OP 10.00; and (b) their associated BPs. Procurement in respect of Bank Guarantees is governed by the relevant paragraphs of the Procurement Guidelines and the Consultant Guidelines.⁴
20. **Fraud and Corruption.** Bank Loans are subject to the *Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants*. Bank Guarantees are subject to the *Anti-Corruption Guidelines for Guarantee and Carbon Finance Transactions*.
21. **Risk Assessment.** The Bank analyzes the risks to the achievement of the Project's DOs.
22. **Decision.** For Investment Project Financing for which a decision on authorizing appraisal is required, once most Project design issues have been addressed, a decision is made — whether to appraise the Project, taking into account the above analysis and information on any known breaches by the Borrower or the Project Participant(s) of its (their) obligations to the Bank under existing Bank-supported operations. For a Project supported by a Bank Guarantee, the Bank decides whether to continue negotiations with the Project Participant(s).
23. **Prior to Appraisal.** The Bank discloses the PID and the draft ISDS 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.⁵
24. **Appraisal.** The Bank appraises the Project to confirm any relevant Project and Investment Project Financing information and address any outstanding legal, design and implementation issues. After appraisal, the Bank finalizes the draft Project documentation, including the draft legal agreements for a Bank Loan financing the Project.
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 parameters⁶, financing requirements and implementation and funds flow arrangements;

⁴ “*Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD loans, and IDA Credits and Grants by World Bank Borrowers*”; and “*Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers*”.

⁵ For Projects covered by [OP/BP 4.03](#), the summary is disclosed in the manner provided in [OP/BP 4.03](#).

⁶ Country financing parameters, which only apply to Projects financed by Bank Loans, 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 Bank Loans in the country.



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- (b) the results framework and the monitoring and evaluation arrangements;
- (c) the economic, financial, financial management, technical, procurement, social, environmental and risk assessments, and, as necessary, the relevant risk management actions undertaken or to be undertaken;
- (d) information regarding the expenditures proposed to be financed by the Bank Loan 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 of the Bank Loan, and its disbursement arrangements as set out in a draft disbursement letter, including the provisions of the Bank's *Disbursement Guidelines for Projects*;
- (f) cofinancing of the Bank Loan or other collaboration arrangements with development partners and stakeholders;
- (g) the structure, the proposed risk coverage, and indicative terms and conditions of the Bank Guarantee; and
- (h) 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 Investment Project Financing.
27. ***Negotiations of Bank Loans.*** Management decides to authorize negotiations of a Bank Loan 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 the 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 Bank Loan are raised during the negotiations, based on a consideration of these issues, Management decides whether to proceed.
28. ***Bank Loan Approval.*** For Bank Loans 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 for the Bank Loan, and Management decides on their submission to the Executive Directors.



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29. **Bank Guarantee Approval.** Management may seek approval by the Executive Directors of the Bank Guarantee before negotiations have been completed. If the completion of negotiations results in substantial changes to the Bank Guarantee previously approved by the Board, Management resubmits the proposal to the Executive Directors for approval of the changes. Details on the financing requirements and implementation arrangements of the Project supported by the Bank Guarantee may be finalized after approval.

30. **Presentation to the Executive Directors.** If any information in the Project documents raises issues of confidentiality or sensitivity for the Borrower or Project Participant(s), or may adversely affect relations between the Bank and the Borrower or, in the case of a Bank Guarantee, the member country, 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 documents and is described in the memorandum of the President instead. When there are: (a) 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; or (b) payments due by the member country under any Member Country Indemnity 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 presentation to the Executive Directors have been met, the Executive Directors decide whether to approve the proposed Investment Project Financing.

31. **Approval by Management.** Management decides whether to approve any Investment Project Financing that does not require approval by the Executive Directors.

B. Implementation Support

32. The implementation support and monitoring phase starts after approval of the Project, and includes signing and effectiveness of the Project legal agreements, Project implementation and completion, and in the Bank Loans the closing of the Bank Loan account.

33. **Bank Loan Signing.** After approval of a Bank Loan, 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 Bank Loan. Exceptionally, Management may decide to provide the Borrower with additional time to sign.

34. **Bank Loan Effectiveness.** The legal agreements for a Bank Loan 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 Bank Loan 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 for the Bank Loan have terminated for failure to become effective by the effectiveness deadline, Management may decide to reinstate such agreements with the Borrower's agreement.



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35. ***Bank Guarantee Signing and Effectiveness.*** The legal agreements for a Bank Guarantee are signed after approval of the Bank Guarantee and completion of negotiations. If the legal agreements are not signed within 24 months following Board approval, the Bank normally withdraws the offer of the Bank Guarantee. Exceptionally, Management may decide to provide the relevant Project Participant(s) with additional time to sign. Legal agreements for Bank Guarantees become effective in accordance with their terms.
36. ***Informing the Executive Directors.*** Management informs the Executive Directors, as part of regular operational reporting, of the following matters related to Investment Project Financing approved by the Executive Directors: (a) signing delays of more than 6 months following Bank Loan approval, and more than 18 months following Bank Guarantee approval; (b) withdrawal of the financing offer; (c) effectiveness deadlines; (d) effectiveness delays of more than 9 months after approval of a Bank Loan, and, of more than 36 months after approval of a Bank Guarantee; (e) legal agreements that terminate for failure to become effective; and (f) terminated legal agreements that have been reinstated.
37. ***Extensions Following Changes in Conditions Prior to Signing or Effectiveness of Bank Loan.*** If an extension of the deadline for signing or effectiveness involves a substantial departure from the conditions under which the Bank Loan was originally approved, the legal agreements are not signed or declared effective until Bank approval of the new conditions is obtained through a restructuring.
38. ***Borrower's Role.*** The Borrower is responsible for implementing the Project, monitoring its progress, evaluating results on completion, and meeting its contractual obligations set out or referred to in the legal agreements. 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.
39. ***Project Participants' Roles.*** The relevant Project Participant(s) is (are) responsible for implementing the Project supported by a Bank Guarantee, monitoring its progress and completion, and meeting its (their) contractual obligations set out or referred to in the legal agreements. The member country is responsible for evaluating results on completion of the Project. The Bank: (a) may accept audited financial statements provided by the relevant Project Participant(s) in accordance with their legal agreements relating to the Project; and (b) may rely on lender assessments of the financial reports of the Project Participant(s).
40. ***Bank's Role.*** In providing implementation support, the Bank pays particular attention to reviewing the monitoring by the Borrower or Project Participant(s) of the performance of the Project and compliance with contractual undertakings. The Bank periodically assesses the Project, and reviews the monitoring by the Borrower or Project Participant(s) 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 annual audited



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financial statements and audit reports and reviews their content and quality. For a Bank Guarantee, following completion of the Project, the Bank monitors the specific risks covered by the Guarantee until the Bank Guarantee Expiration Date. This monitoring function is carried out at the corporate level.

41. ***Bank Loan Disbursements; Suspension of Disbursements.*** After the legal agreements for a Bank Loan have been declared effective, the Bank disburses the proceeds of the Bank Loan 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.

42. ***Cancellation of Bank Loan Amounts.*** The Borrower or the Bank may decide to cancel an unwithdrawn amount of a Bank Loan in accordance with the provisions of the legal agreements. When the Borrower decides to cancel an amount of the Bank Loan and gives notice to the Bank, the cancellation is effective as of the date of receipt of the Borrower's notice. The Bank does not accept requests for retroactive cancellations.

43. If the Bank cancels an amount of a Bank Loan, the cancellation is effective as of the date of the Bank's notice, except in the case of cancellation of the remaining unwithdrawn balance of Bank Loan 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 Bank loan account was charged for a disbursement or credited for a refund.

44. ***Suspension, Cancellation and Termination of Bank Guarantees.*** Suspension, cancellation and/or termination of a Bank Guarantee follow the relevant provisions of the legal agreements.

45. ***Restructuring.*** If the Borrower or a Project Participant proposes changes to the Project or Investment Project 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.

46. ***Closing Date.*** During Project implementation, the Bank monitors the approach of the Closing Date and works with the Borrower or Project Participant(s) to ensure that closing procedures as set out below are followed. After completion, the Bank prepares a report evaluating the performance of the Project.



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47. ***Extension of Closing Date.*** Upon a request from the Borrower or Project Participant(s), the Bank may decide to extend the Closing Date if the Project's DOs remain achievable, the performance of the Borrower or Project Participant(s) remains satisfactory, and the Bank and the Borrower or Project Participant(s) agree on actions that will be undertaken by the Borrower or Project Participant(s) to complete the Project. The Bank processes the extension as a restructuring.
48. ***Withdrawals after the Loan Closing Date.*** The Bank may decide, without formally extending the Loan Closing Date, to disburse or approve the use of proceeds of a Loan under withdrawal applications received within four months after the Loan Closing Date for payments made or payments due for eligible expenditures incurred prior to the Loan Closing Date. Exceptionally, and 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 Bank Loan the cost of a final audit that will be completed after the Loan Closing Date.
49. ***Closing the Bank Loan Account.*** The Bank closes the Bank Loan 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 Loan Closing Date. Any undisbursed balance of the Bank Loan is cancelled. The Bank notifies the Borrower of the final disbursement status of the Bank Loan account and the cancellation of any undisbursed balance.
50. ***Bank Loans under Suspension of Disbursements.*** If a suspension of disbursements of a Bank Loan is in effect on the Loan Closing Date, any unwithdrawn balance of the Bank Loan is normally canceled, and the Bank Loan account is closed. Exceptionally, Management may decide to authorize a delay in canceling the balance and closing the Bank Loan 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 Loan Closing Date.
51. ***Extension of Bank Guarantee Expiration Date.*** The Bank, in agreement with the Project Participant(s), may decide to extend the Bank Guarantee Expiration Date, provided the Project's DOs remain achievable, and the performance of the Project Participant(s) remains satisfactory. The Bank processes the extension as a restructuring.
52. ***Investment Project Completion Report.*** After the completion of the Project, or in certain cases of additional financing (as described in Section D (*Additional Financing*) of this BP) or in certain cases involving a series of Projects, prior to the Project's completion, the Bank prepares an implementation completion and results report ("ICR"). The ICR covers, among other things, the degree to which the Project's DOs and results have been achieved and the overall Project performance, taking into consideration the Project's operating environment and, for a Bank Guarantee, its impact in mobilizing private sector financing for the Project. The ICR incorporates the evaluation by the Borrower or Project Participant(s) of the Project, as well as of its (their) performance and the performance of the Bank, if available. Management decides on



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the submission of the ICR to the Executive Directors, normally within six months following Project completion, and may decide to authorize an extension of time for the completion of the ICR and its submission to Executive Directors.

C. *Projects with Special Considerations*

53. *Exceptional Arrangements in Situations of Urgent Need of Assistance or Capacity Constraints.* The Borrower or member country may request the use of exceptional arrangements for an Investment Project Financing as set out in OP 10.00, paragraph 12. If Management determines that the Borrower or member country 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, the Project documentation sets out the relevant capacity-building measures planned for timely transfer of implementation activities to the Borrower or member country; 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.

54. *Series of Sequential Projects.* Such series involve, for Bank Loans, a single Borrower; or, for Bank Guarantees, a single Member Country or Implementing Entity. In addition to regular requirements, the documentation for the first Project in these series 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 or guarantee 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.

55. *Other Series of Projects.* For all series of Projects other than those described in paragraph 54 above, the documentation for the first Project in such series sets out the rationale for the series, an indicative funding or guarantee envelope, and the similar criteria and/or the common design features for the series, as applicable.

56. *Financial Intermediary Financing.* If an Investment Project Financing is proposed to be made in support of 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.

57. *Small Projects.* For a Project financed by the Bank under a recipient-executed trust fund grant of less than US\$5 million, the Bank follows simplified procedures set out in internal



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processing arrangements, requiring simplified assessments and risk analysis, streamlined procedures from appraisal through approval, and streamlined ex-post evaluation.

D. Additional Financing

58. When additional financing is requested by the Borrower or Project Participant(s) 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 the additional financing, including an updated appraisal-stage PID and, as applicable, an ISDS (covering the original Project and the new activities) for a decision point on appraisal and negotiations. 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 Investment Project Financing. The ICR for the original Investment Project 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 negotiations 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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This Operational Policy was 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, [OP/BP 10.00, Investment Project Financing](#), have been updated, and OP/BP 13.00, *Signing of Legal Documents and Effectiveness of Loans and Credits*, have been retired (among other changes). This OP has consequently been updated to reflect these changes.

Questions should be addressed to the GEF Executive Coordinator (ENVGC).

Global Environment Facility Operations

General Considerations

The GEF and the Bank's Role in it

1. The [Global Environment Facility](#) (GEF) was established to assist in the protection of the global environment and promote environmentally sound and sustainable economic development.¹ The Bank² is the Trustee of the GEF Trust Fund, the provider of administrative services, and one of the three Implementing Agencies of the GEF. This OP sets out the operational framework for the provision of GEF financing by the Bank in its capacity as an Implementing Agency.

Types of GEF Operations

2. The GEF provides grants and concessional financing³ to support the following operations⁴ (whether free-standing projects or projects cofinanced by the Bank or the International Development Association) and activities that satisfy the eligibility criteria set forth in the GEF Instrument:⁵

- a. full-size projects, for which the amount of GEF funds exceeds \$1 million;
- b. medium-size projects, for which the amount of GEF funds does not exceed \$1 million;

¹ Preamble to the Instrument for the Establishment of the Restructured Global Environment Facility (the GEF Instrument), adopted by the Bank's Executive Directors on May 24, 1994 (Resolution No. 94-2): http://thegef.org/GEF_Instrument3.pdf.

² For the purposes of this OP, “Bank” means the International Bank for Reconstruction and Development.

³ Throughout the rest of this OP, “grant” includes concessional financing.

⁴ GEF/C.22/Inf.9: GEF Project Cycle: An Update: http://www.thegef.org/Documents/Council_Documents/GEF_C22/Project_Cycle_Update_FINAL_Nov_5_2003.pdf.

⁵ Paragraph 9 of the GEF Instrument.



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- c. expedited enabling activities and national capacity self-assessment projects;⁶ and
- d. Project Preparation Grant (PPG) activities.⁷

Currency Denomination

- 3. GEF grants are denominated in United States dollars.

Exception to the Application of Bank Policies

- 4. The Bank's operational policies⁸ apply to GEF grants, except when OPs expressly exclude or restrict their application. Bank operational policies do not apply to projects carried out by organizations that the GEF Council has identified as being eligible to work with the GEF through expanded opportunities for project preparation and implementation.⁹

Arrangements for Project Preparation and Implementation

- 5. For GEF-financed projects and activities, the Bank may make arrangements for project preparation and implementation with countries, political subdivisions, national institutions, multilateral development banks, specialized agencies and programs of the United Nations, other international or regional organizations, bilateral development agencies, nongovernmental organizations, or public or private entities.¹⁰

⁶ Expedited enabling activities provide financing for the preparation of a plan, strategy, or program to fulfill commitments under a global environmental convention and preparation of a national communication or report to a relevant convention. National capacity self-assessment projects identify country-level priorities and needs for capacity building to address global environmental issues.

⁷ PPG activities are aimed at GEF project preparation.

⁸ These include the Bank's anticorruption framework.

⁹ A list of such organizations is available at the GEF website: http://thegef.org/Partners/Exe_Agencies/exe_agencies.html. In projects carried out by these organizations, the policies and procedures (including safeguard policies and procedures) that apply are those of the organizations in question, and not those of the Bank.

¹⁰ When arrangements are made with entities other than countries, endorsement must be obtained from the authorized representative of the country concerned who, as a rule and unless otherwise requested in consideration of the type of project or for other reasons, is its GEF Operational Focal Point.



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Special Considerations

Signing/Effectiveness

6. The Bank's policy on the signing of legal documents and effectiveness¹¹ does not apply to agreements or arrangements for medium-size projects, expedited enabling activities and national capacity self-assessment projects, and PPG activities. Once the GEF Chief Executive Officer has approved such projects or activities, the agreements and arrangements for these projects and activities are signed by those having authority to sign in the name and on behalf of the Bank under [Administrative Manual Statement 1.30](#).

Suspension

7. When Bank disbursements to a recipient country have been suspended, if the Regional vice president determines that the objectives of projects or activities proposed for GEF funding can nevertheless be achieved, full-size projects may still be presented to the Board for approval; medium-size projects, expedited enabling activities and national capacity self-assessment projects, and PPG activities may still be approved; and the legal documents for such projects and activities may still be signed. When a country is under suspension of disbursement for longer than six months, closing dates for GEF grants may be extended if the Regional vice president determines that the project objectives can be achieved.

Conservation/Guarantee Funds

8. The Bank may disburse GEF funds to capitalize a conservation fund¹² or a guarantee fund, provided that, throughout the duration of the Bank's supervision of the GEF-financed project for the capitalization of such a fund:

- a. the Bank retains the right to request audits of the fund;
- b. the board and/or management of the fund (or comparable organ(s) for the administration of the fund) are composed of professionals who have qualifications and experience satisfactory to the Bank and have the capacity to exercise satisfactory control over the use of the fund;
- c. the fund is managed in accordance with operational and financial policies, and on the basis of a constitutive and/or statutory instrument, acceptable to the Bank;
- d. the fund is subject to the Bank's policies on audits and financial reporting; and
- e. the Bank has the right to require the recipient to repay the grant to the Bank if the recipient breaches any of the foregoing conditions, except for the amount of the grant that would be

¹¹ [OP/BP 10.00](#), *Investment Project Financing*.

¹² Conservation funds, whether endowment funds or sinking funds, are financial mechanisms through which grant funds are retailed into smaller projects over a period of time.



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needed to meet the recipient's obligations under guarantees issued and existing before the recipient's receipt of the Bank's repayment notice.

9. Activities financed by conservation funds are subject to the Bank's procurement guidelines as specified in the agreement to finance such activities, whereas guarantee funds are not subject to such guidelines (except for broad considerations of economy and efficiency).

10. Supplemental GEF grants to capitalize conservation or guarantee funds are approved by the Board on an absence-of-objection basis, and are not subject to Bank requirements on additional financing.¹³

¹³ Board approval of supplemental GEF grants is subject to simplified procedures.



Note: OP/BP 10.20 replaces OD 9.01, *Procedures for Investment Operations under the Global Environment Facility*, dated May 1992, and the Operational Memorandum *New Procedures for Global Environment Facility Operations*, July 6, 1995. Guidelines to assist staff in processing Global Environment Facility operations are available at the [World Bank Group-GEF Operations internal website](#).

Questions should be addressed to the GEF Executive Coordinator (ENVGC).

Global Environment Facility Operations

General Considerations

1. The [Global Environment Facility](#) (GEF) was established to assist in the protection of the global environment and promote environmentally sound and sustainable economic development.¹ Bank² procedures apply to the processing of Global Environment Facility (GEF) grants,³ except when BPs expressly exclude their application or restrict it to full-size projects.

Additional Processing Steps/Clearances

2. In addition to Bank procedures, GEF operations are subject to the following processing steps and clearances, in accordance with procedures that have been approved by the GEF Council:

- a. Before project preparation and preappraisal, the GEF Secretariat approves GEF grants for entry into the GEF pipeline.
- b. The GEF Regional Coordinator clears requests for project identification and preparation and for appraisal missions, and receives the aide-mémoire regarding such missions.
- c. If Project Preparation Grant (PPG) resources are used to develop a project, a completion report on the use of that project's grant is a condition for the activation of the grant's trust fund account.
- d. An extension of the deadline for signing or effectiveness requires clearance by the GEF Regional Coordinator, after he/she consults the GEF Executive Coordinator (ENVGC).
- e. The country director and the task team leader (TTL), after consulting the GEF Regional Coordinator, determine whether a project change is significant or minor. Significant changes are approved by the GEF Council or GEF Secretariat, whichever approved the project. Project restructuring and amendments to GEF Grant Agreements are cleared by the GEF Regional Coordinator.

¹ Preamble to the [Instrument for the Establishment of the Restructured Global Environment Facility](#) (the GEF Instrument), adopted by the Bank's Executive Directors on May 24, 1994 (Resolution No. 94-2).

² For the purposes of this BP, "Bank" means the International Bank for Reconstruction and Development.

³ Throughout this BP, "grant" includes concessional financing.



- f. An initial extension of the closing date of a GEF grant is cleared by the GEF Regional Coordinator. Any subsequent extension is cleared by the GEF Executive Coordinator (ENVGC). Once the extension notification has been signed by the country director or other appropriate Bank official, the TTL sends a copy of it to the GEF Regional Coordinator and the Trust Funds Accounting Clearance Team.
- g. A notice of suspension of disbursement, of threatened suspension, or of the lifting of suspension for a GEF grant is cleared by the GEF Regional Coordinator. The GEF CEO is notified of decisions to suspend GEF grants and lift suspensions.
- h. Internal memoranda proposing cancellations of GEF grant amounts, as well as cancellation notices to a GEF grant recipient, are cleared by the GEF Executive Coordinator (ENVGC), after consultation with the GEF Secretariat.
- i. Once the notification of project closing has been signed by the country director or other appropriate Bank official, the TTL sends a copy to the GEF Regional Coordinator and the Trust Funds Accounting Clearance Team.

Special Considerations

Full-Size Projects

Preappraisal and Appraisal

3. The GEF Regional Coordinator is invited to the decision meeting, receives the relevant documentation, and clears the preappraisal package.

4.

The GEF Council's approval of a GEF grant for its work program is a condition for project appraisal. The GEF Regional Coordinator clears the negotiations package and requests the establishment of a trust fund account for the GEF grant.

Board Presentation

5. Endorsement of a GEF grant by the GEF Chief Executive Officer (CEO) is a condition for Board presentation. GEF grants are presented to the Board under streamlined procedures, unless an associated operation is presented under regular procedures. In such a case, the processing of the GEF grant follows the same procedures as those applicable to the associated operation.

Statutory Committee Report, Legal Opinion, and Letter on Financial and Economic Data

6. A Statutory Committee Report is not required for a GEF grant. An opinion satisfactory to the Bank of counsel acceptable to the Bank is, as a rule, not required, unless the process of approval of the

GEF grant in the country concerned, or another reason, requires otherwise. A Letter on Financial and Economic Data is not required for a GEF grant.

Implementation Completion Report

7. The TTL transmits a draft Implementation Completion Report (ICR) to the GEF Executive Coordinator (ENVGC) and the GEF Regional Coordinator for comment. The TTL sends a copy of the final ICR to the GEF Executive Coordinator (ENVGC), the GEF Regional Coordinator, and the GEF Evaluation Office. For each ICR, the Independent Evaluation Group distributes its evaluative note to the GEF Executive Coordinator (ENVGC), the GEF Regional Coordinator concerned, and the GEF Evaluation Office, for information and comment.

Medium-Size Projects (MSPs), Expedited Enabling Activities, National Capacity Self-Assessment Projects, and Project Preparation Grant Activities

Identification and Preparation (MSPs only)

8. The project proponent prepares the project concept with the assistance of the TTL. The GEF Regional Coordinator reviews the project concept for GEF eligibility. The TTL prepares the concept stage Integrated Safeguard Data Sheet (ISDS) following standard Regional practice. Upon confirmation of GEF eligibility, the TTL requests the proponent to prepare the project brief.

9. The TTL reviews the project brief and, if necessary, conducts a field visit to determine the technical merits of the proposal. If the Bank requires an environmental assessment, a resettlement instrument, or an indigenous peoples' development plan, the TTL sends that document to the InfoShop at least 21 days before approval.

Approval

10. The TTL submits the project brief to the GEF Regional Coordinator for transmission to the GEF Secretariat. Once the GEF CEO has approved the project or activity, the TTL prepares the documentation package for Bank approval.

11. The TTL obtains the clearances of the procurement officer, the lawyer, the GEF Regional Coordinator, and the sector manager/leader. The GEF Regional Coordinator requests the Trust Funds Accounting Clearance Team to issue a trust fund (TF) number for the cleared package. Once a TF number has been assigned and the package has been finalized and cleared, the TTL submits two execution copies of the Grant Agreement, prepared by the lawyer, to the country director for approval and signature, together with the accompanying project brief. The TTL then sends the two signed execution copies of the Grant Agreement, with the accompanying project brief, to the grant recipient for countersignature. The grant recipient retains one of the countersigned execution copies and returns the other to the TTL.

*Effectiveness*

12. On receiving the countersigned execution copy of the Grant Agreement, the TTL sends it to the lawyer and a copy to the Trust Funds Accounting Clearance team with the request that a TF account be activated.⁴

Supervision (MSPs and Expedited Enabling Activities only)

13. The TTL reports project progress on MSPs and Expedited Enabling Activities through the Bank's institutional Grant Reporting and Monitoring (GRM).⁵

Closing

14. The TTL prepares a completion report within six months after the closing date of the project or activity. For MSPs, National Capacity Assessment Projects, and Expedited Enabling Activities, the TTL uses the Implementation Completion Memorandum (ICM) template provided by Trust Fund Operations (TFO) and available at the GRM page of the consolidated TF website, preparing the form in accordance with the MSP guidelines (available on the GEF website).⁶ The TTL submits the draft completion report to the GEF Regional Coordinator for review and clearance in accordance with Regional practices. After obtaining all Regional clearances, the TTL submits the completion report to the GEF Executive Coordinator (ENVGC), with a copy to the GEF Evaluation Office.

15. For PPGs, the TTL uses the Completion Memorandum provided by ENVGC and available at the Bank GEF operations portal page.⁷ The TTL submits the PPG Completion Memorandum to the GEF Executive Coordinator (ENVGC) through the GEF Regional Coordinator.

⁴ Activation of a TF account is subject to certain conditions established by the GEF Executive Coordinator (ENVGC), as outlined in the processing guidelines available on the Bank's GEF Operations internal website: <http://intranet.worldbank.org/WBSITE/INTRANET/SECTORS/INTRANETENVIRONMENT/GLOBALENVIRONMENTFACILITYGEFOPERATIONS/0,,menuPK:285952~pagePK:151716~piPK:176772~theSitePK:285946,00.html>.

⁵ The GRM is a web-based tool for the TTL to provide qualitative reports on the progress and results of grant-financed activities. Guidelines and detailed information about the use of the GRM are available at the GRM page of the consolidated TF website: <http://intranet.worldbank.org/WBSITE/INTRANET/OPERATIONS/INTOPETRUFUN/0,,contentMDK:21178862~menuPK:3302015~pagePK:64168332~piPK:64168299~theSitePK:1051751,00.html>.

⁶ <http://intranet.worldbank.org/WBSITE/INTRANET/SECTORS/INTRANETENVIRONMENT/GLOBALENVIRONMENTFACILITYGEFOPERATIONS/0,,contentMDK:20192184~menuPK:292839~pagePK:210082~piPK:210098~theSitePK:285946,00.html>.

⁷ <http://intranet.worldbank.org/WBSITE/INTRANET/SECTORS/INTRANETENVIRONMENT/GLOBALENVIRONMENTFACILITYGEFOPERATIONS/0,,contentMDK:20154474~menuPK:292838~pagePK:210082~piPK:210098~theSitePK:285946,00.html>.



Note: Questions may be addressed to the GEF Executive Coordinator, ENVGC.

Investment Operations Financed by the Multilateral Fund for the Implementation of the Montreal Protocol

Eligibility

Countries

1. Developing countries are eligible to receive grants from the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP) if they have ratified the Montreal Protocol (MP), their annual per capita consumption of the ozone-depleting substances controlled by the Protocol is less than 0.3 kg, and they meet any other criteria established by the MFMP (see [OP 10.21, Annex A](#), *The Montreal Protocol*). Agencies and companies within such eligible countries may receive MFMP grants if they have the explicit support of the government.

Activities

2. Activities that are eligible for funding from the MFMP conform to the criteria established by the Parties¹ (see [OP 10.21, Annex B](#), *Eligible Activities*) and to the policies established by the Executive Committee of the MFMP. The MFMP funds only the agreed incremental costs² of such eligible activities.

Ozone Projects Trust Fund

3. Funding for implementation of the Bank's³ participation in the MP is channeled to recipients through the Ozone Projects Trust Fund (OTF), which the Bank established and administers and which is constituted by funds approved by the MFMP Executive Committee for transfer from the MFMP.

Taxability

4. MFMP grants are not subject to taxation in the recipient/host country; that is, grants are not considered as income for the purpose of taxation. In case of doubt, the recipient/host government is requested to certify that fact, in terms satisfactory to the Bank, prior to the disbursement of the grant. Furthermore, the proceeds of the grant may not be used to pay for import tariffs, duties, or value-added taxes, except for locally supplied goods that can be obtained off the shelf.

¹ The Parties are defined in [OP 10.21, Annex A](#), *The Montreal Protocol*.

² An indicative list of incremental costs is provided in [OP 10.21, Annex B](#), *Eligible Activities*.

³ "Bank" includes IBRD and IDA.



Disclosure of Information

5. The Parties have indicated that activities under the MP should be carried out in a transparent manner, with full information available promptly on activities funded under the MFMP. As an implementing agency of the MFMP, the Bank is accountable to the Parties, and its policy of openness about projects and other MP-related activity is consistent with their wishes.⁴ The Bank's policy on the disclosure of information on activities funded under the Global Environment Facility applies to projects financed under the MFMP. The procedures for the release of specific documents for MP operations are detailed in [BP 10.21](#). Procedures for the release of any documents not referred to in this statement are provided for in [The World Bank Policy on Disclosure of Information](#) (Washington, D.C.: World Bank, 2002).

Effectiveness

6. Procedures relating to the disclosure of information on projects financed under the MP took effect on October 1, 1993. Requests for MP project documents produced before that date are handled individually by the Global Environment Coordination Division.

Project Approval Authority

7. Projects smaller than \$500,000 are pre-appraised and approved by Bank management and then incorporated into the Bank's work programs for review by the MFMP Executive Committee.

8. Projects and subprojects larger than \$500,000 are prepared, preappraised, and reviewed by the Bank and, once approved by the Bank, are submitted for approval to the MFMP Executive Committee. Such operations are then appraised by Bank staff, reviewed by Bank management, and processed according to the procedures set out in [BP 10.21](#).

9. Normally, MP operations are freestanding investment operations; however, if they are components of Bank-financed projects, they are approved by Bank management subject to Board approval of the associated Bank-financed project.

Project Preparation Advances

10. To assist prospective recipients in preparing substantial investment operations to be financed by grants from the OTF, a project preparation window has been established under the OTF. OTF Project Preparation Advances (PPAs) are limited to a maximum of US\$1.5 million per proposed project. The eligibility criteria that apply to regular MP proposed projects apply to OTF-PPAs.

⁴ The Bank's operational policies are set out in [The World Bank Policy on Disclosure of Information](#) (Washington, D.C.: World Bank, 2002).

**Special Provisions***Permission to Proceed*

11. When subprojects are not yet well enough defined to allow final approval by the MFMP Executive Committee, the Bank may ask for "permission to proceed" with further preparation. Permission to proceed allows the Bank to include the subprojects provisionally in its overall operation for a particular country, thus facilitating processing of larger projects at lower administrative cost. Legal documents for operations that include subprojects with permission-to-proceed status must condition disbursements for such subprojects on review/approval by the MFMP Executive Committee (see paras. 7-8) before funds may be withdrawn from the OTF.

Umbrella Agreement

12. The Bank may establish with an eligible party an umbrella agreement for channeling assistance from the MFMP for a period of two to three years. The umbrella agreement provides a line of grants through which individual subprojects may be funded. Such agreements do not require the approval of the MFMP Executive Committee; however, the Executive Committee reviews (projects below \$500,000; see para. 7) or approves (projects above \$500,000; see para. 8) all projects and subprojects funded through such agreements. Umbrella agreements may be established before any subprojects are approved by the Executive Committee. Legal documents for subprojects under umbrella agreements must condition disbursements for such subprojects on review/ approval by the MFMP Executive Committee before funds may be withdrawn from the OTF.



The Montreal Protocol

1. The Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer (the Parties) are developed and developing countries that have ratified the Montreal Protocol (MP) and the Vienna Convention to phase out substances that deplete the ozone layer. They have established an Executive Committee to develop and monitor the implementation of administrative arrangements for the Multilateral Fund (MFMP) for the implementation of the Montreal Protocol.

2. Implementing agencies for the MFMP are the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the United Nations Industrial Development Organization (UNIDO), and the Bank.¹ The general responsibilities of the implementing agencies are as follows: (a) UNDP assists eligible developing countries with preinvestment studies and other technical assistance measures; (b) UNEP administers the MFMP; functions as treasurer; assists in promoting the objectives of the Protocol; carries out research, data-gathering, and clearinghouse functions such as distribution of relevant scientific and technical information to the Parties; and conducts regional workshops; (c) UNIDO develops and executes technical assistance and small-scale investment projects; and (d) the Bank is responsible for investment operations financed under the MFMP and administers and manages the program to finance the eligible incremental costs² of phasing out controlled ozone-depleting substances. All four agencies have agreed to cooperate closely in every aspect of MP implementation, including preparing studies and country programs, with leadership agreed among the agencies and beneficiary Parties.

¹ "Bank" includes IBRD and IDA.

² Incremental costs are defined in [OP 10.21, Annex B, Eligible Activities](#).



Eligible Activities

Activities that are eligible for funding by the Multilateral Fund of the Montreal Protocol (MFMP) conform to the following specifications, adopted by the Parties in June 1990.¹ These specifications are reprinted verbatim from Report of the Second Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer, London, June 27-29, 1990 (UNEP/OzL. Pro. 2/3, Annex IV), pp. 42-44.

Indicative List of Categories of Incremental Costs²

1. The evaluation of requests for financing incremental costs of a given project shall take into account the following general principles:
 - a. The most cost-effective and efficient option should be chosen, taking into account the national industrial strategy of the recipient party. It should be considered carefully to what extent the infrastructure at present used for production of the controlled substances could be put to alternative uses, thus resulting in decreased capital abandonment, and how to avoid deindustrialization and loss of export revenues;
 - b. Consideration of project proposals for funding should involve the careful scrutiny of cost items listed in an effort to ensure that there is no double-counting;
 - c. Savings or benefits that will be gained at both the strategic and project levels during the transition process should be taken into account on a case-by-case basis, according to criteria decided by the Parties and as elaborated in the guidelines of the Executive Committee;
 - d. The funding of incremental costs is intended as an incentive for early adoption of ozone protecting technologies. In this respect the Executive Committee shall agree which time scales for payment of incremental costs are appropriate in each sector.
2. Incremental costs that once agreed are to be met by the financial mechanism include those listed below. If incremental costs other than those mentioned below are identified and quantified, a decision as to whether they are to be met by the financial mechanism shall be taken by the Executive Committee consistent with any criteria decided by the Parties and elaborated in the guidelines of the Executive Committee. The incremental recurring costs apply only for a transition period to be defined. The following list is indicative:

¹ In addition to the definition adopted by the Parties, it is important to note that MP funds contributed for incremental costs should not be subject to any form of national or local taxation.

² In addition to the types of expenditures indicated, the MFMP has funded projects supporting the development of institutional capacity to support local initiatives and coordination functions.



- a. *Supply of substitutes*
 - i. Cost of conversion of existing production facilities;
 - ii. Costs arising from premature retirement or enforced idleness, taking into account any guidance of the Executive Committee on appropriate cut-off dates;
 - iii. Cost of establishing new production facilities for substitutes of capacity equivalent to capacity lost when plants are converted or scrapped, including;
 - iv. Net operational cost, including the cost of raw materials;
 - v. Cost of import of substitutes;
- b. *Use in manufacturing as an intermediate good*
 - i. Cost of conversion of existing equipment and product manufacturing facilities;
 - ii. Cost of patents and designs and incremental cost of royalties;
 - iii. Capital cost;
 - iv. Cost of retraining;
 - v. Cost of research and development;
 - vi. Operational cost, including the cost of raw materials except where) otherwise provided for;
- c. *End use*
 - i. Cost of premature modification or replacement of user equipment;
 - ii. Cost of collection, management, recycling, and, if cost effective, destruction of ozone-depleting substances;
 - iii. Cost of providing technical assistance to reduce consumption and unintended emission of ozone- depleting substances.



Revised April 2013

Note: This Bank Procedure was 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, [OP/BP 10.00, Investment Project Financing](#), have been updated, and OP/BP 12.00, *Disbursement*, OP/BP 13.00, *Signing of Legal Documents and Effectiveness of Loan and Credits*, and OP/BP 13.30, *Closing Dates*, have been retired (among other changes). This BP has consequently been updated to reflect these changes, as well as to reflect the updated titles of the Bank’s policy on access to information and of the Procurement and Consultant Guidelines.

Questions may be addressed to the GEF Executive Coordinator, ENVGC.

Investment Operations Financed by the Multilateral Fund for the Implementation of the Montreal Protocol

Processing of Freestanding MP Operations

1. The processing of operations under the Ozone Projects Trust Fund (OTF) of the Montreal Protocol (MP) follows the general procedures set out in [BP 10.00, Investment Lending: Identification to Board Presentation](#). The public disclosure of information on projects funded under the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP) is governed by the provisions of [The World Bank Policy on Disclosure of Information](#) (Washington, D.C.: World Bank, 2002). This section explains variations and additional procedures that are specific to MP operations.

Identification

2. MP project ideas may be generated by governments, the implementing agencies for the MFMP,¹ nongovernmental organizations, or the private sector. The government in whose territory any operation is to be undertaken must explicitly support the operation before the Bank² can present it for approval by the MFMP Executive Committee.

3. *Project Preparation Advance*. Bank staff determine the recipient's need and eligibility for a project preparation advance (PPA) from the OTF.³

¹ The implementing agencies are listed in [OP 10.21, Annex A](#).

² "Bank" includes IBRD and IDA, and "loans" includes IDA credits and IDA grants.

³ Annex A of this document provides further information about OTF-PPAs.



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Project Preparation Documents

4. *Project Information Document.* A Project Information Document (PID) is prepared for MP operations (see [Annex B](#)). The MP-PID refers to the proposed technical review arrangements and notes whether an environmental review⁴ is necessary.
5. *Project Documents.* The MFMP Executive Committee requires that each project or subproject within an operation be described in a separate Project Document (see [Annex C](#)) that includes a Project Cover Sheet and Summary (see [Annex C1](#)). The prospective recipient prepares the Project Documents (with assistance from the Bank, if necessary). The task manager summarizes each Project Document in a paragraph; together, these summaries constitute a technical annex to the PID.
6. *Technical Review.* To ensure quality, each project or subproject covered by the MP-PID is subjected to an independent technical review that is based on the Project Document. This technical review, which is additional to the internal peer review required by [OP/BP 10.00, Investment Project Financing](#), is carried out by an outside specialist selected from the Ozone Operations Resource Group⁵ or from a roster approved by that group and available from the Global Environment Coordination Division (ENVGC). A signed opinion from the outside specialist on the technical merits of the proposed phase-out technology and level of funding for each subproject or single-component project is circulated with the MP-PID for the MP-PID review meeting. Subprojects that have not yet been preappraised at the MP-PID review stage and are being processed under an umbrella agreement (see para.8) are subject to the same technical review requirements.
7. *MP-PID Review Meeting.* The MP-PID review meeting is considered to be the pre-appraisal review meeting. ENVGC is represented at this meeting. Any questions on the interpretation of the MP or local legislation are referred to the Legal Department. If necessary, the MP-PID is revised after review. A copy of the MP-PID, with the technical annex and any other annexes attached, is sent to the Bank's Public Information Center (PIC), from which interested parties may obtain it.
8. *Subprojects under Umbrella Agreements.* When subprojects are defined following Bank approval of an umbrella agreement, they are reviewed (see para. 6) and approved by the division chief before being submitted through ENVGC for approval by the MFMP Executive Committee. Review/approval by the MFMP Executive Committee is a condition of disbursement for these subprojects.
9. *Project Review and Approval.* The MP-PID is submitted, with the Project Documents and any annexes, through ENVGC to the MFMP Secretariat; the Secretariat reviews the package and forwards the Project Documents to the MFMP Executive Committee. Taking into account any recommendation of the MFMP Secretariat, the MFMP Executive Committee reviews the Project Documents for each project or subproject. Projects smaller than \$500,000 are reviewed by the MFMP Executive Committee and incorporated into the Bank's work programs; projects or subprojects larger than \$500,000 (including those

⁴ MP projects are subject to the same environmental review process as Bank projects; see [OP/BP 4.01, Environmental Assessment](#).

⁵ The Bank established the Ozone Operations Resource Group to provide advice on designing and implementing projects to phase out ozone-depleting substances. The group is made up of engineers and scientists who are recognized internationally as leaders in the particular subsector using ozone-depleting substances. Its members are appointed by the Director, Environment Department.

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that are part of an approved project) are approved separately by the MFMP Executive Committee. Following the action of the MFMP Executive Committee, the Bank appraises the project.

Memorandum and Recommendation of the Director

10. Following appraisal, Bank staff update and revise the MP-PID and the technical annex as required to convert the MP-PID into an MP Memorandum and Recommendation of the Director (MOD) of the country department (CD) concerned. The MOD contains (a) a statement on the government's policies for implementing the MP and, in particular, the status of the country program for implementing the MP (or its principal policy and strategy recommendations, if they are finalized); and (b) a full description of the operation. Attached to the MOD are the technical annex that summarizes the Project Documents, and any other annexes necessary to give expanded descriptions of special technology, policy, or other features of the operation's design and its implementation arrangements, discuss the level and rate at which the operation is expected to phase out the use of ozone-depleting substances, and identify the key performance indicators and monitoring and evaluation arrangements for the project. (For the format of an MOD, see [Annex D](#)) Any annexes to the MOD are sent to the PIC, through which interested parties may obtain them.

Appraisal

11. Procedures for appraisal are described in [BP 10.00](#), *Investment Project Financing*.

Yellow Cover Review Meeting

12. The draft yellow cover MOD for the MP project, with its annexes, serves as the basis for the yellow cover review meeting. The cover memorandum notes (as required in [BP 10.00](#), *Investment Project Financing*) the changes made in all documents. The Chief, ENVGC, is represented in the yellow cover review meeting. Following the review meeting, the MOD may be revised.

Legal Documents

13. Within 10 working days after the revised MOD is issued, the lawyer issues the legal documents for the MP project. These legal documents specify grant amounts and conditionalities. Conditionality, if it is important for successful implementation, may be associated with an MP operation. The Grant Agreement incorporates by reference the relevant information disclosure provisions.

Negotiations

14. The Invitation to Negotiate includes a statement that it is the Bank's policy to release the MOD after the project is approved. The Invitation to Negotiate also requests that the prospective MP grant recipient be prepared to indicate, during negotiations, any sections of the MOD that may be confidential or sensitive, or that could adversely affect relations with the prospective recipient. The Bank and the prospective recipient discuss these sections during negotiations.

15. Procedures during negotiations are the same as for normal Bank projects, with three exceptions to expedite procedures: (a) the authority to negotiate rests with the CD director (however, for projects larger

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than \$2.5 million, clearance to negotiate is obtained from the Regional vice president [RVP]); (b) negotiations are normally by correspondence; and (c) after negotiations, documents are signed by the CD director (see paras. 18-10) and sent to the grant recipient for signature.

16. Following negotiations, Bank staff prepare the final (blue cover) MOD, taking into account the comments made by the prospective recipient during negotiations.

17. *Minutes of Negotiations.* These minutes refer to the outcome of negotiations of the MP project. They specifically reflect the MFMP grant recipient's agreement to allow public access to the MOD. A copy of the minutes is sent to the Chief, ENVGC.

Project Approval

18. If negotiations are successful, Bank staff assemble the following documentation:

- a. the MOD;
- b. the legal documents;
- c. a memorandum from ENVGC indicating that the proposed operation is consistent with the operation approved by the MFMP Executive Committee; and
- d. a transmittal memorandum noting the outcome of negotiations and seeking approval for a grant from the OTF for the MP project. For a project of less than \$2.5 million, the transmittal memorandum is addressed to the CD director by the country or sector operations division chief; for a project costing \$2.5 million or more, it is addressed to the RVP by the CD director.

A project of less than \$2.5 million is approved by the CD director. For a project costing \$2.5 million or more, the RVP approves the project and returns the documentation to the CD director, authorizing the CD director to sign the legal documents. A copy of all documentation is sent to ENVGC. The MOD is circulated by the Secretary's Department for information to the executive directors whose countries are Parties to the MP and by ENVGC to the members of the MFMP Executive Committee and to the MFMP Secretariat for distribution to the Parties. The final blue cover MOD is sent to the PIC, through which interested parties may obtain it.

Signing

19. The CD director signs the legal documents for the MP operation on behalf of the Bank. After the recipient signs the documents, the lawyer sends copies of the signed legal documents to the Official Documents File; the Trust Funds Administrator; the Chief, Trust Funds Accounting Division; the finance officer; and the Chief, ENVGC.

**Revised April 2013***Press Release for MP Operation*

20. If appropriate, the Information and Public Affairs Division prepares a press release after consulting with the project task manager and the Chief, ENVGC. ENVGC determines jointly with the sector operations division chief whether and when to issue the press release.

Procurement Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers

21. MP procurement is governed by [Guidelines: Procurement under IBRD Loans and IDA Credits](#) (Washington, D.C.: World Bank) and by the procedures outlined in [OP/BP 11.00, Procurement](#). The use of consultants is governed by [Guidelines: Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency](#) (Washington, D.C.: World Bank) and by the procedures outlined in [OP/BP 11.00, Procurement](#). Furthermore, because the grant proceeds may not be used to finance the tax element of the eligible activities, appropriate procurement methods must be established to implement this provision.

Effectiveness, Disbursements, and Closing Dates

22. If there are no conditions of effectiveness, MP Grant Agreements become effective upon signing. If there are conditions, Grant Agreements become effective according to the provisions of [BP 10.00, Investment Project Financing](#). MP project disbursements are governed by the provisions [OP/BP 10.00, Investment Project Financing](#). MP project closing dates are governed by the provisions of [OP/BP 10.00, Investment Project Financing](#).

Processing of MP Operations as Components of Bank-Financed Projects

23. MP operations are processed as components of Bank-financed projects only in exceptional circumstances. When MP operations are components of Bank-financed projects, the processing differs from the processing of freestanding MP projects only in the following respects.

Project Information Document

24. There is a separate MP-PID, with a technical annex summarizing the Project Documents, for MP components of Bank-financed projects; the MP-PID and the Executive Project Summary (EPS) for the Bank-financed project are normally prepared and processed together. ([Annex B](#) provides an outline of the MP-PID; [Annex C](#) describes the content of Project Documents.) The EPS for the associated Bank-financed project notes the existence of an MP component, and the PID for the Bank-financed portion of the project is available separately to interested parties on request through the PIC. The MFMP Executive Committee reviews/approves the MP component according to the procedures set out in para. 9.

Appraisal

25. Appraisal of MP components normally takes place simultaneously with appraisal of the other components of the proposed Bank-financed project. The MP component, like any other project component, is described in the Staff Appraisal Report (SAR) for the Bank-financed project.

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26. The technical annex summarizing the Project Documents, and any other annexes used to describe the MP component in the SAR for the Bank-financed project, are attached to the MOD (for the format of an MOD, see [Annex D](#)).

Yellow Cover Review Meeting

27. If appraisal of the MP component occurs later than that of the associated Bank-financed project, a separate meeting to review the MP yellow cover documents may be required.

Negotiations

28. Unless processing schedules for the MP component and the associated Bank-financed project differ, negotiations for both occur at the same time. Conditionality, if it is important for successful implementation, may be associated with an MP component. Further, if successful MP project implementation depends on the implementation of the associated Bank-financed project, cross-effectiveness provisions may be included in the MP project legal documents. The usual cross-default clauses are used in accordance with existing Bank practices for investment operations.

Project Approval

29. RVP approval is required for all MP operations that are components of Bank-financed projects. The complete MOD is attached to the Memorandum and Recommendation of the President (MOP) of the associated Bank-financed project. The cover memorandum of the MOP indicates that the RVP has approved the MP component, subject to the Board's approval of the Bank-financed project. After the associated Bank-financed project is approved by the Board, the CD director is authorized to sign the MP legal documents (see paras. 18-19).



Bank Procedures

This Bank Procedure statement was revised on July 2007 to reflect update on related Operational Manual Statements.

Project Preparation Advances from the Ozone Projects Trust Fund

1. Project Preparation Advances (PPAs) are available to assist prospective recipients in preparing substantial investment projects to be financed from the Ozone Projects Trust Fund (OTF). Such advances may be necessary because many Montreal Protocol (MP) investment operations require

- a. detailed fieldwork to define end users and appropriate policies and incentives for phasing out ozone-depleting substances, and/or
- b. demonstrations of techniques and technologies for substituting acceptable alternatives for ozone-depleting substances before designs can be finalized for large investment projects in the sectors that consume ozone-depleting substances. OTF-PPAs may be used for three purposes:
 - i. upstream preparatory work, including studies that are essential to expedite preparation and implementation of a project proposed for OTF financing;
 - ii. preinvestment studies to confirm the feasibility of the proposed project; and
 - iii. equipment, materials, and technical assistance to demonstrate technologies and techniques in preparation for large programs to phase out ozone-depleting substances or for projects in ozone-depleting-substance sectors.

2. The same eligibility criteria that apply to the regular MP projects apply to OTF-PPAs. OTF-PPAs below \$500,000 must have been reviewed by the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP) and included in approved work programs, and those greater than \$500,000 must have been approved by the MFMP Executive Committee (see [BP 10.21, para. 9](#)). OTF-PPAs are limited to a maximum of US\$1.5 million per proposed project. OTF-PPAs are made only when there is a strong probability that an MFMP grant will be made within two years after the Bank's letter to the potential recipient is signed. Furthermore, given that OTF-PPAs are approved by the MFMP Executive Committee in the same manner as investment projects (resources to be transferred to the recipient), they cannot be converted into administrative resources that the Bank would then use to execute project preparation. All advances are denominated in U.S. dollars.

3. Following MFMP Executive Committee review/approval, the country department concerned reviews a proposal for an OTF-PPA to determine whether it complies with the provisions of paras. 1 and 2 (relating to purposes/eligibility). The division concerned submits to the country department director a brief memorandum summarizing the results of the review, requesting approval for the advance, and indicating whether the granting of the advance has been cleared by the chief of the Global Environment Coordination Division (ENVGC). The memorandum is cleared with the Legal Department (LEG) and the finance officer.



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4. Once the advance is approved by the country department director, the Letter of Agreement¹ required for the OTF-PPA is processed. The text of the letter is cleared with LEG and the finance officer. It is also cleared by the Trust Funds Administrator, who assigns the OTF-PPA number that is shown on the letter. The Letter of Agreement is signed by an authorized officer in the Region (see Administrative Manual Statement 1.30, *Authority to Sign Written Instruments: Bank and Association*) and countersigned by the duly authorized government official.
5. OTF-PPAs are grants. To encourage the prompt use of these funds, the Financial Provisions Applicable to OTF-PPAs provide, inter alia, that
 - a. the Trustee may cancel the OTF-PPA if within 180 days of the recipient government's countersignature of the Trustee's letter the recipient government or entity concerned has not started any of the preparatory activities for which the advance was granted; and
 - b. except as the Trustee may otherwise establish, any unwithdrawn amount of the advance is canceled two years after the date the Trustee signs its letter to the potential recipient, and no further withdrawals may be made.
6. Bank staff provide to the chief, ENVGC, for inclusion in the Bank's progress reports to the MFMP Executive Committee, a report on the implementation status of the activity supported by the OTF-PPA.

¹ For preparation of, and questions on, letter agreements for project preparation advances, please contact the relevant country lawyer.



Bank Procedures

Montreal Protocol Operations: Outline for the Project Information Document

1. The Project Information Document (PID) for the Montreal Protocol (MP) operation (either a component of a Bank¹-financed operation or a freestanding operation) is a key decision-making document for management and also serves as the information document that interested parties may obtain through the Bank's Public Information Center (PIC). The PID is generally not longer than five pages and features the sections enumerated below.
2. *Introductory Section.* Identifies in tabular form the country and operation; the associated Bank-financed project (if applicable); the recipient, beneficiary, and financing plan; and tentative dates for appraisal and signing.
3. *Country or Sector Background.* Indicates that the country has ratified the MP, gives the date of ratification, and states that the country is eligible for assistance from the Ozone Projects Trust Fund (OTF). Also states (where applicable) that the proceeds of MP grants to nongovernmental institutions are not taxable. Identifies how the proposed operation is consistent with the kinds of assistance regarded as eligible by the Parties to the MP as indicated in their London agreement of June 1990 (Article IV, reproduced as [OP 10.21, Annex B](#)). Indicates the sectoral or subsectoral context of the proposed intervention (e.g., manufacturing, commerce, and application sector, such as solvents). Outlines the government's progress in preparing or implementing an MP country program and discusses any studies conducted to assist in formulating a country program. Discusses the existence of an agenda and timetable for implementation of proposed policy reforms to facilitate MP implementation. Also discusses the institutional arrangements for administering MP implementation, as well as any related issues, and any arrangements for institutional strengthening proposed or under implementation.
4. *Objectives.* Summarizes the goals of the operation, placing the objectives in the wider context of the implementation of the MP in that country.
5. *Description.* Describes the operation: at a minimum, lists the major components, their share of total costs, and the policy and institutional reforms that are required for effective implementation.
6. *Incremental Costs.* Calculates the incremental cost of the operation in both financial and economic (i.e., net of taxes, duties, and subsidies) terms. Calculates the unit abatement cost (incremental economic cost per unit of ozone depletion abatements), and establishes the operation's priority by showing that its unit abatement cost is low in comparison to other opportunities in the sector and the country. Calculates the incremental operational savings and benefits expected to result from the operation, demonstrating that it is financially attractive once allowance is made for funding under the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP), applicable tax laws, and the noncash or uncertain nature of anticipated operational savings and benefits. Recommends the amount of MFMP grant financing on the basis of the incremental economic cost of the operation, minus the incremental economic

¹ "Bank" includes IBRD and IDA, and "loans" includes IDA credits and IDA grants.

operational savings and benefits, plus any additional amount. The additional amount must be explicitly justified on such grounds as the following:

- a. the anticipated operational savings and benefits are uncertain, external to the enterprise, or nonmonetary;
- b. the enterprise requires compensation for incremental transfer payments; or
- c. the enterprise requires additional financial compensation for the technological and commercial risks and additional management costs involved.

7. *Financing.* Summarizes the external and domestic financing arrangements for the operation, highlighting complex cofinancing arrangements.

8. *Implementation.* Summarizes the implementation plans, including management arrangements, the names and responsibilities of participating agencies, and (if applicable) onlending arrangements. Examples: for financial intermediary operations, indicates criteria for the selection of financial intermediaries and subprojects; for sector investment loans, indicates criteria for subproject selection and supervision arrangements. In general terms, describes procurement and disbursement methods, including proposed arrangements for efficient execution of key procurement packages.

9. *Sustainability.* Indicates how the design of the operation contributes to the institutional and financial sustainability of the operation. Ex-ample: indicates how disposal or recycling fees and revenue from the sale of recycled chlorofluorocarbons contribute to cost recovery.

10. *Lessons from Previous Bank or IDA Involvement.* Summarizes the lessons learned from ongoing and completed operations and from the relevant Project Completion Reports/Implementation Completion Reports and special studies prepared by the Operations Policy Department, Research Administration, External Affairs, the Operations Evaluation Department, and other Bank units that review lessons learned by the Bank or others in designing and supervising operations with similar objectives. Indicates explicitly how the proposed operation reflects those lessons. Where relevant, for a recipient with a record of noncompliance with audit requirements, notes remedial measures to ensure compliance.

11. *Rationale for Funding from the MFMP.* Indicates the contributions of the operation to (a) MP implementation consistent with the country's obligations under the MP and any country program, and (b) sectoral policy objectives, institutional development, and other goals for phasing out ozone-depleting substances that would not be achieved without Bank involvement. Where possible, estimates the cost-effectiveness of the interventions to reduce ozone-depleting substances in U.S. dollars per unit of ozone-depleting substance avoided. For financial intermediary loans, summarizes, if appropriate, the role of IFC in the sector and explains how the operation fits into the coordinated strategy of the Bank, IFC, and MIGA for financial sector development.

12. *Issues and Actions.* Discusses outstanding project issues and how they should be handled. Indicates target ranges for, and the timing of, measures required by the government to ensure effective implementation and efficient use of MFMP financing. Discusses the adequacy of the operation's management capacity and, where applicable, cost recovery arrangements. Example: for financial sector operations, addresses unresolved issues of the terms and conditions under which MFMP resources are provided to enterprises and describes supervision and regulation issues relevant to loan recovery.



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Indicates proposed exceptions to procurement or cost-sharing guidelines and discusses issues related to the Bank's support for sensitive commodities or activities.

13. *Environmental Aspects.* Indicates the environmental category assigned to the operation. Where relevant, summarizes (a) major environmental and natural resource management issues; (b) the preparation status or conclusions of the environmental assessment; (c) required actions, such as consultation with affected groups and nongovernmental organizations; and (d) how major issues are to be addressed or how they have been resolved.

14. *Benefits.* Summarizes the main benefits of the operation. Where applicable, expresses these benefits in quantitative terms, including the amount and unit costs of emissions of ozone-depleting substances avoided; shows, where appropriate, the expected financial and economic rate of return. Where benefits are not quantified, provides other appropriate, preferably quantified, measures of performance to establish why this operation is better than alternative operations to implement the MP. Summarizes institution-building features and other intangible benefits.

15. *Risks.* Summarizes relevant project risks, including

- a. operation-specific issues, such as institutional capacity of the implementing agency and its commitment to enforce an enabling policy reform function; and
- b. broader issues, such as the conflict between incentives at the macroeconomic level and those required at the operation level. Summarizes the results of any sensitivity analysis and indicates key variables influencing the operation's success, specifically in terms of sustained reductions or elimination of the emissions of controlled substances. Cites appropriate design features that help address project risks.

16. *Staff Review Arrangements.* Lists the names of the task manager, the division chief, the country department director, and the peer reviewers. Also identifies the economic, scientific, and technical review functions to be carried out (as part of the technical review process) by peer reviewers, ozone layer technical advisers, and outside specialists.



Bank Procedures

Presentation of Projects to the MFMP Executive Committee

These guidelines provide information on the appropriate content and level of detail required for submission of projects to the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol (MFMP). The text below, issued by the Secretariat of the Montreal Protocol as it was agreed to at the February 1992 meeting of the MFMP Executive Committee, is reproduced verbatim from the MP documents. Requirements added since February 1992 are underlined in the text. The MFMP Executive Committee specified that the Project Document should not exceed 10 pages; however, in practice it is usually two or three pages long.

The Project Document

1. The project document should contain the following information preferably in the sequence shown below when being submitted directly by a party. If the submission is being made by one of the Fund's implementing agencies then such an agency can utilize formats that are consistent with their own internal procedures and operations provided they include the information requested here. It is anticipated that the complete project document would not exceed ten typed single-spaced pages in length.

Cover Sheet

2. The project document should contain a cover sheet providing the information as shown in [[Annex C1](#)].

Project Title

3. A concise title of the project.

Sector Data

4. Brief background information on the amount of controlled substances used in the sector or sectors affected by the project and the corresponding percentage to the total consumption of controlled substances in the country. If the project is intended to phase-out the production of a controlled substance or substances then the relevant production data on the affected substance or substances and the corresponding percentage to the total production and consumption of controlled substances must also be provided.

Project Description

5. The project description usually begins with the identification of the problem, followed by the formulation of the objectives of the project and their relationship to the priority within the country programme or to the national strategy for the implementation of The Montreal Protocol. This section should also address the technical aspects of the project, for example, the availability and intended use of



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such alternative technologies. In addition, the activities to accomplish the project must also be clearly indicated. A good project description should explain:

- a. why the product is needed (rationale, justification, and explanation of the problem the project is to address);
- b. what private sector firms, if any, are involved or affected by the project;
- c. what are the project's long term objectives;
- d. what are the project's short term objectives, if successfully completed;
- e. what actions/activities are needed to accomplish the overall objectives;
- f. what non-monetary objectives are needed to realize the objectives;
- g. what is the best estimate of the cost effectiveness of the project (phase-out costs per kg.).

Project Timeframe

6. Information on the anticipated start-up date and the termination date for the implementation of the project including a projected schedule for implementation of the various activities designed to accomplish the objectives of the project.

Outputs

7. This section will address the expected outcome of the project in order to achieve the objectives addressed in the project description. Included here would be information on the projected phase-out/reduction in consumption of controlled substances (in tonnes x ODP [ozone-depletion potential]) and other direct or indirect outputs, for example, human resource development and/or enhancement of institutional capacity.

Budget

8. An indicative budget showing all project expenditures and the anticipated timing of disbursements. There should also be a description of each budget item and a rationale for the budget estimates as well as explanations of any in-kind contributions.

Implementation Arrangements

9. Information on which implementing agency or agencies (UNDP, UNEP, World Bank, Other) would be undertaking the project, the national agency responsible for coordinating the project, and the financial intermediary contracted for the receipt and disbursement of funds and the financial reporting on the project. A copy of any agreement between the submitting Party and the participating agencies should also be provided as well as a brief resume on the capacity of the implementing agency to successfully implement the project if it is other than one of the Fund's implementing agencies.



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Institutional Framework

10. This section should define the role and responsibilities of the cooperating agency or supporting organization. It should also clarify who is the ultimate authority in managing the project, what is the machinery for consultation among the various agencies and organizations involved in the project, and to which parties and for what purpose are the project results reported. This section also identifies issues relating to procurement and disbursement (such as retroactive financing) if they are relevant to the MFMP.

Technical Appraisal

11. A copy of any technical reports of the project, if available.

Ozone Operations Resource Group Comments

12. This paragraph outlines how the project was modified to take into consideration any comments of the Ozone Operations Resource Group.¹

¹ The Bank established the Ozone Operations Resource Group to provide advice on designing and implementing projects to phase out ozone-depleting substances. The group is made up of engineers and scientists who are recognized internationally as leaders in the particular subsector using ozone-depleting substances. Its members are appointed by the Director, Environment Department.



Sample Project Cover Sheet and Summary

COUNTRY OR REGION:

SECTOR(S) COVERED:

ODS¹ CONSUMPTION IN AFFECTED SECTOR(S):

PROJECT TITLE:

PROJECT DURATION: Yrs. _____ Mths. _____

PROJECT IMPACT: ODS¹ PHASE-OUT _____ OTHERS _____

PROPOSED BUDGET:

IMPLEMENTING AGENCY: UNDP _____ UNEP _____

WORLD BANK _____ **Other** _____

NATIONAL COORDINATING AGENCY:

PROJECT SUMMARY (Addresses technical, institutional, and policy issues)

¹ ODS: ozone-depleting substance.



Bank Procedures

Outline for Memorandum and Recommendation of the Director

Introduction

1. The Memorandum and Recommendation of the Director (MOD) of the country department is the basis for making decisions on the investment operation proposed for financing by the Ozone Projects Trust Fund (OTF). The MOD comprises a text, three schedules,¹ and, when locational information is needed, a map; a Project Document for each subproject is annexed to the MOD (see [BP 10.21, para. 10](#)). Since a Staff Appraisal Report (SAR) is not required, annexes provide details on special technical policy or other features of the operation's design and describe special resources or global environmental improvements that are the focus of the operation.

Cover

2. The cover format of the MOD is as follows:

Document of

The World Bank

FOR OFFICIAL USE ONLY

Report No. _____ [*country abbreviation*]

Multilateral Fund for the Implementation of the Montreal Protocol

MEMORANDUM AND RECOMMENDATION

OF THE

DIRECTOR FOR [*COUNTRY DEPARTMENT*]

OF THE

INTERNATIONAL BANK FOR

RECONSTRUCTION AND DEVELOPMENT

TO THE

REGIONAL VICE PRESIDENT, [*NAME OF REGION*]

¹ These schedules are (a) estimated project costs and financing plan, (b) procurement and disbursement methods, and (c) a timetable of key project processing events.



ON A
PROPOSED OZONE PROJECTS TRUST FUND GRANT
IN THE AMOUNT EQUIVALENT TO US\$_____ MILLION
TO
[BENEFICIARY/COUNTRY]
FOR A
[NAME] PROJECT
[DATE]²

[Name] Division

Country Department [Number]

[Name] Region

3. The inside front cover page of the MOD summarizes currency equivalents, weights and measures, abbreviations and acronyms, and the fiscal year of the borrower and project entities. It uses presentational conventions detailed in the Bank's *Communications and Style Guide*. A Loan and Project Summary (see [BP 10.00, Annex D1](#), *Outline for Preparing the "Loan and Project Summary"*) precedes the MOD text.

Text

Heading

4. The text of the MOD begins on a new page following the grant and project summary. It starts with the following standard heading:

MEMORANDUM AND RECOMMENDATION OF THE DIRECTOR,
[NAME OF COUNTRY] DEPARTMENT [NUMBER]
TO THE REGIONAL VICE PRESIDENT

² Date approved by the country department director.



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[NAME OF REGION]

Introductory Paragraph

5. The introductory paragraph has a standard form:

I submit for your approval the following memorandum and recommendation on a proposed OZONE PROJECTS TRUST FUND grant to [beneficiary/country] for US\$_____ million to help finance an operation for [purpose].

When the OTF finances a project in association with one or more major cofinanciers, the cofinanciers are named, and the amounts and terms of their financing are indicated.

Main Text

6. The main text provides sufficient information to give an adequate understanding of and justification for the operation. The discussion is self-contained. The general format and subjects discussed in the main text are similar to the format and sections in the Project Information Document (PID), from which the MOD evolves (see [BP 10.21, Annex B](#)). Each section normally has one or two paragraphs covering the subjects listed below. Depending on the individual project, some subjects require little or no discussion; others may warrant longer treatment. The main text for projects under \$500,000 is considerably abbreviated; it normally runs no more than three pages.

7. *Country/Sector Background.* The MOD succinctly puts the operation into the country/sectoral context, noting when possible how it is consistent with the country program. It indicates the importance of the subsector, or of the particular aspect of the sector that the operation addresses, in the implementation of the Montreal Protocol (MP). It discusses key long-term country goals for implementing the MP, priority policy reforms to achieve such goals, and major constraints that impede progress. The MOD highlights the specific measures undertaken by the government and notes the progress in resolving these issues. It indicates what remains to be done. For financial sector operations, the MOD assesses distortions in the structure of interest rates and the exchange rate, the health of the banking system, and market imperfections in the credit delivery system.

8. The MOD briefly describes the main institutions specifically relevant to the operation, outlining their strengths and weaknesses (management, staffing, finance, planning, coordination, efficiency of service delivery). It summarizes government strategies for developing these institutions and for addressing problems. For projects with a decentralized implementation focus, the MOD outlines the regulatory framework in which the institutions operate. Example: for financial intermediary operations, the MOD assesses how effectively the banking supervision system enforces prudential regulations.

9. *Project-Specific Discussion.* The MOD also discusses the following subjects (each of these subjects is described more fully in [BP 10.21, Annex B](#)): project objectives, project description, project implementation, project sustainability, lessons from previous Bank or IDA involvement, rationale for funding from the Multilateral Fund for the Implementation of the Montreal Protocol, project benefits, and project risks.



Bank Procedures

10. *Environmental Aspects.* The MOD briefly discusses the project's environmental impact and indicates how environmental and natural resource management issues associated with the operation have been resolved. If an environmental assessment has been prepared, the MOD briefly describes (a) the main findings of the environmental assessment, (b) the consultation process with affected groups and local nongovernmental organizations (NGOs), and (c) feedback on the findings of the assessment to these groups and NGOs. If an environmental analysis was required, the MOD briefly summarizes the main issues and findings of the analysis.

11. *Agreed Actions.* The MOD summarizes agreements reached with the government and the borrower on specific actions and relates them to key issues identified earlier. It indicates timing. It lists only those agreements that are reflected in covenants and conditionality in the legal documents. The MOD uses language consistent with the language in the legal agreements. It does not discuss conditionality on such routine matters as reporting requirements, unless they are unique or require special consideration. It discusses procurement agreements only when arrangements are proposed to accommodate particular needs for MP implementation, such as possible contributions in kind from Russia.

12. *Recommendation.* The MOD uses the following standard form:

I am satisfied that the proposed grant would comply with the relevant provisions of the Ozone Projects Trust Fund in Resolution 9-15 of the Executive Directors, and I recommend that the Regional Vice President approve it.

[SIGNATURE]

[Name]

Director

[Name]

Country

Department

[Number]

Washington,

D.C.

[Same date as

on the cover

page]

Attachments



Bank Procedures

Annexes

13. *Schedule A.* This presentation summarizes in tabular form the estimated project costs and financing plan. It is identical in form and content with the tables on the project costs and financing plan in the Loan and Project Summary of a Bank Staff Appraisal Report (SAR).

14. *Schedule B.* This schedule provides tables on procurement methods and disbursements. The table on procurement methods is prepared in line with the presentational conventions discussed in [OP/BP 11.00, Procurement \(Procurement Arrangements for Investment Operations\)](#). It is identical to the procurement table presented in the text of an SAR. A disbursements table details the disbursement categories, the grant amount allocated to each category, and the percentage of expenditures to be financed from the grant under each category. It is identical with Schedule 1 in the Grant Agreement. A second section presents estimated loan disbursements by the Bank's fiscal year and cumulatively. It is identical in form and content to the table on estimated disbursements in an SAR's Loan and Project Summary.

15. *Schedule C.* This schedule presents a timetable of the project's key processing events. It indicates (a) time taken to prepare the project, showing the calendar period from start to completion of project preparation; (b) names of staff who prepared the project; (c) date of the first Bank or IDA mission; (d) appraisal mission departure date; (e) date of negotiations; (f) planned date of effectiveness; and (g) dates of relevant Project Completion Reports/Implementation Completion Reports and Project Performance Audit Reports.

Map

16. The MOD includes a map when needed. The Cartography Section of the Printing and Graphics Division advises on the appropriate map(s) to be included and turnaround times required for production. All maps, whether or not they are prepared in the Cartography Section, must be cleared by the section before any printing request is made and at least two weeks before the maps are to be bound into reports. (For more details, refer to Administrative Manual Statement 7.10, Annex B, *Time Standards--Cartographic Services*, or the reverse side of Form 1548, Request for Cartographic Services.) All maps include an appropriate disclaimer.



Sample Notice to Prospective Recipients of Grants under the Multilateral Fund for the Implementation of the Montreal Protocol

Paragraph for Invitation to Negotiate

With regard to Montreal Protocol projects, it is the Bank's policy to release the Memorandum and Recommendation of the Director (MOD) to interested parties on request through the Public Information Center after the project is approved for financing. Before releasing this report, the Bank takes into account any comments made by the prospective grant recipient or government. Therefore, the Bank requests that during the forthcoming negotiations the recipient be prepared to indicate any text or data in the MOD that may be confidential or sensitive, or that may adversely affect the relations between the Bank and the government. The Bank will review these comments during negotiations.



Bank Procedures

Revised April 2013

Note: This Bank Procedure Annex was 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, [OP/BP 10.00, *Investment Project Financing*](#), have been updated, and [OP/BP 6.00, *Bank Financing*](#), have been retired (among other changes). This BP Annex has consequently been updated to reflect these two changes.

Disbursement under Ozone Projects Trust Fund Grant Agreements

1. Disbursement categories for Montreal Protocol operations under Ozone Projects Trust Fund Grant Agreements are limited to the following:
 - a. goods, works, and services financed under subgrants;¹
 - b. goods and services financed under institutional strengthening components; and
 - c. financial agent fees.
2. As is standard Bank practice, disbursement percentages are set in a manner that is consistent with Bank practice for loans/credits in the country.²
3. To make funds available for disbursement from the subgrant category, the task manager (TM) assigns to each subproject a subgrant number³ and allocates an amount of funding (in U.S. dollars) up to the total amount approved for the subproject. The TM communicates this information to the grant recipient in the telex approving the subproject, and sends a copy of the telex to the finance officer. The finance officer then makes disbursements against withdrawal applications submitted by the recipient evidencing eligible expenditures under the relevant subproject.
4. The Loan Disbursement System tracks disbursements against each of the disbursement categories listed in para. 1 (not against specific subgrants). The TM ensures that the recipient tracks subgrant disbursements in accordance with the provisions of the relevant legal documents, so that Implementation Completion Reports can document total costs paid out for each individual subproject.

¹ The Bank disburses against expenditures on goods, works, and services, and not against subgrants per se. Expenditures under this category might include purchases of equipment and technology required for reducing or eliminating the beneficiaries' use of ozone-depleting substances, construction of buildings, or consultant services provided to the subgrant beneficiaries.

² For countries for which the Bank has established country financing parameters, see [BP 10.00, *Investment Project Financing and internal guidance*](#). For countries for which the Bank has not yet established country financing parameters, see the Operational Memorandum [Specific Expenditure Eligibility and Cost Sharing Requirements for Investment Projects in Countries Without Approved Country Financing Parameters](#).

³ The TM may need to consult with the finance officer on a suitable numbering system.



Revised July 2014

"OP/BP11:00 "Procurement", were revised on July 2014 to take into account the recommendations in " World Bank Group A New Approach to Country Engagement" (R2014-0089), which were approved by the Executive Directors on May 22, 2014. As a result of these recommendations, ; [OP/BP 13.16, Country Portfolio Performance Reviews](#) has been retired, [OP/BP 2.30 Development Cooperation and Conflict](#) references to ISN were replaced by CEN and included in the Country Engagement Directive; [OP 1.00 Poverty Reduction](#) footnote 2 has been deleted; [BP 3.10, Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits](#), [OP/BP 4.02 Environmental Action Plans](#), [OP 8.00, Rapid Response to Crises and Emergencies](#), [OP 11.00, Procurement](#) have also been updated to reflect editorial changes.

Procurement

1. The Bank¹ is required by the Articles of Agreement to “make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations”². As part of complying with this requirement, the Bank has adopted policies covering the procurement by World Bank borrowers of all goods, works, non-consulting services, and consulting services financed in whole or in part out of the proceeds of Bank loans. In addition, the policies aim to support the Bank’s interest in giving equal opportunity to all eligible bidders and encouraging the development of domestic contracting and manufacturing industries in borrowing countries.
2. The Bank has issued the “[Procurement Guidelines](#)” governing the procurement of goods, works, and non-consulting services (*Guidelines: Procurement of Goods, Works, and Non-Consulting Services*³ under IBRD Loans and IDA Credits by World Bank Borrowers) and the “[Consultant Guidelines](#)” governing the selection and employment of consultants (*Guidelines: Selection and Employment of Consultants*⁴ under IBRD Loans and IDA Credits by World Bank Borrowers) (jointly, the “[Procurement](#) and [Consultant Guidelines](#)”). The Guidelines apply to Bank-financed procurement and to the Bank’s review of borrowers’ procurement actions. They are incorporated by reference in the loan agreement in the manner specified in the Project Appraisal Document (PAD), and are binding on the borrower. The Guidelines are revised from time to time and approved by the Bank’s Board of Executive Directors.
3. The responsibility for the implementation of a Bank-financed project⁵, including the use of loan proceeds for the purposes intended, and the award of contracts for goods, works, and

¹ “Bank” includes IBRD and IDA. “Loan” includes IBRD loan, IDA credit, Bank grant, IDA grant, advances under the Project Preparation Facility (PPF), and recipient-executed grants financed from the World Bank resources and from trust funds financed by other donors, where the Bank is the administering agency, unless, exceptionally, the terms of the trust fund agreement with the donor make provision for different arrangements. “Borrower” includes loan, credit, or grant recipient that executes such project, and may include sub-borrower or project implementing entity. “Loan agreement” refers to the legal agreement between the Bank and borrower, and may include the project agreement between the Bank and project implementing entity.

² [IBRD Articles of Agreement, Article III, Section 5\(b\)](#), and [IDA Articles of Agreement, Article V, Section 1\(g\)](#).

³ Non-consulting services are services in which the physical aspects of the activity dominate, such as drilling, mapping, and similar operations, and which are bid and contracted on the basis of performance of a measurable physical output.

⁴ Consulting services refer to activities of an intellectual and advisory nature.

⁵ A “Bank-financed project” is a project financed in whole or in part by a loan.



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consulting and non-consulting services and their payment in accordance with the loan agreement, rests solely with the borrower. In case of a conflict between the loan agreement and the borrower's national procurement laws and regulations, the loan agreement (including by reference the [Procurement](#) and [Consultant Guidelines](#), the Procurement Plan (see paragraph 16 below), and, wherever applicable, the Project Implementation Manual) takes precedence under the General Conditions for Loans ([Section 8.01](#)) and the General Conditions for Credits and Grants ([Section 7.01](#)).

Use of Bank Documents⁶

4. *Standard Bidding Documents (SBDs)*. For International Competitive Bidding (ICB), the [Procurement Guidelines](#) require the borrower to use the Bank's SBDs with minimal changes, acceptable to the Bank, to address project-specific conditions. For National Competitive Bidding (NCB), and for the Use of Country Systems (UCS) under the Bank's piloting program⁷, the borrower may use its own standard bidding documents if the Bank has assessed that they are acceptable and consistent with Bank policy. Specific forms of agreement are required for Procurement from United Nations (UN) agencies, Procurement in Loans to Financial Intermediary Institutions, and Procurement under Public Private Partnership (PPP) Arrangements. Other types of contracts may be used subject to Bank's review and at its discretion.

5. *Standard Requests for Proposals (SRFPs), including contract forms*. The [Consultant Guidelines](#) require the borrower to use the Bank's SRFP (including a simplified RFP under certain circumstances) in selecting consulting firms using Quality- and Cost-Based Selection (QCBS), Quality-Based Selection (QBS), Selection under a Fixed Budget (FBS), Least-Cost Selection (LCS), and Selection Based on Consultants' Qualifications (CQS). For Single-Source Selection (SSS), the Bank's standard form of contract shall be used. Specific forms of agreement are required for the selection of particular types of consultants as specified in the [Consultant Guidelines](#). Contracts that do not follow standard forms may be used subject to Bank's review and at its discretion.

Conflict of Interest

6. Bank policy addresses conflict of interest as a basis for ineligibility in the [Procurement](#) and [Consultant Guidelines](#). Cases of individual consultants who formerly were or currently are working for the World Bank Group (WBG) are governed by Staff Manual [3.03](#) (General Obligations of Staff Members). Consulting firms hired by the Bank to assist in project preparation and appraisal are ineligible to provide services to the borrower under the same project.

⁶ SBDs and SRFPs, as well as additional Instructions and Guidance Notes for Bank staff, are available on the Bank's procurement [website](#). BDs, RFPs, and the signed contracts between the borrower and the providers of goods, works, and non-consulting and consulting services are binding on the parties and govern their rights and obligations.

⁷ The Piloting Program is described in the Board paper dated March 3 and March 25, 2008 entitled "[Use of Country Procurement Systems in Bank-supported Operations: Proposed Piloting Program](#)" (R2008-0036 and 0036 and 0036/1), approved by the Bank's Board of Executive Directors on April 24, 2008.

**Revised July 2014***Advance Contracting*

7. The borrower may, at its own risk, initiate and proceed with a procurement or selection process before signing the related Bank loan agreement, in accordance with the [Procurement](#) and [Consultant Guidelines](#). In such cases, the eventual contracts are eligible for Bank financing only if the borrower uses procurement procedures that meet the requirements of the [Procurement](#) and [Consultant Guidelines](#). In addition, if the borrower does not stop the procurement process at the point where bids have been received and evaluated and an award decided upon, but instead proceeds to enter into a contract, reimbursement by the Bank of any payments made by the borrower under the contract prior to loan signing is considered retroactive financing and is subject to the limits specified in the loan agreement.

8. Advance contracting may be undertaken to expedite the implementation of a project, particularly when the procurement process is complex and requires extensive lead times or under emergency operations. Except for pre-investment work, advance contracting actions should normally take place after pre-appraisal when the project is clearly defined and the Bank is satisfied with its overall design. Contracts under advance contracting are included in the tentative Procurement Plan that is normally attached to the minutes of negotiations for a new project or for additional financing. In the case of large contracts that are subject to prior review, the procurement procedure and bidding documents (or RFP) are cleared by the Bank in accordance with Appendix 1 of the [Procurement](#) and [Consultant Guidelines](#) respectively, as if the loan agreement had already been signed.

**Revised July 2014***Co-Financing*⁸

9. *Joint co-financing* occurs when the Bank's and other financiers' funds are being used to finance the same contract in agreed proportions. Since Bank funds finance a portion of expenditures, to be eligible for Bank financing, all procurement under joint co-financing arrangements must be in accordance with the Bank's [Procurement](#) and [Consultant Guidelines](#). The Bank's responsibility with regard to procurement is identical to that of other projects where no co-financing is involved.

10. *Parallel co-financing* occurs when the Bank and co-financier(s) finance different contracts and activities defined in distinct components or geographical areas of a project. The review of procurement processes and clearance by co-financiers of the borrower's decisions is normally the responsibility of each co-financier for their respective financing unless specific alternative arrangements are made in this regard. Parallel co-financing is generally used when:

- (a) other co-financiers' procurement rules are inconsistent with the Bank's Guidelines, e.g., because of source restrictions or unacceptable procedures; and
- (b) works, goods, and services can be divided into packages that may be separately bid without seriously affecting project costs, implementation schedules, or overall performance.

Misprocurement

11. The Bank declares misprocurement in accordance with the relevant provisions of the [Procurement](#) and [Consultant Guidelines](#). When misprocurement is declared, the Bank does not finance expenditures under the contract that has been so misprocured and normally cancels the portion of the proceeds of the loan allocated to this contract,⁹ except as provided under paragraph 13 below.

12. Misprocurement applies to all categories and methods of procurement (including the Use of Country Systems under the piloting program) provided in the [Procurement](#) and [Consultant Guidelines](#). Misprocurement may be declared at any point during the procurement process or after conclusion or termination of a contract, including in cases when the Bank issued a "no objection" on the basis of the information provided by the borrower.

13. In exceptional cases (e.g., if there are legitimate differences in judgment between the Bank and the borrower, or if the borrower genuinely misunderstood the requirements of the loan

⁸ Co-financing of projects by other financing agencies in addition to the Bank, under joint or parallel financing arrangements, raises specific issues because of the different terms and conditions attached to the use of their resources and the choice of appropriate procurement arrangements. Co-financing requires, inter alia, donor coordination and early attention to procurement planning in order to achieve an optimal use of co-financing resources and successful project implementation. The proposed packaging of the contracts shall follow a rationale based on project design, and technical and implementation considerations, and shall not be exclusively driven by financial reasons.

⁹ The amount allocated to a misprocured contract is defined in [BP 11.00](#).

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agreement), the Bank may agree not to cancel the portion of the proceeds of the loan allocated to the misprocured contract, but instead to reallocate it to other components of the project. However, these proceeds cannot be used to finance any contract awarded following a re-bidding for the goods, works, or services in respect of which misprocurement was declared.

Fraud and Corruption

14. It is the Bank's policy to require that borrowers (including beneficiaries of Bank loans) and bidders, and their personnel, observe the highest standard of ethics during the procurement and execution of all Bank-financed contracts. In pursuance of this policy, the Bank may take actions as described in Section I of the [Procurement](#) and [Consultant Guidelines](#) and in the *IBRD/IDA Guidelines On Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants* ("Anti-Corruption Guidelines") which are incorporated by reference in the loan agreement.

15. The Bank's sanctions policies and procedures are publicly disclosed on its [Sanctions website](#). The names of firms and individuals temporarily suspended from being awarded Bank-financed contracts or declared ineligible to be awarded Bank-financed contracts are available on the internal Bank's [Suspensions](#) and [Debarred Firms](#) websites, respectively.

Procurement Plan¹⁰

16. As part of project preparation and with the assistance of the Bank, the borrower prepares a Procurement Plan, and regularly updates it, in accordance with Section I of the [Procurement](#) and [Consultant Guidelines](#). Special provisions may apply for projects or components that are demand-driven in nature as indicated in the [Procurement](#) and [Consultant Guidelines](#). The Procurement Plan, as approved by the Bank during loan negotiations, is incorporated by reference in the loan agreement, and thus is legally binding on the borrower. Any violation of the Procurement Plan may give rise to the exercise of remedies under the loan agreement. The Project Implementation Plan and Project Implementation Manual for a Bank-financed project shall be consistent with the Procurement Plan.

Counter Trade

17. Awards of Bank-financed contracts are made solely on the basis of the bids and proposals presented by the bidders and consulting firms without imposing any counter trade obligations to purchase local goods or services in return, or mandatory investment or licensing and other similar industrial participation obligations.

Domestic Preference

¹⁰ Procurement Plan identifies: (i) appropriate contract packages with estimated costs; (ii) the completion dates for the different contracts; (iii) the optimal methods for procuring them; (iv) duration of each procurement step for each contract; (v) the standard or model documents that will be used; and (vi) the institutional arrangements that will be needed to carry out the procurement. The Procurement Plan may otherwise consist of a detailed description of all administrative aspects of procurement and consultants' selection, including: (i) criteria for efficient contract packaging and appropriate procurement methods; and (ii) approximate completion dates for all procurement activities.



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18. To encourage development of domestic industries, the Bank, in accordance with the [Procurement Guidelines](#), permits borrowers to give preference to (i) bidders offering domestically manufactured goods and (ii) domestic contractors for works (in eligible borrowers' countries¹¹). In addition, the Bank permits borrowers to include points for participation by nationals among the consultant's key experts in the evaluation of technical proposals for consulting services in accordance with the [Consultant Guidelines](#).

Specific Policies for Certain Categories of Procurement

19. *Procurement of Secondhand Goods.* The Bank's policy¹² is to finance the procurement of new goods. Under limited circumstances that are evaluated on a case-by-case basis, the Bank may finance secondhand goods (e.g., capital plant and equipment, vessels, etc.) when they are considered to provide the most economic and efficient means of satisfying the project's objectives because:

- (a) the procurement of new goods would result in prohibitive costs due to a lack of economies of scale and/or specific market conditions; and
- (b) there is a surplus (in suitable quantity and quality) of the type of secondhand goods required from sufficient sources to ensure competitive bidding.

Bidding documents set out: (i) clear specifications that define minimum acceptable standards; (ii) performance requirements and residual economic life of the goods; (iii) special criteria and methodology for evaluating and comparing bids; (iv) inspection provisions; and (v) requirements for certification and assessment of the residual life of the goods by recognized licensed entities.

20. *Procurement under Situations of Urgent Need of Assistance or Capacity Constraints.* [OP 10.00, Investment Project Financing](#), sets forth the Bank's policy on procurement of goods, works and services financed under projects in situations when the borrower/beneficiary 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). In these cases, and at the request of the borrower/beneficiary, the Bank may agree to specific procurement arrangements as set forth in *Situations of Urgent Need of Assistance or Capacity Constraints: Simplified Procurement Procedures*. When, inter alia, a UN agency is retained as an implementing agency for projects financed through a Multi Donor Trust Fund (MDTF), provided that it is a signatory to the Fiduciary Principles Accord ([FPA](#)),¹³ it may use its own policies and procedures for all procurement.

¹¹ See [OP 3.10, Annex D, IBRD/IDA Countries: Per Capita Incomes, Lending Eligibility, and Repayment Terms](#) which sets forth which borrowing countries are eligible to give preference to bids for works contracts.

¹² Staff should refer to internal instructions for additional information on procurement of second hand goods.

¹³ The FPA reflects a shared WB/UN approach to fiduciary issues and permits UN agencies that are signatories to rely on their own fiduciary systems when implementing activities financed under MDTFs. In all other projects financed by the Bank, a UN agency acting as an implementing agency shall follow the Bank's Procurement and Consultant Guidelines as per the



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21. *Sector-Wide Approach (SWAp)*. Under SWAps, the Bank and other donors and development agencies collaborate to support government sector programs. Guidance¹⁴ clarifying how the Bank applies its fiduciary policies when participating in SWAps is available on the Bank's [website](#). All procurement is conducted in accordance with the Bank's [Procurement](#) and [Consultant Guidelines](#), and the procurement arrangements are aimed at ensuring that the Bank continues to meet its fiduciary obligations. Such arrangements include: (i) assessment of national procurement laws, regulations, practices, and procedures applicable to the sector, jointly conducted with participating donors, for use below the ICB thresholds set by Regional Procurement Managers for the country/sector; (ii) explicit identification of and enforcement of compatibility with NCB conditions, or sectoral/national modification provisions such as those described in paragraph 26 below to ensure the borrower's compliance with the NCB provisions of the [Procurement Guidelines](#); (iii) use of the Bank's ICB procedures for contracts above these thresholds, and of the Bank's [Consultant Guidelines](#) for all consulting assignments; (iv) joint reporting, prior reviews of ICB contracts, post reviews, supervision plans, and technical, financial and procurement audits as described in a memorandum of understanding between donors; and (v) the application of remedies in case of noncompliance with the loan agreement.

22. *Community Driven Development (CDD)*. The procurement procedures applicable to CDD projects may be simplified, but shall meet the Bank's procurement principles of economy, efficiency, transparency, and fair competition. The procurement capacity assessment for CDD projects evaluates the implementing agency's capacity to (i) carry out procurement and (ii) to monitor the flow of funds and the decentralized procurement or purchase procedures. Given the demand-driven nature of CDD projects, whereby not all contracts are foreseeable at the time of project negotiations, Procurement Plans can be based on a broad list of eligible activities to be implemented. In addition, given the multitude of small value contracts, often geographically dispersed, the Bank's procurement supervision of these projects may rely on particular post review arrangements in accordance with the relevant provisions of the [Procurement](#) and [Consultant Guidelines](#), in parallel with technical and financial reviews or audits.

23. *Output-Based Aid (OBA), Performance-Based Procurement, and Public Private Partnership (PPP) Arrangements*. In OBA approaches, basic services in a particular sector (e.g., infrastructure, health, or education) are contracted out to an eligible third party (private company, NGO, community-based organization, or government-owned enterprise) and subsidy payments are made for specified outputs or services that meet certain specified standards. Performance-Based Procurement, also called Output-Based Procurement, refers to competitive procurement methods resulting in a contractual relationship where payments are made for measured outputs in accordance with quantities delivered at the required level of quality. PPP arrangements refer to contracts procured under a BOO/BOT/BOOT method¹⁵, and concessions and similar type of

provisions of the loan agreement for the procurement of goods, works, and non-consulting and consulting services that are required for the project.

¹⁴ See [Fiduciary Arrangements for SWAps: Interim Guidelines to Staff](#).

¹⁵ BOO=Build Own Operate; BOT=Build Operate Transfer; BOOT=Build Own Operate Transfer.



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private sector arrangements. In all cases, the relevant provisions set out in Section III of the [Procurement Guidelines](#) apply.¹⁶

24. *Procurement in Loans to Financial Intermediary Institutions and Entities.* When loans are made to financial institutions and entities (or their designated agencies) that subsequently on-lend loan proceeds to eligible beneficiaries, the latter may carry out the procurement of goods, works, and non-consulting services, and the selection of consultants, in accordance with well-established private sector procurement methods or commercial practices that are acceptable to the Bank. Consideration shall also be given to the use of competitive methods consistent with the relevant provisions of the [Procurement](#) and [Consultant Guidelines](#), in particular when loan funds are on-lent to public sector beneficiaries and for large and complex consultants' assignments. The Project Implementation Manual, or similar binding document, describes the basic guiding principles, the established methods, procedures and commercial practices, contract forms, and the main responsibilities of the financial intermediary institutions and entities applicable to the loan. The Bank determines whether the established methods, procedures and practices are acceptable, or whether the loan agreement should contain any specific provisions to meet the Bank's main procurement principles and ensure accountability¹⁷. The Bank may require the use of its competitive bidding procedures or other public open competitive bidding procedures if it considers that they are the most appropriate method because of the nature of the project and the specific country and sector conditions.

*Procurement under Trust Funds (TFs)*¹⁸

25. The procurement policies and procedures that apply to trust funds vary, depending on the trust fund type:

- (a) *Recipient-Executed Trust Funds (RETFS)*. Procurement activities follow the [Procurement](#) and [Consultant Guidelines](#), and a procurement plan is prepared at the latest before the signing of the Grant Agreement¹⁹. Grants to finance activities that are subject to paragraph 11 of [OP 10.00](#), *Investment Project Financing*, and grants for an amount of US\$2 million or less, may rely on simplified procurement arrangements, and a simplified Procurement Plan listing the items to be procured, their cost estimates, the type of procurement (consultants, goods, works, and/or non-consulting services), the procurement method, and an estimated timeline.

¹⁶ For OBA and PPP operations, guidance notes are posted on the Bank's [Intranet Procurement website](#).

¹⁷ Bank staff are advised to bear in mind that, while public procurement is subject to stringent requirements of transparency and accountability that require detailed procedures and multilevel approvals, private sector procedures and practices are not subject to the same oversight.

¹⁸ Procurement activities funded by Bank-Executed Trust Funds (BETFs), and, in exceptional circumstances when the Bank executes activities under a Recipient Executed Trust Fund (RETF), follow the Bank's Administrative Manual [AMS 15.01](#), *Selection and Use of Consultants By the World Bank Group* which is administered by the Corporate Procurement Unit of the General Services Department. See also [OP 14.40](#), *Trust Funds*.

¹⁹ Grants to finance projects subject to OP 8.60, *Development Policy Lending (DPL)*, are not subject to the Bank's procurement policy. Development Grant Facility (DGF) grants are subject to [OP/BP 8.45](#), *Grants*.

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- (b) *Financial Intermediary Funds (FIFs)*. The applicability of the Bank's [Procurement](#) and [Consultant Guidelines](#) is decided on the basis of the characteristics of each fund.

Country Procurement Assessments

26. The Bank periodically assesses the borrower's national procurement laws, regulations, procedures and practices, and the responsible institutions to: (i) better understand the procurement environment and the risk of poor or corrupt procurement in specific operations; (ii) ascertain whether they are suitable for use in projects financed by the Bank, and (iii) guide the development of action plans to improve them. To do so, the Bank carries out either a Country Procurement Assessment jointly with the government or an Operations Procurement Review (OPR), independently or as part of an integrated fiduciary assessment²⁰. The assessment identifies any exceptions to national procurement procedures that may be required in loan agreements to ensure the borrower's compliance with the NCB provisions of the [Procurement Guidelines](#). As appropriate, the findings of the assessment are incorporated into the Bank's Country Partnership Framework (CPF) to inform the Bank's support for capacity development and other procurement reforms, including through Development Policy Lending (DPL).

Piloting the Use of Country Procurement Systems

27. The Bank has adopted a methodology to identify countries to participate in a limited piloting program for the use of country procurement systems, and subsequently finance pilot projects using such systems. The methodology is based on thorough assessments of the country's systems, laws and regulations, and their equivalency with the Bank's procurement policy to determine acceptability to the Bank, and includes various analytical tools to assess risks and the capacity of implementing agencies to implement pilot projects. For purposes of the piloting program, UCS is defined as procurement undertaken in accordance with such methodology.⁷

Development Policy Lending

28. This OP and accompanying BP do not apply to DPL operations unless the Bank and the borrower agree on specified purposes for which loan proceeds may be used, in which case, they apply. The procurement considerations applicable to these operations are set out in [OP/BP 8.60, Development Policy Lending](#). The Bank may require, as part of a DPL operation, public procurement-related reforms.

Program-for-Results Financing

29. This OP and the accompanying BP do not apply to operations financed under Program-for-Results Financing. The procurement policies applicable to these operations are set out in [OP/BP 9.00, Program-for-Results Financing](#).

²⁰ See [CPAR and ESW Instructions](#). Fiduciary assessments typically incorporate Financial Management and Public Sector Management reviews and possibly Public Expenditures Reviews, and are usually carried out with other donors, particularly with other Multilateral Development Banks.



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With the Bank's launching of the new Global Practices operating model on July 1, 2014, it is necessary to revise the Bank's internal processes to align them with the new model. To that end, on March 30, 2014, the OPCS Council approved changes to the Bank's Accountability and Decision-Making framework (ADM) modifying the processes for requesting and for deciding (a) procurement clearances, and (b) procurement accreditations, modifying this BP, Annexes A and B, and the related instructions.

Questions on this OP/BP may be addressed to the Chief Procurement Officer (CPO), OPSOR.

Procurement

1. These procedures apply to the procurement by World Bank borrowers, in accordance with the [Procurement](#) and [Consultant](#) Guidelines, of goods, works, and services (consulting and non-consulting) financed in whole or in part out of the proceeds of Bank loans.¹
2. General responsibilities and accountabilities of Bank staff for procurement work at each stage of the project cycle are described in [Annex A](#). Responsibilities for procurement decisions are described in the Decision Authority Matrix in [Annex B](#).
3. For each project financed by the Bank, the Task Team Leader (TTL) has the overall primary responsibility to ensure that procurement is carried out in accordance with the Bank's policies and procedures. The TTL is responsible, among other activities for obtaining appropriate internal clearances before signing off, on the Bank's behalf, on the borrower's actions, recommendations, and/or decisions with respect to procurement under the project.
4. An Accredited Practice Specialist (APS) or a Procurement Accredited Staff (PAS)¹ is a member of the task team responsible for project preparation and implementation support.² APSs are assigned to projects by the Governance Global Practice (GGP) management in accordance with their level of skills and accreditation and taking into account the complexity of the operation.
5. The APS/PAS applies due diligence to ensure that procurement is carried out by the borrower in compliance with the loan agreement and Bank procurement policies and procedures throughout the project cycle. The APS/PAS also provides advisory, trouble-shooting, and training services to Bank staff and borrowers about procurement-related matters from the planning stage through contract completion, and assists borrowers to improve their own capacity to carry out procurement in an economic, efficient, and transparent manner. The APS/PAS reports to the respective Accredited Practice Manager (APM)² on matters relating to the application of the Bank's procurement policies, and has the responsibility and obligation to seek the APM's advice as and when needed.
6. The TTL and the designated APS/PAS (assigned to each project) are responsible for procurement actions and decisions at their respective level of authority and depending on their level of accreditation, and for escalating decisions to the appropriate level (APM or Operational Procurement

¹ APS or PAS refers to Bank staff holding a valid procurement accreditation issued by the CPO.

² APM refers to the Governance Practice Managers holding a valid procurement accreditation issued by the CPO.



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Review Committee (OPRC)³ chaired by the Chief Procurement Officer (CPO)) as per the Decision Authority Matrix.

7. In working with borrowers on procurement matters, Bank staff maintain strict neutrality and impartiality. They do not make any recommendations as they could favor the participation or selection of particular bidders or consultants, and do not participate in any procurement-related activities carried out by the borrower or otherwise undertake activities that are the responsibility of the borrower. In particular, they do not participate in pre-bid/proposal meetings or bid/proposal openings or bid/proposal evaluations, even as observers, and do not recommend specific contractors, suppliers, service providers, or consulting firms/individuals, except to the extent permitted by the [Consultant Guidelines](#) for the establishment of long and short lists of consultants.

Procurement Activities and Responsibilities throughout the Project Cycle

Project Identification

8. The APS/PAS draws on his/her market knowledge of the country/sector and the most recent procurement Economic and Sector Work (ESW)⁴ to identify issues and risks that may affect the project, as well as any specialized procurement arrangements that the project may require.

Project Preparation

9. *Capacity and Risks Assessment.* The APS/PAS assesses the capacity of the implementing agency(ies) to carry out project procurement and the procurement risks at the country, sector and operations levels associated with the implementation of procurement under the operation, using, respectively, the Assessment of Implementing Agency's Capacity template and the dynamic Procurement Risk Assessment and Management System (P-RAMS) tool.⁵ Task teams identify fraud and corruption risks and elaborate mitigation measures to address such risks.

10. If the procurement capacity and risk assessments reveal deficiencies, the task team works with the borrower to formulate measures to strengthen the capacity of the borrower's implementing agency(ies) and mitigate the identified procurement risks (borrower's procurement capacity strengthening and risks mitigation action plan).⁶ The APS/PAS prepares and signs a summary report of the findings of the capacity assessment and recommended risk mitigation action plan, and submits it to the TTL, observing the clearance process established by the GGP. The TTL ensures that the assessment of procurement and fraud and corruption risks are included in the Operational Risk Assessment Framework (ORAF) or equivalent, and ensures that appropriate measures are included in the project design.⁷

11. *Supervision Planning.* The APS/PAS drafts the Bank procurement supervision plan setting out the thresholds for the Bank's prior and post reviews for each type of procurement contemplated under the project, and the frequency of procurement supervisions. The level of review and intensity of procurement supervision is directly linked to the level and nature of risks and to the institutional weaknesses identified through the procurement capacity and risk assessments.



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12. *Procurement Planning.* Once the nature and main components of the proposed project are identified, the APS/PAS and the TTL assist the borrower in preparing the procurement strategy for the project, taking into account country and project specifics, including the identified risks, the capacity of the national private sector to bid for the planned contracts, and the implementing agency's capacity to execute and manage procurement. The borrower is responsible for monitoring procurement progress and is required to prepare a Procurement Plan in accordance with the [Procurement](#) and [Consultant](#) Guidelines, and to furnish such to the Bank for no objection before negotiations. For procurement supervision and monitoring purposes as part of project implementation support, the Procurement Plan is based on the Bank's Sample Procurement Plan template, and provides the minimum required information, including, inter alia, a time-bound schedule and the details of specific contracts.⁸

13. The APS/PAS assists the TTL in reviewing the Procurement Plan prepared by the borrower and discussing it with the borrower as needed. The TTL ensures that the borrower updates the Procurement Plan, in particular the cost estimates, on an annual basis or as needed throughout the duration of the project, and takes appropriate measures to keep the business community informed of opportunities to bid. The TTL approves the Procurement Plan and each update, and discloses them on the Bank's external website.⁹ Under special circumstances the Bank may agree that the Procurement Plan is to be published without disclosing the cost estimates of individual procurement packages.

14. Since updates to the Procurement Plan can only include procurement methods permitted under the loan agreement, all procurement methods foreseen as required for project implementation are set forth in the loan agreement.

Appraisal and Negotiation

15. During appraisal, the APS/PAS supports the TTL in reviewing the borrower's draft Procurement Plan, and finalizing the Bank procurement supervision plan. These plans, together with the borrower's procurement capacity strengthening and risks mitigation action plan, form the overall project procurement strategy that is used as an input to the procurement arrangements and relevant Annex of the Project Appraisal Document (PAD).¹⁰

16. The APS/PAS assists the TTL in issuing and finalizing the procurement part of the PAD. The procurement arrangements set out in the PAD and the Procurement Plan are reflected in the procurement provisions of the loan agreement drafted by the assigned Country Lawyer (CL). The APM or another accredited staff assigned by GGP management monitors the quality of project's procurement arrangements and ensures that they are reviewed by his/her office for high risk projects before negotiations.

17. The APS/PAS reviews the General Procurement Notice (GPN) prepared by the borrower and the TTL clears it. If there is advance procurement under the proposed project, the GPN is issued prior to the commencement of such procurement activities.¹¹

18. As part of the negotiations team, the APS/PAS assists the Bank's task team and the borrower in finalizing the procurement provisions of the loan agreement, the initial Procurement Plan, the Bank



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procurement supervision plan, and the bidding documents for the contracts in the Procurement Plan. Any major or substantial changes to the procurement arrangements at this stage are subject to APM's review.

19. After completion of loan negotiations, the TTL discloses the Procurement Plan on the Bank's external website, and arranges for the publication of the GPN and Special Procurement Notices (SPNs) as required in the [Procurement](#) and [Consultant](#) Guidelines.

Project Implementation

20. The Bank team oversees procurement carried out by the borrower by conducting prior and post reviews of contracts as specified in the loan agreement and Procurement Plan, and according to the procurement supervision plan in the relevant sections of the PAD (see [Annex C](#), Maximum Prior Review Thresholds). The Bank team may arrange procurement audits as needed. In addition, the APM, in consultation with the CD and GP may commission an Independent Procurement Review (IPR) and/or portfolio fiduciary review to cover more than one project.

21. The TTL is, among other activities, responsible for: (i) ensuring adequate funding of procurement reviews, including procurement supervision missions and PPRs, as indicated in the Bank supervision plan included in the PAD; (ii) making arrangements for the review and clearance of technical specifications for the procurement of goods, works, and services and of the Terms of Reference (TOR) for the selection of consultants;¹² (iii) checking contract awards against the list of debarred and suspended firms and the Company Risk Profile Database (CRPD, see paragraph 41 below); and (iv) including all project procurement-related documents in the project files and providing relevant information as required.¹³ The TTL may delegate the authority to sign procurement-related correspondence, including the issuance of no objections, to the APS/PAS in accordance with Annex C of Administrative Manual Statement (AMS) 1.30. In such cases, there is to be a clear written record of this delegation and of its duration.

22. The APS/PAS is, among other activities, responsible for: (i) conducting procurement prior reviews, and requesting APM review and clearance as required in the authority matrix (see [Annex D](#), Mandatory Review Thresholds¹⁴ for APM and the OPRC); (ii) planning and conducting Procurement Post Reviews (PPRs); (iii) monitoring the borrower's progress in implementing the agreed action plan of procurement capacity strengthening and risks mitigation measures, and contributing procurement findings to the aide-memoire of supervision missions led by the TTL; and (iv) assessing the project's procurement implementation and providing the rating to the TTL for incorporation in the project's Implementation Status and Results report (ISR). The TTL is responsible for requesting OPRC review and clearance as per [Annex D](#).

23. PPRs¹⁵ are normally carried out by the APS/PAS, preferably at the same time as project supervision missions. The percentage of procurement processes subject to post review is set out in the procurement supervision plan agreed at negotiations.¹⁶



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24. The APS/PAS prepares a PPR report covering as a minimum the size of samples of contracts and the list of contracts reviewed, overall results of the review, major deficiencies and procurement risks that may have been identified, as well as corrective actions to address such. The PPR report also highlights any procurement red flags, and the results of the spot check of the contract awards against the list of debarred and suspended firms. If there are major deficiencies, the APS/PAS proposes corrective actions to the APM, TTL, Practice Manager, and CD after appropriate consultation in accordance with Annexes [A](#) and [B](#) of this BP. The TTL follows up with the borrower to ensure that those corrective actions are implemented. The APS/PAS sends a copy of the final report to the APM office, uploads it into the post review module of P-RAMS, and uses the findings of PPRs to identify and address systemic issues in the design of future projects and capacity development at the country level.

25. Fraud and corruption issues are brought to the attention of the Integrity Vice Presidency (INT) in accordance with the provisions of paragraphs 39 to 44 below.

26. Another PAS or a procurement-accredited consultant can be appointed by the TTL to conduct PPRs if the consultant has been cleared by the APM for such procurement tasks. This consultant works under the oversight of the APS/PAS who clears the final report. The Bank team may also, depending on risks and the scope of the project (e.g., involving many small value and simple contracts), agree with the borrower that they arrange for the national audit institution or appoint entities to carry out PPRs, in accordance with terms, conditions, and reporting procedures acceptable to the Bank. In such cases, the Bank team will review the reports submitted by the borrower, and the Bank retains its right to directly conduct post reviews during project implementation as may be needed.

27. *IPRs.*¹⁷ Regions may conduct IPRs in high risk countries or for a particular sector or part of the country project portfolio that faces specific procurement issues. An IPR covers a broader range of issues than a PPR, including the overall performance of both the Bank's task team and the borrower's implementing agencies, and specific country/sector/portfolio issues. Each fiscal year, the APM, in consultation with PMs and CDs, prepares a plan to conduct IPRs which typically cover more than one Bank-financed project. IPRs are normally carried out by an independent consultant and supervised by the concerned APS/PAS and the APM in coordination with the concerned CD/SM and TTLs.

28. The process is similar to that described in paragraphs 24 and 25 above. The consultant prepares the IPR report, including performance issues and country/sector/portfolio specifics in addition to the information normally found in a PPR, and discusses its findings with the APS/PAS. The APS/PAS proposes, in consultation with the APM, corrective actions for problematic projects to the concerned TTLs, may also propose to the TTL adjustments to the Bank's procurement supervision plan to reflect improvements or deterioration in the borrower's performance, and sends a copy of the final report to the APM office for posting on the respective GGP's website. The TTL follows up with the borrower to ensure that those corrective actions are implemented.

29. Monitoring PPRs and IPRs. OPSOR¹⁸ monitors PPRs and IPRs across the Bank, and reports annually to the Audit Committee of the Board of Executive Directors on Bankwide compliance and



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salient findings. As needed, OPSOR, in coordination with GGP management provides training and guidance to assist GGP accredited staff to maintain consistency and standards in conducting PPRs and IPRs.

Project Evaluation

30. As part of preparing the Implementation Completion and Results Report (ICR), the TTL gathers the procurement information related to the project and seeks the contribution of the APS/PAS on: (i) facts, findings, and key fiduciary issues, including lack of performance; (ii) compliance with the Bank procurement policy and procedural requirements, and any significant deviations or waivers; (iii) any fraud and corruption issues; and (iv) lessons learned from operation design to implementation, and recommendations for future operations. Procedures for completing the ICR are set out in the Implementation Completion and Results Report Guidelines.¹⁹

Misprocurement

31. When the Bank team determines that the procedures followed by the borrower for procurement are not in accordance with the procedures set forth in the loan agreement, as elaborated in the Procurement Plan, the TTL sends to the borrower a written notice --prepared by the APS/PAS and cleared by the APM and the CL, and, at the request of either of them, by the Legal Procurement Advisor (LEGPrA)-- bringing the violation to the borrower's attention and giving it an opportunity to explain how the situation has been rectified or why the Bank otherwise should not declare misprocurement.

32. Upon response by the borrower (or if the borrower fails to respond within a reasonable timeframe), and except in an exceptional case as set forth in paragraph 35 below, the matter is raised to the CD through a memorandum prepared by the APS/PAS, signed by the TTL, cleared by the APM and the CL (and, at the request of either the APM or the CL, by the LEGPrA), and copied to OPSOR, giving the details of the case and recommending a course of action to be taken. If the borrower disagrees with the Bank's determination that a violation has occurred and/or that the Bank should declare misprocurement, the memorandum addresses any points raised by the borrower in this regard in its recommended course of action.

33. Unless the recommended course of action is not to declare misprocurement (because the borrower's response demonstrates that no violation has occurred or that the underlying violation has been or will be rectified), the memorandum includes a draft final notice to the borrower, prepared by the CL with input from the Loan Department (LOA), declaring misprocurement, cancelling a part of the loan,²⁰ and informing the borrower of the actions it must take.

34. Upon the issuance by the CD of the notice of misprocurement, if any amount allocated to a misprocured contract has already been withdrawn from the loan account, LOA, after advising the TTL, takes appropriate action with the borrower to recover such amount which is then cancelled.

35. When the Bank team considers, after consultation with the APS/PAS, that an exceptional case warrants the reallocation of the portion of the proceeds of the loan allocated to the misprocured contract

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in accordance with paragraph 13 of [OP 11.00](#), the TTL sends, through the CD and upon clearance by the concerned APM and the regional Chief Counsel, a memorandum to the Regional Vice President (RVP) and the concerned Global Practice Vice President (GPVP), copied to the CPO and the LEGPrA, recommending such reallocation and describing the reasons justifying it. If the recommendation is approved by the Regional and GPVPs, the CD notifies the borrower and the TTL notifies the Deputy General Counsel, Operations, the CPO, and the LEGPrA of the final decision.

36. The resolution of disagreements within the Bank as to the course of action to be taken in a misprocurement case will follow the provisions of paragraph 48 below.

Complaints or Questions in Procurement

37. Bank staff handle complaints to the Bank from bidders and consultants about Bank-financed contracts in accordance with Appendix 3 of the [Procurement](#) and [Consultant](#) Guidelines respectively, and with the procedures set out in [Annex E](#) of this BP.

38. OPSOR maintains a Bankwide complaints database for monitoring and reporting on complaints, as well as providing inputs to risks assessments. OPSOR conducts annual analyses to determine if there are particular trends, alerts the GGP as needed, and reports annually to the Audit Committee of the Board of Executive Directors. OPSOR may conduct on-demand analyses as may be requested by Senior Management and Executive Directors.

Fraud and Corruption

39. Bank staff refer to INT, directly or through their Managers, all suspicions and allegations of fraud and corruption from any source involving, directly or indirectly, any participant in a procurement process for a Bank-financed contract, or staff from the implementing agency or other agencies of the borrower.²¹

40. The APS/PAS checks the Bank's suspended and debarred firms' websites²² for eligibility of firms and individuals proposed for award by borrowers before preparing a no objection recommendation to the TTL.

41. During project preparation and implementation, task teams analyze and categorize, by the degree of seriousness, common warning signs of fraud and corruption²³ that require further review and follow-up. If task teams conclude that these signs are due to causes other than fraud and corruption (e.g., lack of borrower's capacity or flaws in the procurement system), they propose corrective actions. If warning signs appear to indicate fraud or corruption, they consult their managers or the APM for advice on how to proceed. They also use the CRPD²⁴ developed by INT to identify companies and individuals that may pose an increased risk of fraud and corruption in Bank-financed projects.

42. The task team, the APM office, regional management, and INT interact and consult each other with regard to: (i) reporting allegations of fraud and corruption in a Bank-financed procurement process or contract; (ii) handling allegations of fraud and corruption the Bank has received, reviewing requests

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for no-objection for procurement transactions, and following up with borrowers; and (iii) handling post-investigations.²⁵

43. The APS/PAS participates as task team member in the elaboration of mitigation measures to address fraud and corruption risks in the Governance and Anti-Corruption Action Plan (GAAP) prepared for the project, if any.

44. Complaints involving allegations of fraud and corruption may, due to reasons of confidentiality, warrant a different treatment than indicated in paragraph 37 of this BP, and Bank staff shall apply due care and discretion in sharing information with the borrower as stipulated in the [Procurement](#) and [Consultant](#) Guidelines.

Country Procurement Work

45. In countries with poor procurement practices (high risks), countries with a substantive ongoing or proposed lending program, or countries whose government requests Bank assistance to improve institutional procurement capacity or to reform the national procurement system, the Bank may carry out a Country Procurement Assessment (CPA) jointly with the Government or an Operations Procurement Review (OPR), independently or as part of an integrated fiduciary assessment.²⁶ OPSOR, the Legal Procurement Sub-Unit (LEGPR) of the Legal Operations Policy Unit (LEGOP), and other Bank units responsible for financial management, public sector management, and economic management provide support as needed. GGP is responsible for planning the reviews in consultation with the CDs and executing them. If the Country Procurement Assessment Report (CPAR) or other diagnostic report does not exist or is not up to date, the APM and the CD assess whether or not a new CPAR or other diagnostic is necessary.

46. Procurement Reform. When the Bank assists borrowers in developing and implementing procurement reforms, the CD and the GGP generally oversee the work (usually carried out by a APS designated APM). LEGPR oversees the legal aspects of this work, clears the TORs for any legal assignment and the short list of specialized legal consultants capable of undertaking it, and comments on any draft laws and regulations.

Use of Country Systems (UCS) under the Bank Piloting Program

47. The roles and responsibilities of Bank staff and various committees to implement the UCS piloting program are described in Annex E of the paper Use of Country Procurement Systems in Bank-Supported Operations: Proposed Piloting Program approved by the Board on April 22, 2008. A dedicated website has been created with all information related to this program.²⁷

Resolution of Disagreements

48. When disagreements occur, they should be resolved as described below:

- (a) Below the OPRC thresholds:

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- (i) If the TTL disagrees with the APS/PAS assigned to the project, he/she refers the case to the APM for resolution.
 - (ii) If the TTL/PM or CD disagrees with the APM decision on a procurement clearance, the case could be escalated to OPRC for resolution. To that end, the case needs to be accepted by the CPO.
 - (iii) If the TTL/PM disagrees on APM's concurrence of contracts subject to OPRC review, prior acceptance by the CPO, the case could be escalated to OPRC for resolution.
- (b) At or above the OPRC review thresholds:
 - (i) If the TTL, the PM or CD disagrees with the OPRC, the case is escalated to the Senior Vice President and General Counsel, the VP OPCS, and the Global Practice and the Regional VPs.
 - (ii) If no decision is made at that level, the case could be brought to the attention of the MDO responsible for the respective GP, who makes the final decision.
- (c) The final decisions on disagreements pertaining to legal issues arising in complaints will be made after consultations with the Senior Vice President and General Counsel.
- (d) When the TTL and the APS/PAS disagree with a project's procurement implementation rating in the ISR, the APM make the decision. In case of disagreement, the final decision is made by the concerned Governance Practice Director.
- (e) When the CD, the CL, and the GGP (APM) disagree with regard to declaring misprocurement, the final decision is made by the Regional and the Global Practice VPs.

Policy Deviations

49. The TTL, after consultation with the APS/PAS, discusses with the APM any proposed deviations from the Procurement or Consultant Guidelines that may be identified during project preparation or implementation. The APM asks the CPO for policy interpretation with the advice from LEGPrA. The TTL and CD inform their respective VPs, who consult with the Vice President of OPCS and the Senior Vice President and General Counsel. A proposed deviation from Bank policy with respect to a project for which a Bank loan has not yet been approved by the Board of Executive Directors requires Board approval. Accordingly, any proposed deviation is discussed in the PAD and clearly indicated in the loan agreement, and is explicitly noted as a matter subject to Board approval. The minutes of negotiations contain a similar disclaimer statement. Deviations during project implementation are escalated to the MDO through the concerned Regional and Global Practice VPs, the VP OPCS, and the General Counsel to decide on the appropriate course of action.

Business Standards

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50. Procurement decisions require high-priority attention. GGP management is responsible for providing adequate resources and is responsible for setting and maintaining adequate arrangements to avoid delays in procurement reviews. The Bank's business standards for reviews of procurement documents are set out in the table below. If additional time is required to resolve unusual or complex issues and to reach decisions, the TTL sends an acknowledgement to the borrower or concerned party, indicating when a substantive reply can be expected.

Response time for review of bidding documents and evaluation reports:

(a) under APM mandatory review limits	7 working days from the submission of the complete documentation by the TTL
(b) subject to APM review	10 working days from the submission of the complete documentation by the TTL
(c) subject to OPRC review	10 working days from the submission of the complete documentation by the TTL

List of Acronyms for OP/BP 11.00 and its Annexes

ADM	Accountability and Decision Making (ADM) framework
AMS	Administrative Manual Statement
APM	Accredited Practice Manager
APS	Accredited Practice Specialist
BD/RFP	Bidding Documents/Request for Proposal
BETF	Bank-Executed Trust Fund
BOO/BOT/BOOT	Build, Own, Operate/Build, Operate, Transfer/Build, Own, Operate, Transfer
CAS/CPS	Country Assistance Strategy/Country Partnership Strategy
CD	Country Director
CDD	Community Driven Development
CL	Country Lawyer
CPA/CPAR	Country Procurement Assessment/ Country Procurement Assessment Report
CPO	Chief Procurement Officer
CQS	Selection Based on Consultants' Qualifications
CRPD	Company Risk Profile Database
DGF	Development Grant Facility
DPL	Development Policy Lending
ESW	Economic and Sector Work
FBS	Fixed Budget Selection
FIF	Financial Intermediary Fund
FM	Financial Management
FPA	Fiduciary Principles Accord
GAAP	Governance & Anti-Corruption Action Plan
GGP	Governance Global Practice
GGPD	Governance Global Practice Director
GP	Global Practice
GPN	General Procurement Notice

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IAD	Internal Audit Department
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICR	Implementation Completion and Results Report
IDA	International Development Association
IEG	Internal Evaluation Group
INT	Integrity Vice Presidency
IPR	Independent Procurement Review
ISR	Implementation Status and Results Report
LCS	Least Cost Selection
LEGOP	Legal Operations Policy unit
LEGPr	Legal Procurement Sub-Unit of LEGOP
LEGPrA	Legal Procurement Advisor
LOA	Loan Department
MDB	Multilateral Development Bank
MDO	Managing Director Operations
MDTF	Multi Donor Trust Fund
OBA	Output-Based Aid
OECD/DAC	Organization for Economic Cooperation and Development/Development Assistance Committee
OPCS	Operations Policy and Country Services Vice Presidency
OPR	Operations Procurement Review
OPRC	Operational Procurement Review Committee
ORAF	Operational Risk Assessment Framework
OPSOR	Operations Risk Management
P-RAMS	Procurement Risk Assessment & Management System
PAD	Project Appraisal Document
PAS/PS	Procurement Accredited Staff/Procurement Specialist
PP	Procurement Plan
PPP	Public Private Partnership
PPR	Procurement Post Review
PSB	Procurement Sector Board
QBS	Quality-Based Selection
QCBS	Quality- and Cost-Based Selection
RETF	Recipient-Executed Trust Fund
RVP/RVPU	Regional Vice President/Regional Vice Presidency Unit
SBD/SRFP	Standard Bidding Document / Standard Request for Proposals
S&I	Supply and Install
SPN	Specific Procurement Notice
SSS	Single Source Selection
SWAp	Sector Wide Approach
TF	Trust Fund
TOR	Terms of Reference
TL	Team Leader
UCS	Use of Country Systems
UN	United Nations

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VP OPCS	Vice President, Operations Services and Country Services
VPGP	Vice President Global Practice
WB/ WBG	World Bank/ World Bank Group

¹ See [OP 11.00](#) footnotes “i” - “vi” with regard to the application of the Procurement and Consultant Guidelines by borrowers and definitions of “Bank”, “loan”, “borrower”, “loan agreement”, and “Bank-financed project”. Procurement activities financed from Bank-Executed Trust Funds (BETFs) and, in exceptional cases, activities financed from Recipient-Executed Trust Funds (RETFs), which the Bank has agreed to execute on behalf of the grant recipient, follow the Bank's Administrative Manual [AMS 15.01 – Selection and Use of Consultants by the World Bank for Operational Purposes](#) administered by the Corporate Procurement Unit of the General Services Department. The procurement procedures applicable to Program-for-Results operations are set out in [BP 9.00](#).

² See [Bank Policies and Procedures on Accreditation of Staff to Carry out Procurement Fiduciary Functions](#). See [Master List of Procurement Accredited Staff](#).

³ *The OPRC is constituted of three Principals: the CPO, the LEGPrA, and the concerned APM. The CPO chairs the OPRC and decides on procurement clearances. LEGPrA provides advisory services to the CPO on legal matters related to the case. The concerned APM acts a concurrer. See Instructions on Operational Procurement Review Committee Process and Requirements.*

⁴ ESW may be either a Country Procurement Assessment (CPA) at the request of and jointly with the client government, or an Operations Procurement Assessment if the government chooses not to participate. See the Country Procurement Work Section.

⁵ See [Assessment of Implementing Agency's Capacity](#); and [Procurement Risk Assessment & Management System](#).

⁶ The proposed remedies for ensuring compliance with anti-corruption measures vary from country to country and depend on project specifics and the market, and will be used in the design of the project. Appropriate mitigation measures include, inter alia, building stronger teams to be able to increase attention to fiduciary risks, strengthening controls by building partnership with civil society for oversight, training, and technical assistance.

⁷ The risks are rated using a four-point rating scale: *low, moderate, substantial, and high*. For quality considerations and risk mitigation in complex projects, regions may recommend a Quality Enhancement Review. In such cases, it is recommended that regions identify an APS other than the one involved in the preparation of the project to serve as peer reviewer. In cases when projects have an important component dealing with procurement reforms or capacity development, the identified APS serves as panel member.

⁸ See [Sample Procurement Plan's template](#).

⁹ See [Disclosure of Procurement Plan](#). The APS follows up regularly to ensure compliance in terms of publication. Cases of non-compliance are reported to the APM.

¹⁰ See [Technical Annex of the new PAD template](#). See [Guidelines for PAD](#) under Risk Based Approach.

¹¹ See [Publication of the GPN](#).

¹² The GGP/APM clears all TORs and the proposed selection of consultants for project-related procurement activities. The Legal Procurement Advisor (LEGPrA) clears all TORs and the proposed selection of consultants for legal procurement assignments, **and the relevant unit with the relevant expertise in the Legal Vice-Presidency for other legal services (e.g. LEGEN for environmental law).**



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¹³ The TTL is responsible for maintaining an adequate filing system for all procurement matters related to the project, and for submitting information and documentation as may be requested for the purpose of internal controls and reviews such as by the Internal Audit Department (IAD) or the Internal Evaluation Group (IEG).

¹⁴ Review Thresholds are set on the basis of the value of contracts and type of procurement.

¹⁵ See [PPR Guidance Note](#).

¹⁶ This percentage may be adjusted by the TTL in consultation with the PS or PAS during project implementation based on agency(ies) performance. The sample of contracts selected for review shall cover an adequate distribution among different methods of procurement and be in accordance with criteria such as agency(ies) procurement capacity, the age of the project, and the number of procurement contracts which varies with the nature of the project (for example, projects in the social sectors tend to have more smaller value contracts than infrastructure projects). The full set of criteria is included in the PPR Guidance Note.

¹⁷ See [IPR Guidance note](#).

¹⁸ The Operations Risk Management Department OPSOR in the Operations Policy and Country Services Vice Presidency (OPCS) serves as anchor unit to the Procurement Sector Board (PSB) and supports the GGP for both specialized procurement and for the development and provision of training seminars and workshops for internal and external clients. Other areas of activity include procurement policy, harmonization, business outreach, and the issuance of Technical Guidance Notes; Standard Bidding Documents, templates and tools; and instructions on different procurement-related activities.

¹⁹ See [Implementation Completion and Results Report Guidelines](#).

²⁰ When misprocurement is declared, the amount allocated to the misprocured contract is, in addition to an appropriate portion of the physical and price contingencies, defined as follows: (1) when misprocurement occurs at the procurement stage before contract signing, the estimated contract value in the most recent Procurement Plan to which the Bank gave its no objection, or the lowest evaluated price of the substantially responsive and qualified bidder if bids have already been opened; (2) when the contract has been signed and is under execution or completed, the amount of the signed contract plus the value of amendments to which the Bank gave its no objection (e.g., for works the value of the taking over certificate).

²¹ Under [Staff Rule 8.01](#), paragraph 2.02, all Bank staff have a duty to report suspected fraud or corruption in Bank-financed projects or in the administration of Bank business to his/ her direct manager or to INT. A manager who suspects or receives a report of suspected fraud or corruption has an obligation to report it to INT.

²² See [Suspensions](#) and [Debarred Firms](#) websites.

²³ General information on the identification of fraudulent schemes and corrupt practices in procurement and financial management can be found in the [Fraud and Corruption Awareness Handbook](#). In addition, a [Red Flags tool](#) has been developed for training purposes.

²⁴ See [Guidance Note](#) issued by OPCS.

²⁵ See Joint OPCS/INT [Protocol](#) providing guidance to Bank staff.

²⁶ See [CPAR and ESW Instructions](#). Fiduciary assessments typically incorporate Financial Management and Public Sector Management reviews, possibly Public Expenditures Reviews, and are usually carried out with other donors, in particular other Multilateral Development Banks.

²⁷ See [UCS website](#).



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With the Bank's launching of the new Global Practices operating model on July 1, 2014, it is necessary to revise the Bank's internal processes to align them with the new model. To that end, on March 30, 2014, the OPCS Council approved changes to the Bank's Accountability and Decision-Making framework (ADM) modifying the processes for requesting and for deciding (a) procurement clearances, and (b) procurement accreditations, modifying this BP, Annexes A and B, and the related instructions. Questions on this OP/BP may be addressed to the Chief Procurement Officer (CPO), OPSOR.

General Responsibilities and Accountabilities for Procurement Work

1. The table below describes the general responsibilities and accountabilities for procurement work. It should be read in conjunction with Annex B – Decision Authority Matrix.

A. Operational Staff, Sector Units and Regional Management

Governance Global Practice Management	Governance Global Practice is accountable for: <ul style="list-style-type: none">(a) ensuring that the Bank's fiduciary and service obligations related to procurement are discharged at the highest professional standards;(b) providing the resources (human and financial) to allow task teams to fully discharge these procurement responsibilities, with regard to both prior review and post review activities; and(c) following up on agreed regional actions, including staffing, related to procurement.
Country Director (CD)	CDs are accountable for ensuring that each operation is suitably funded to carry out the necessary procurement work. They are also responsible for: <ul style="list-style-type: none">(a) issuing misprocurement letters;(a) ensuring that a policy dialogue with government in the area of public procurement is carried out; and(b) overseeing procurement-related Economic and Sector Work (ESW).
Practice Manager (PM)	PMs are accountable for ensuring that the task teams are adequately staffed and that the procurement supervision budgets they manage are spent as intended to carry out the necessary procurement work. They are also responsible for: <ul style="list-style-type: none">(a) clearing the Project Appraisal Document (PAD), including final procurement arrangements, procurement planning and packaging, the project supervision plan, and the related procurement provisions of the loan agreement;(b) monitoring the implementation of actions agreed upon in back-to-office reports, Aide Memoires, Procurement Post Reviews (PPRs), etc.;(c) clearing the draft Implementation Completion Report (ICR); and



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	(d) soliciting the advice of the Accredited Practice Manager (APM) as necessary.
Task Team Leaders (TTLs)	<p>TTLs are the main interlocutors in communicating the Bank's position to the borrower after consultation with and clearance from the appropriate levels as per the Decision Authority Matrix in Annex B. TTLs have the primary overall responsibility to ensure that procurement is carried out according to Bank policies and procedures. They are, inter alia, responsible for:</p> <ul style="list-style-type: none">(a) ensuring that a designated Accredited Practice Specialist (APS) or Procurement Accredited Staff (PAS) is included in the task team from the early project preparation stages;(b) managing and coordinating all procurement work during the whole project cycle;(c) keeping line managers informed of progress or issues adversely affecting procurement in the projects under their responsibility;(d) ensuring that there are adequate resources earmarked for tasks such as procurement post reviews and field supervision missions;(e) reviewing or arranging for a technical expert to review the technical aspects of the project and its related contracts, including but not limited to TOR (except as indicated in Annex C), technical specifications and design, bills of quantities, etc.;(f) monitoring the execution and regular (at least annual) updating of the procurement plans, and ensuring proper publication, including updates;(g) ensuring the timely publication of the General Procurement Notices (GPNs) and Specific Procurement Notices (SPNs);(h) signing no objection letters in response to borrowers' procurement recommendations on behalf of the Bank after obtaining the appropriate internal clearances;(i) following up with the borrower on complaints, findings of procurement supervision missions, PPRs, IPRs, or any other audits and reviews;(j) monitoring contract management issues and conducting physical inspection; and(k) maintaining and arranging for filing in the Bank's internal records system all project procurement-related documents, in particular communications with the borrower such as no objections, etc., and making sure that information is entered in a timely and appropriate



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	manner in all procurement systems (e.g. Forms 384, complaints database, etc.).
Chief Procurement Officer (CPO)	<p>The CPO is accountable for the overall oversight and appropriate discharge of the procurement function under Bank-financed projects, and the interpretation of the Bank procurement policies. The CPO responsibilities include, among other activities, for :</p> <ul style="list-style-type: none">(a) chairing the Procurement Sector Board (PSB) and its Policy Committee;(b) participating in the joint Procurement / Financial Management Board and the Human Resources Committee of the PSB;(c) chairing and deciding on the procurement clearances of those reviews by the Operations Procurement Review Committee (OPRC) and special review meetings to review complex and non-standardized matters;(d) making final decisions with regard to the interpretation of the Procurement and Consultant Guidelines, and this OP/BP 11.00, including annexes;(e) defining the work program and priorities of the Procurement Group within the Operations Risk Management Department (OPSOR) to support the PSB and monitoring its delivery;(f) ensuring the appropriate update of the Bank Standard Bidding Documents (SBDs) and templates, as well as their harmonization with the Master Procurement Documents prepared with other multilateral development banks (MDBs);(g) leading policy-making initiatives and updates to the procurement policies for consideration by the Policy Committee and eventual submission of policy changes for approval by the Bank's Board of Executive Directors;(h) leading the harmonization process and dialogue with development partners and international organizations (MDBs, Organization for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) and United Nations agencies);(i) leading the dialogue on procurement matters with the business community and professional associations, including, inter alia, representative organizations of the private sector; and(j) Approving, removing and terminating procurement accreditation (See <i>Procedures for Accreditation of Staff to Carry out Procurement Fiduciary Functions and Delegation of Procurement Work</i>, updated in July, 2014)



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Accredited Practices Managers	<p>APMs serve as recognized authorities on operational procurement and are members of the OPRC. They advise regional management on the application of procurement policy and how to address systemic and related operational issues across sectors/sub-sectors in their regions. APM supervise regional procurement staff and oversee the organization and delivery of procurement services at the regional level. They make sure that appropriate fiduciary and quality controls are in place, and monitor consistency in the application of procurement policies when making procurement decisions. The APM responsibilities include, inter alia:</p> <ul style="list-style-type: none">(a) ensuring that each project is assigned a APS or, in consultation with the Practice Manager (PM), a PAS with skills compatible with the nature and complexity of the procurement work involved;(b) reviewing draft procurement sections in project documents (procurement arrangements, Procurement Plan, and project supervision plan) and legal agreements drafted by APS/PAS as required;(c) setting up adequate arrangements to provide quality assurance and monitor procurement and the CPO any issues affecting regional performance and to propose adequate solutions for addressing problems with procurement work in the regions;(d) reviewing and deciding on the clearance of all contracts subject to the APM thresholds set up in Annex D;(e) concurring on the procurement clearance of those operational requests subject to OPRC decision, set up in Annex D;(f) ensuring timely response and resolution of procurement complaints;(g) following up on INT reports' findings and recommendations;(h) acting as a focal point/ spokesperson on general procurement issues with borrowers and external constituencies; chairing de-briefing meetings with the complaining bidders and consultants;(i) providing quality assurance on procurement diagnostic and/or ESW at the country level, and following up on country reform and capacity development actions;(j) hiring and selecting regional procurement staff, guiding/mentoring procurement staff and procurement-accredited staff, and assisting procurement staff in their career development, including on-the-job training;(k) contributing to the design of professional and operational training and development activities in procurement and overseeing delivery of training of the borrowers' staff and outreach to the private sector in the region;
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	<ul style="list-style-type: none">(l) recommending procurement accreditation of GGP staff and or GGP consultants for the final review and decision of the CPO. –(m) reviewing and clearing requests for procurement accreditations processed by non-accredited managers for the final review and decision of the Chief Procurement Officer; (See <i>Bank's Instructions for accreditation of Staff and consultants to carry out Procurement Functions and Delegation of Procurement Work</i>, updated in July, 2014)(n) leading procurement initiatives at the regional level to establish a framework and approach to knowledge dissemination and/or development of knowledge products, including tools and methodologies; and(o) managing partnership initiatives with regional development banks and other international financial organizations, and bi-lateral donors.
APS and PAS	<p>APSs and PASs are the task team members who are accountable for all procurement activities related to the preparation and supervision of the project they are assigned to during the whole project cycle. They are, inter alia, responsible for:</p> <ul style="list-style-type: none">(a) providing quality professional input to the procurement activities mandated by the preparation and supervision of Bank-financed projects;(b) drafting procurement-related sections of the project documents, loan agreements, minutes of the negotiations, Aide Memoires, supervision reports, follow-up letters to the borrowers, ICRs, etc.;(c) advising the TTL and task teams on procurement operational and capacity building work, and handling procurement complaints (including recording them in the complaints database);(d) participating in loan negotiations and in project's preparation and supervision missions;(e) carrying out a wide range of the Bank's fiduciary responsibilities, including prior and post reviews, related to procurement;(f) seeking advice and obtaining clearance needed from APMs and other procurement authorities within the Bank;(g) liaising with concerned parties, especially with INT in regard to red flags or investigations, Loan Department (LOA) and financial management staff with regard to general quality and coordination of operational work and ESW;(h) keeping the TTLs and the APMs informed of any issues related to procurement that may arise in the operations assigned to them;



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	<ul style="list-style-type: none">(i) acting as main interlocutors of the borrower with regard to project procurement-related matters, and providing advice and conducting training of borrowers' staff as needed; and(j) conducting outreach activities for the community of bidders and consultants. <p>In addition, APSs are also responsible for contributing to the evaluation of the borrower's national procurement systems, including risk assessments and proposals for improvements to strengthen the legal and institutional frameworks and the capacity of the borrower.</p>
OPSOR/ Procurement Group	<p>Under the leadership of the CPO, the Procurement Group within The Operations Risk Management Department (OPSOR) is responsible for the formulation and updating of procurement policies. Its tasks, among others, include:</p> <ul style="list-style-type: none">(a) drafting guidance notes and instructions to procurement and operational staff, and developing tools and templates;(b) developing and updating SBDs and Standard Request for Proposals (SRFP);(c) providing support and advice to the regions/practice with the goal of ensuring consistency in the application of procurement policies and procedures across the regions;(d) developing training materials, preparing and delivering procurement training programs for Bank staff related to procurement policies and regulations ;(e) developing and implementing computerized system solutions to support procurement processes and monitor the quality of procurement data entry and reporting;(f) monitoring the implementation of initiatives such as the piloting program for the Use of Country Systems (UCS);(g) collecting and disseminating best practices; and(h) acting as Accredited Procurement Staff for global programs funded under Recipient-Executed Trust Funds.
LEGPR	<p>LEGPR, led by the LEGPrA, is responsible for:</p> <ul style="list-style-type: none">(a) representing the Legal Vice Presidency on the OPRC providing advisory services to the CPO on legal matters;(b) advising the procurement network and other sector networks on legal procurement issues in operational activities;



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	<ul style="list-style-type: none">(c) advising on misprocurement cases when requested by the APM/GGP and/or the country lawyer, clearing responses to complaints, and attending debriefings for complaints that raise legal issues;(d) assisting GGP in country institutional work by reviewing and providing comments on national procurement laws and regulations;(e) advising on the legal provisions of SBDs and SRFP to ensure legal consistency with the procurement policy of the Bank; and <p>maintaining a dialogue with the legal procurement community, professional associations and international organizations on legal aspects of Bank procurement policy and international procurement standards.</p>
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B. Committees

The table below identifies the responsibilities and accountabilities of procurement committees.

1. OPRC	<p>The OPRC is constituted of three Principals: the CPO, the LEGPrA, and the concerned APM. The CPO chairs the OPRC and decides on procurement clearances. LEGPrA provides advisory services to the CPO on legal matters. The concerned APM acts a concurren. OPRC does not review a request for clearance without the APM's concurrence, except when resolving disputes between the TTL and the APM on the concurrence of a case, as explained in the numeral 1(c), below.</p> <p>The OPRC is responsible for:</p> <ul style="list-style-type: none">(a) reviewing the request for procurement clearance of those contracts at or above the OPRC review thresholds ,as indicated in the <i>Instructions on Operational Procurement Review Committee Process and Requirements</i>;(b) At the TTL's request, and subject to the acceptance by the CPO, reviewing the APM's decision on the procurement clearance of contracts below OPRC review thresholds;(c) At the TTL's request, and subject to the acceptance by the CPO, reviewing APM's decisions on the concurrence of contracts at or above the OPRC review thresholds;(d) reviewing, at the request of the APM , and subject to the acceptance by the CPO, particularly complex or sensitive procurement matters, including those raising policy interpretation issues or of a controversial or innovative nature, regardless of the value of the contract.
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2. Procurement Sector Board (PSB)	<p>The PSB, chaired by the CPO, and co-chaired by the Governance Global Practice Senior Director, is responsible for the procurement policy work at the World Bank, for establishing and maintaining high professional standards for the procurement function in the Bank. It is the focal forum to debate strategic, policy, technical, procedural, and financial aspects of the procurement function in the Bank and human resources.</p> <p>The PSB (i) provides professional leadership on procurement policy and operational issues inside and outside the Bank; (ii) promotes efficient procurement as an integral part and parcel of economic and sector dialogue with borrowers; and (iii) maintains a voice within the institution.</p> <p>The PSB has a Bankwide strategic role with regard to: (i) articulating the mission of the procurement function, setting priorities, and recommending budget trade-off for the procurement function Bank-wide; (ii) assisting development and monitoring implementation of the procurement strategy; (iii) proposing/approving procurement function-wide initiatives and studies, regulations in new areas (e.g. privatization), the preparation of user manuals, etc.; (iv) providing the necessary input to OPSOR work program proposals and priority tasks; and (v) promoting the coordination of the Bank procurement strategy with objectives and business needs of thematic networks and other core services families.</p> <p>The PSB is responsible for the development of a staffing and career development strategy for procurement staff by: (i) assessing and improving professional skills and matching them with demand; (ii) establishing recruitment and promotion criteria; (iii) mentoring, coaching, and providing on-the-job training; (iv) identifying network-wide learning needs, guiding the development of a training strategy for continuing education and skills development, and evaluating its effectiveness; and (v) assisting in the preparation of training materials and the delivery of courses.</p> <p>The PSB is responsible for reviewing and concurring with requests for procurement accreditation. (<i>See Bank's Instructions for accreditation of Staff and consultants to carry out Procurement Functions and Delegation of Procurement Work</i>).</p>
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Questions on this OP/BP may be addressed to the Chief Procurement Officer (CPO), OPSOR.

Annex B - Decision Authority Matrix

1. This Decision Authority Matrix identifies procurement tasks, actions, advisory roles, and clearance authorities of Bank staff at each stage of the project cycle, depending on the nature and complexity of the task/activity.

Decision Authority Matrix

Stage in Project Cycle	Task/Action	Prepares/ Reviews	Clears	Next Level of Decision in Case of Disagreement
Identification	APS identified for the project		APM	
	PAS not mapped to GGP identified for the project		APM	Director Governance Global Practice
Preparation¹	Procurement Risk/Capacity Assessment (use of P-RAMS)	APS/PAS APM (clears high risk operations)	APM	Director Governance Global Practice
	Procurement Plan drafted by the borrower	APS/PAS	TTL	RPM
	Project-specific SDB (NCB letter)	APS/PAS	APM in consultation with LEGPR	CPO
	Non-standard bidding documents =>OPRC thresholds	APS/PAS	CPO	
	General Procurement Notice (GPN) prepared by the borrower	PAS/PAS	TTL	
	Procurement section in project documentation drafted (e.g., procurement arrangements, procurement planning)	APS/PAS	APM	Director Governance Global Practice



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	and packaging, project supervision plan).			
Negotiations¹	Procurement section of the minutes of negotiations and draft legal agreements	PAS/PAS	CL	Director Governance Global Practice
	Procurement issue at Board/ signing/effectiveness	PAS	APM	Director Governance Global Practice
	Publication of GPN	TLL		
	Publication of Procurement Plan	TLL		
Implementation/ Supervision	Amendments to legal agreements	PAS/PAS	CL	Director Governance Global Practice
	Prior Review Actions²	TLL		
	- Below APM thresholds	TLL	APS	APM
	- Above APM thresholds and below Operations Procurement Review Committee (OPRC) thresholds	TLL	APM	OPRC
	- Above OPRC thresholds	TTL APM, concurs	OPRC	Sr. Vice President and General Counsel, VP OPCS, GPVP, RVP, MDO
	Independent Procurement Reviews (IPRs)	Consultant	APM	Director Governance Global Practice
	Post Review (Action plans resulting from IPRs and Procurement Post Reviews (PPRs) shall be monitored by the TL with the assistance of the APS)	GGP (APS/PAS)	APM	Director Governance Global Practice
	Updates of Procurement Plan	PAS/PAS	TL	APM
Evaluation	Contribution to the preparation and completion of Implementation	APS/PAS ¹	APM	Director Governance Global Practice



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	Completion Report (ICR)			
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1. The APS/PAS consults with the APM on high-risk or complex projects.
2. This includes prior review actions in relation to prequalification documents, bidding documents, evaluation reports, requests for proposals for consultants, contracts, negotiations with the lowest bidder, re-bidding, direct and single- source contracts, and contract modifications and variation orders. OPRC reviews of bidding documents and RFPs are limited to cases when there are no SBDs or when there are significant changes to SBDs, and subject to the concerned APM request.
3. All technical aspects of procurement documents, including technical specifications, non-legal TORs, and schedules of quantities must be reviewed and cleared by the TL.



Maximum Prior Review Thresholds

The following table indicates the maximum prior review thresholds for different types of procurement that are subject to prior review by the Bank. Note that:

- i. all direct and single source contracts are subject to the Bank's prior review, except, at the RPM option, small value contracts below a threshold defined by the RPM on the basis of project's scope and risks and set forth in the Procurement Plan;
- ii. all requests for negotiations with the lowest bidder;
- iii. all requests for cancellation of a procurement or selection process and/or re-bidding;
- iv. prior review thresholds that apply to each project are set on the basis of the procurement risk assessment and the assessed capacity of the implementing agency to execute procurement, and are set forth in the Procurement Plan;
- v. the determination of whether a contract meets the prior review threshold is based on the total value of the contract, including all taxes and duties payable under the contract;
- vi. a contract whose cost estimate was below the Bank's prior review threshold is subject to prior review if the price of the lowest evaluated responsive bid (or, in the case of consulting services, the financial offer of the selected firm) exceeds such threshold at the bid evaluation stage;
- vii. in the case of a slice and package arrangement, the prior review threshold is determined based on the aggregate value of individual contracts to be awarded under such arrangement; and
- viii. the review of the TOR of consulting assignments (firms or individuals) and technical aspects of bidding documents (e.g. specifications and design), as well as the assessment of the proposed short list of consulting firms and the technical responsiveness of bids and proposals, is the responsibility of the TTL as part of standard project implementation support. Such reviews are mandatory unless indicated otherwise in the project documentation, for example, for small value and simple assignments.



Bank Procedures

Maximum Prior Review Thresholds under Competitive Procurement and Consultants Selection Processes

	Estimated Contract Cost (in US Dollars)				
	Type of Procurement ¹	High Risk Implementing Agency	Substantial Risk Implementing Agency	Moderate Risk Implementing Agency	Low Risk Implementing Agency
	Works, Turnkey and S&I of Plant and Equipment	5 million	10 million	15 million	20 million
	Goods	0.5 million	1 million	3 million	5 million
	IT Systems and Non-Consultant Services	0.5 million	1 million	3 million	5 million
Consulting Services²	Consultants (firms)	0.2 million	0.5 million	1 million	2 million
	Individual Consultants ³	0.1 million	0.2 million	0.3 million	0.5 million

¹ Operating expenditures are neither subject to the Procurement and Consultant Guidelines nor prior or post reviews. Operating expenditures are normally verified by TTLs and FM Specialists.

² Irrespective of the thresholds and category of risk, the selection of all consultants (firms or individuals) hired for legal work or for procurement activities are respectively cleared by the LEG VPU unit with the relevant expertise and the designated PS/PAS or RPM as required.

³ (a) The selection of individual consultants is not normally subject to prior review by procurement staff.

The borrower must, however, obtain the Bank's no objection prior to (i) inviting firms to offer the services of individual consultants in accordance with paragraph 5.1 of the Consultant Guidelines; and (ii) terminating negotiations with the selected individual consultant and proceeding to negotiate with the second-ranked individual consultant.

(b) In addition, prior review of the selection process is mandatory and requires clearance by the designated PS/PAS in the following particular situations:

(i) above the indicated thresholds;

(ii) irrespective of the thresholds and category of risks when individual consultants are hired for long-term technical assistance or advisory services for the duration of the project (or most of it), or in exceptional cases stipulated in the PAD.

The aggregate values of all contracts with individual consultants under a project are monitored by TTLs on a yearly basis. TTLs are responsible for review of the TORs irrespective of the thresholds.



Bank Procedures

Mandatory Prior Review Thresholds for RPMs and the OPRC

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

BP 11.00, Annex D

Mandatory Prior Review Thresholds for RPMs and the OPRC

1. This Annex should be read in conjunction with [Annex B](#) (*Decision Authority Matrix*), identifying other specific actions requiring prior review by the PS/PAS, the RPM, and the OPRC, and [Annex C](#) (*Maximum Prior Review Thresholds*) which sets up the maximum prior review thresholds for different types of procurement.
2. Two tables below contain the applicable thresholds for review by the PS/PAS, RPM, or OPRC of contracts that are subject to the Bank's prior review in accordance with [Annex C](#) of this BP 11.00. Table 1 set up the thresholds for prior review requirements by type of procurement and type of contract, and Table 2 by type of activity.
3. These prior review thresholds are the ceiling amounts that are mandatory and fixed. As an exception, the RPM may lower the thresholds for specific countries, sectors or projects when special circumstances require more intensive review. Such reductions are established in consultation with the CPPO, and are posted on the regional procurement website.
4. The PS/PAS reviews and clears no objections to contracts whose values are within the PS/PAS thresholds and according to his/her level of accreditation. The PS/PAS otherwise requests a fully-accredited PS/PAS to clear.
5. The PS/PAS may request the RPM to review and clear no objections to contracts whose values are within the PS/PAS thresholds (provided that they remain below the RPM thresholds), and the RPM may request the OPRC to review and clear no objections to contracts whose values are below the applicable OPRC threshold, including, inter alia, direct and single-source contracts, when warranted by special circumstances, such as complexity, need for policy interpretation, or deviations from standard procedures.



Bank Procedures

Table 1. Mandatory Prior Review Thresholds for RPMs and the OPRC by Type of Procurement

	PS/PAS Thresholds	RPM Thresholds ¹				OPRC Thresholds ¹			
Type of Procurement / Type of Contract	Estimated Contract Cost in US Dollars (millions)	Estimated Contract Cost in US Dollars (million)				Estimated Contract Cost in US Dollars (million)			
		Low	Moderate	Substantial	High	Low	Moderate	Substantial	High
Works, Turnkey and S & I of Plant and Equipment	<25	≥ 25 & < 200	≥ 25 & < 115	≥ 25 & < 75	≥ 25 & < 50	≥ 200	≥ 115	≥ 75	≥ 50
Goods	< 10	≥ 10 & < 125	≥ 10 & < 75	≥ 10 & < 50	≥ 10 & < 30	≥ 125	≥ 75	≥ 50	≥ 30
IT Systems, and Non- Consulting Services ²	< 5	≥ 5 & < 100	≥ 5 & < 60	≥ 5 & < 40	≥ 5 & < 20	≥ 100	≥ 60	≥ 40	≥ 20
Consultant Services	< 3	≥ 3 & < 40	≥ 3 & < 30	≥ 3 & < 20	≥ 3 & < 15	≥ 40	≥ 30	≥ 20	≥ 15
All Direct Contracting and Single- Source Contracts with Consultants (Firms)	< 0.5 ³	≥ 0.5 and upper threshold as per the type of procurement and corresponding thresholds above				As per the type of procurement and corresponding thresholds above			
Single-Source Contracts (Individual Consultants)	< 0.25 ⁴	≥ 0.25 and upper threshold as per the Consultant Services thresholds above				As per the Consultant Services thresholds above			

¹ As a function of procurement risk as assessed in the Procurement Risk Assessment & Management System (P-RAMS).² Also included are non-standardized procurement procedures and cases where there are no applicable Standard Bidding Documents including, inter alia, under Force Account, Procurement from United Nations (UN) Agencies, Procurement by Inspection Agents or Procurement Agents and Construction Managers, Procurement in Loans to Financial Intermediary Institutions and Entities, Procurement under PPP Arrangements, and Performance-Based Procurement.³ Small value contracts below thresholds defined by the RPM — on the basis of risks and the scope of the project and set forth in the Procurement Plan — are not subject to prior review.⁴ Same as footnote 3 above.



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Table 2. Mandatory Prior Reviews by RPMs and OPRC by Type of Procurement Activity

Type of Activity			
	PS/PAS Thresholds	RPM Thresholds	OPRC Thresholds
Negotiations with the lowest bidder	All requests for negotiations are submitted to the Bank for prior review. The PS/PAS, RPM, or OPRC clears the request in accordance with the respective applicable thresholds.		
Cancellation of procurement/selection process and/or re-bidding ¹	All requests for cancellation of a procurement or selection process and/or re-bidding are submitted to the Bank for prior review. The PS/PAS, RPM, or OPRC clears the request in accordance with the respective applicable thresholds.		
Variation Orders for works and non-consulting services ² and Amendments for goods which, combined with all Variation Orders, or Amendments, previously issued increase the original contract amount by more than 15%	Any such Variation Order, or Amendment, where the revised contract amount falls within the applicable PS/PAS threshold.	Any such Variation Order, or Amendment, where the revised contract amount falls within the applicable RPM threshold.	Any such Variation Order, or Amendment, where the revised contract amount falls above the applicable OPRC threshold.
Other modifications to the signed contract as set forth in paragraph 3 of Appendix 3 of the Procurement and Consultant Guidelines respectively	All such modifications where the amount of the modified contract falls within the applicable PS/PAS threshold.	All such modifications where the amount of the modified contract falls within the applicable RPM threshold.	All such modifications where the amount of the modified contract falls above the applicable OPRC threshold.

¹ This includes contracts which are subject to the Bank's post review in accordance with the Procurement and Consultant Guidelines.

² Variations Orders refer to technical changes to a contract during its execution, mostly to increase quantities that the contract authorizes the Engineer to instruct or approve within the scope and under the existing conditions of the contract.



Bank Procedures

Handling of Procurement Complaints on Contracts Financed by the Bank

This Annex provides guidance to staff on the handling of procurement complaints. It should be read in conjunction with Appendix 3 of the [Procurement Guidelines](#) and the [Consultant Guidelines](#), respectively, setting out, for the benefit of bidders and consultants, the Bank's role in handling complaints.

1. All procurement complaints submitted to the Bank should be in writing. Verbal complaints are considered when subsequently put in writing or properly documented by the staff who receive them. When a bidder or a consultant, directly or through an Executive Director, questions a proposed award, the TTL is responsible for dealing with the matter, in collaboration with INT if the complaint entails an allegation of fraud and corruption.
2. All complaints received by the Bank require high-priority action. Any complaint is immediately forwarded to the responsible TTL, copied to the RPM, and the TTL sends a letter of acknowledgement to the complainant and arranges for the complaint to be recorded in the complaints database. As specified in Appendix 3 of the [Procurement](#) and [Consultant](#) Guidelines, respectively, this acknowledgement is the only communication between the TTL and complainants during evaluation and until the award of contract is published.
3. Unless the complaint is determined to warrant confidential treatment, the complaint correspondence is forwarded immediately to the borrower with a letter requesting the borrower to follow up with the complainant. This applies to procurement subject to prior and post review.
4. If a complaint warrants confidential treatment (whether or not it is in relation to alleged fraud or corruption) as indicated in the [Procurement](#) and [Consultant](#) Guidelines, the TTL consults with the RPM on the most appropriate course of action.
5. Complaints alleging fraud or corruption warrant particular care and discretion, and are reported by the TTL or PS/PAS to INT and the RPM. The Bank may determine that such complaints should not be shared with the borrower or that the communication should be limited to relevant extracts.
6. If the Bank receives a complaint from a potential bidder or short-listed consultant prior to the closing date for the submission of bids or technical proposals, the communication to the borrower includes the Bank's comments and advice to the borrower in taking any appropriate actions and providing its response to the complainant.
7. If the Bank receives a complaint after the opening of bids or technical proposals and prior to the award of contract, the communication will be sent to the borrower for due consideration and appropriate action as per paragraph 3 of Appendix 3 of the [Procurement](#) and the [Consultant](#) Guidelines, respectively. In exceptional cases, the RPM may decide that the borrower, before proceeding, be asked to immediately forward all relevant documentation to the Bank for its review of the case.



Bank Procedures

8. In the case of a contract subject to prior review, the Bank examines the complaint in consultation with the borrower, requesting clarification or additional information from the borrower, or that the borrower requests clarification or additional information from the bidder/consultant, as necessary, to resolve the complaint. The Bank's no objection to the contract award recommendation for contracts subject to the Bank's prior review will only be issued after the complaint has been satisfactorily resolved by the Borrower.
9. If the complaint is received after the award of contract but before contract signing, the RPM may request the borrower to postpone the signature until the complaint is resolved.
10. The PS/PAS assigned to the project assists the TTL in handling the complaint in consultation with the RPM, LEGPR and, if required, INT and/or OPCPR. The RPM reviews all complaints, and clears draft responses to complainants in complex cases, or under exceptional circumstances, or when the complaints include an allegation of fraud and corruption.
11. In cases subject to the review of the OPRC, the complaint and the draft response are reviewed by the RPM in consultation with other members of the OPRC.
12. For complaints involving legal issues, the RPM consults with LEGPR.
13. All complaints and related documentation are captured in the Bank's web-based complaints database in accordance with the [Complaints User Manual](#). The RPM's clearance is required before closing complaints in this complaints database.
14. If a bidder or a consultant is not satisfied with the way in which a borrower handled its complaint, including through a debriefing meeting, the bidder/consultant may seek a meeting with the Bank by writing to the RPM, who will arrange a meeting at the appropriate level and with the relevant staff. During the Bank's review of the complaint, Executive Directors concerned by the case may only be informed of the broad lines of the dispute and the considerations which must guide the Bank's decision, and are notified of such decision only after it has been transmitted to the borrower.
15. When handling complaints, Bank staff do not:
 - a. discuss the complaint with the complainant, including by communicating any opinion or providing any details on the evaluation, while the complaint resolution process is under way;
 - b. disclose to the complainant any correspondence between the Bank and the borrower or documents related to the evaluation process;
 - c. become party to discussions about the complaint between the borrower and the complainant;
 - d. issue a no objection to an award recommendation before any outstanding complaints are addressed to the full satisfaction of the Bank and clearance of the RPM has been obtained; or
 - e. reply to the complaint during the evaluation process (except to acknowledge receipt), until the borrower has notified the winning bidder or consultant of the award of contract.



Revised June 2015

Note: Based on the approval by the Executive Directors of the recommendations in “*Investment Lending Reform: Modernizing and Consolidating Operational Policies and Procedures* (R2012-0204 [IDA/R2012-0248] on October 25, 2012, [OP/BP 8.60](#), *Development Policy Financing*, [OP/BP 9.00](#), *Program-for-Results Financing*, and [OP 10.00](#), *Investment Project Financing* have been updated and now include provisions formerly contained in this OP.

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

Monitoring and Evaluation

1. The Bank's¹ objective is to assist its borrowing member countries, individually and collectively, to reduce poverty and achieve sustainable growth.² To assess the extent to which its efforts and those of borrowers are making progress toward that objective, the Bank monitors and evaluates its operational activities.³

2. Monitoring and evaluation provides information to verify progress toward and achievement of results,⁴ supports learning from experience, and promotes accountability for results. The Bank relies on a combination of monitoring and self-evaluation and independent evaluation. Staff take into account the findings of relevant monitoring and evaluation reports in designing the Bank's operational activities.

Monitoring and Self-Evaluation

3. Monitoring and evaluation (M&E) requires formulating the expected results of Bank support; selecting indicators of outputs and outcomes; gathering baseline data on outputs and outcomes; setting milestones and a timeline for progress; establishing a system for collecting, analyzing, and reporting data; monitoring progress; evaluating the activity to determine its relevance, efficacy, and efficiency; and establishing a framework for using M&E findings. These elements are tailored to the scale and scope of the operational activity.

4. The designs of Bank operational activities incorporate a framework for M&E.⁵ The Bank monitors and evaluates its own contribution to results using this framework, relying on the borrower's M&E systems to the extent possible and, if these systems are not strong, assisting the borrower's efforts to strengthen them. For Country Partnership Frameworks and sector/thematic strategies, the Bank monitors and evaluates progress toward achieving the results identified in the strategy. For financing operations, see [OP/BP 8.60](#), *Development Policy Financing*, [OP/BP 9.00](#), *Program-for-Results Financing*, and [OP 10.00](#), *Investment Project Financing*. For analytic and advisory services, the Bank monitors and evaluates results on completion.

1. “Bank” includes IBRD and IDA; “loans” includes IDA credits and grants; and “borrower” includes IDA grant recipient.
2. [OP 1.00](#), *Poverty Reduction*.
3. For the purposes of this OP, the Bank's operational activities include country strategies, sector and thematic strategies, lending operations, and analytic and advisory services.
4. *Results* are the outputs and outcomes of operational activities; *outputs* are the products, goods, services, or actions associated with an operational activity; and an *outcome* is a direct change in condition or behavior of a target group or institution that results from outputs.
5. See World Bank Group Directive - Country Engagement. For IDA-financed operations, see *Additions to IDA Resources: Fourteenth Replenishment* (IDAR2005-0029), March 2005, Section II D, and any adjustments to the results measurement system agreed in future IDA replenishments. For analytic and advisory activities, see guidelines available to staff on the Bank's intranet.



Revised June 2015

5. In addition to working with borrowers, the Bank works with other development partners to agree on the results expected from development activities and to harmonize monitoring, reporting, and evaluation requirements.

Independent Evaluation

6. Independent evaluation validates self-evaluation activities, verifies their results, and/or undertakes separate assessments of the relevance, efficacy, and efficiency of Bank operational activities and processes. Independent evaluation is carried out by the Independent Evaluation Group (IEG) under the oversight of the Director-General, Evaluation (DGE), who reports directly to the Board, which approves the DGE's mandate and IEG's terms of reference. IEG's work program is endorsed annually by the Board, following consultations with management. In this context, the DGE is directly responsible for

- (a) assessing whether the Bank's programs and activities are producing the expected results;
- (b) incorporating evaluation assessments and findings into recommendations designed to help improve the development effectiveness of the Bank's programs and activities, and their responsiveness to countries' needs and concerns;
- (c) appraising the Bank's operations self-evaluation and development risk management system;
- (d) reporting periodically to the Executive Directors on actions taken by the Bank in response to evaluation findings,⁶ and on the measures being taken to improve the overall operations evaluation system including dissemination and outreach activities; and
- (e) encouraging and assisting developing member countries to build effective monitoring and evaluation associations, capacities and systems.

7. To discharge these functions, IEG has unrestricted access to the staff and records of the Bank. In carrying out its activities, IEG consults with borrower governments, beneficiaries, cofinanciers, and other stakeholders, as well as with operational managers, peer reviewers, and, as appropriate, advisory committees of specialists. IEG endeavors to maintain close contact with Bank staff so that their views are adequately considered in the preparation of IEG reports, and the analyses and findings of these reports are understood. However, IEG reports and findings are not subject to management approval. As an integral ingredient of its independence, IEG discloses its reports in accordance with IEG's disclosure policy statement approved by the Board.⁷ It disseminates evaluation findings within the Bank and the wider development community.

8. In addition, the Independent Evaluation Group (IEG) provides advice and support to operational units engaged in evaluation capacity development, cooperates with other international financial institutions and development assistance agencies to promote evaluation and harmonize evaluation standards, and assists member countries and development partners to develop effective operations monitoring and evaluation capacities and systems.

-
- 6. Bank management comments on draft IEG reports and is responsible for preparing and implementing management responses to major IEG recommendations—those that are tracked in the aggregate annual Management Action Record (MAR), and those marked as "MAR" in Country Assistance Evaluations.
 - 7. IEG's disclosure policy statement is approved directly by the Board, and then incorporated into the Bank's overall disclosure policy.



This Operational Policy was revised to reflect the current IBRD and IDA General Conditions that took effect on July 1, 2005 and updated BP 14.10, Annexes [A](#), [B](#), and [B1](#).

Note: OP and BP 14.10 replace the versions dated September 1994.

Questions may be addressed to the Director, Development Data Group, DEC.

External Debt Reporting and Financial Statements

1. The Bank¹ needs reliable and timely external debt information to (a) assess a borrowing country's foreign debt situation, creditworthiness, and economic management; and (b) conduct its country economic work² and assess regional and global indebtedness and debt servicing problems. The Bank's General Conditions require a borrowing or guaranteeing member country to "furnish to the Bank all such information as the Bank shall reasonably request with respect to financial and economic conditions in its territory, including its balance of payments and its external debt."³ Consequently, the Bank requires such countries to report their external debt⁴ and may require borrowers or beneficiaries other than member countries to provide representations regarding their financial statements.

Debt Reporting

2. The external debt that a country must report to the Bank includes: (a) public debt with an original maturing of one year or more, contracted or guaranteed by the government of the country or its political subdivisions, the central bank, and other agencies; and (b) private, nonguaranteed debt.

3. Basic reporting consist of the following: (a) annual summary reports showing, for each public or publicly guaranteed debt extant at the end of the reporting period or repaid or canceled during the period, the amount of debt committed, undisbursed, repaid, and outstanding and disbursed, and transactions that have taken place during the year; and, for private on guaranteed debt, aggregate amounts outstanding, projected future service payments, and transactions during the year by source and type.⁵ These annual reports are due within three months after the end of the reporting period. (b) Quarterly reports showing detailed information on each new commitment of a public or publicly guaranteed debt received during the period. These reports are due within one month after the end of the quarter.

¹ "Bank" includes IBRD and IDA.

² Particularly Country Economic Memoranda (see Annex A of OD 2.00, Country Economic and Sector Work) and Country Assistance Strategies (See [BP 2.11](#), Country Assistance Strategies).

³ Article VI of the IBRD General Conditions and Section 5.01 of the IDA General Conditions.

⁴ The reporting procedures to be used by countries are set out in the [World Bank Debtor Reporting System Manual](#), dated January 2000.

⁵ Since information on private debt is not directly under the control of governments, the borrowing country may need to make special arrangements to obtain effective reports.



4. As a condition of Board presentation of loans and credits, each borrowing or guaranteeing country must submit a complete report (or an acceptable plan of action for such reporting) on its foreign debt.
5. At each loan/credit signing, the country provides a Letter on financial and Economic Data.⁶

Financial Statements

6. In connection with each loan for which the financial condition of a borrower or beneficiary other than a member country is a material factor in the Bank's decision to make the loan, the Bank may require an appropriately signed representation certificate⁷ stating that (a) any financial statements submitted present fairly the position of the borrower and/or the beneficiary as of a certain date, and (b) no material adverse change has occurred in the financial position since that date, except as may be stated in the certificate. The date of the certificate is the same as the date of the Loan Agreement.
7. As a condition of effectiveness, the IBRD may require from a borrower other than a member country an additional certificate that the condition of the borrower as previously represented has undergone no material adverse change since then.⁸

⁶ For samples, see BP 14.10, Annexes [A](#) and [B](#).

⁷ For a sample, see BP 14.10, [Annex C](#).

⁸ See IBRD General Conditions, Section 9.01 (b).

Revised April 2012

This Bank Procedures statement was revised in April 2012 to clarify LEG's role in respect to the Financial and Economic Data letter and letters/certificates of representation. Note: OP and BP 14.10 replace the versions dated September 1994. Questions may be addressed to the Director, Development Data Group, DEC.

External Debt Reporting and Financial Statements

1. Within the Bank,¹ each country management unit (CMU) is responsible for obtaining external debt information from a country or from other sources and ensuring its transmittal to the Development Data Group (DECDG). DECDG cooperates with the CMU in obtaining the information and any necessary clarifications or amplifications of the data.
2. At the beginning of each fiscal year, DECDG provides to the Regional vice presidents (RVPs) and country directors a status report on the external debt of each country that is an active borrower. The report includes an assessment of the adequacy of debt-reporting arrangements and the nature of any inadequacies (e.g., lack of staff, data problems, inadequate administrative arrangements, simple neglect). DECDG posts this report on the Bank's intranet.
3. If DECDG determines that a country's external debt reporting is inadequate, it notifies the country director, who asks the country to provide the required information or to prepare an action plan that would lead to early correction of the deficiencies.
4. The country director and DECDG decide on the acceptability of the country's action plan. If the country director and DECDG do not agree on the acceptability of the action plan, they refer the matter to the RVP for decision.
5. The country director is responsible for consulting with DECDG on the content of the Letter on Financial and Economic Data. With respect to any letters or certificates required by IBRD regarding a borrower's/project implementing entity's financial condition, the TTL will seek advice of the lawyer on the content of such letter or certificate. The Legal Department is responsible for obtaining from the borrower at signing, the approved Letter on Financial and Economic Data that the Bank requires at each loan/credit signing, and any representation certificates that IBRD may require.²

Processing and Data Preparation

6. On receiving annual data submissions from member countries, DECDG uses them to produce standard tables on outstanding debt, projected debt service payments, commitments, and debt capital flows. DECDG normally processes reports in the order in which they are received. However, DECDG may alter its order of priority to meet the time requirements of missions, Country Economic Memoranda, Country Assistance Strategies, or special reports. Staff submit requests for such alterations to the Financial Data Team, DECDG, at least two weeks before the data are required.

¹ "Bank" includes IBRD and IDA.

² See Annexes [A](#), [B](#), and [C](#) for these documents.

**Revised April 2012****Cooperative Arrangements**

7. Under a joint agreement, the Bank and the Organization for Economic Cooperation and Development (OECD) collect information from creditor countries that are members of the OECD's Development Assistance Committee. Participants report on commitments of official loans and grants, private credits insured or guaranteed by official agencies, and the status and transactions of both official and private lending. The Bank and OECD exchange data electronically. The Bank uses these data to enhance the quality of the statistics derived from its debt reporting system, and periodically supplies creditor countries with tables on both the debt positions of developing countries and the lending activity of creditors.



Bank Procedures

Sample Letter on Financial and Economic Data: IBRD Borrowers/Guarantors

[Name of Member Country]

[Date]

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: Loan No. _____
(_____ Project)
Article VI of the General Conditions
Financial and Economic Data

Dear Sirs and Mesdames:

In connection with the Loan Agreement of this date between [*name of member country borrower* (Member Country) and International Bank for Reconstruction and Development (Bank)]/[International Bank for Reconstruction and Development (Bank) and [*name of nonmember borrower*] providing a loan (Loan) for the above-captioned Project[, the related Guarantee Agreement of same date between [*name of member country*] (Member Country) and the Bank], and the General Conditions (General Conditions) made applicable to the Loan Agreement [and Guarantee Agreement], I am writing on behalf of the Member Country to set forth the following:

1. We understand and agree that, for purposes of Section 6.01 of the General Conditions, the Member Country is required by the Bank to report “long-term external debt” (as defined in the World Bank’s Debtor Reporting System Manual, dated January 2000 (DRSM)), in accordance with the DRSM, and in particular, to notify the Bank of new “loan commitments” (as defined in the DRSM) not later than 30 days after the end of the quarter during which the debt is incurred, and to notify the Bank of “transactions under loans” (as defined in the DRSM) once a year, not later than March 31 of the year following the year covered by the report.
2. We represent that [, except as stated in the Annex hereto,] no Liens (as defined in the General Conditions), other than those excluded pursuant to paragraph (c) of Section 6.02 of the General Conditions, exist on any Public Assets (as defined in the General Conditions), as security for any External



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Debt (as defined in the General Conditions). ¹[Except as stated in the Annex, no][No] defaults exist in respect of any external public debt (as defined in the DSRM). It is our understanding that, in making the Loan, the Bank may rely on the representations set forth or referred to in this letter.

3. Please confirm your agreement to the foregoing by having a duly authorized representative of the Bank sign in the space provided below.

Very truly yours,

[Name of member country]

By_____

Authorized Representative

AGREED:

International Bank for Reconstruction and Development

By_____

Authorized Representative

By _____

Authorized Representative

¹ If a member country is declared eligible for a waiver of the negative pledge, the Legal Department provides alternative wording for this paragraph.



Sample Letter on Financial and Economic Data: IDA Recipients

[Name of Member Country Borrower]

[Date]

International Development Association

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Re:[IDA Credit/IDA Grant] No. _____

(_____ Project)

Section 5.01 of the General Conditions

Financial and Economic Data

Dear Sirs and Mesdames:

In connection with the Financing Agreement (Financing Agreement) of this date between [*name of member country borrower or recipient*] (Member Country) and International Development Association (Association) providing financing (Financing) for the above-captioned Project, and the General Conditions (General Conditions) made applicable to the Financing Agreement, I am writing on behalf of the Member Country to set forth the following:

1. We understand and agree that, for purposes of Section 5.01 of the General Conditions, the Member Country is required by the Association[
 - a.]to report long-term external debt (as defined in the *World Bank's Debtor Reporting System Manual*, dated January 2000 (DRSM)), in accordance with the DRSM, and in particular, to notify the Association of new loan commitments (as defined in the DRSM) not later than 30 days after the end of the quarter during which the debt is incurred, and to notify the Association of transactions under loans (as defined in the DRSM) once a year, not later than March 31 of the year following the year covered by the report[; and



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- b. ¹]to: (i) notify the Association at least three months prior to incurring any non-concessional long-term external debt, of its intention to incur such debt, together with the proposed terms of such debt; and (ii) afford the Association reasonable opportunity to exchange views with the Member Country on the matter. For purposes of this paragraph, non-concessional long-term external debt means any long-term external debt (as defined in thirds), but excluding private debt (as so defined), with an estimated grant element (GE) calculated in the manner published from time to time by the Association (see, [www.worldbank.org/ida/under reports](http://www.worldbank.org/ida/under_reports)) of less than (i) 35% or (ii) the GE for determining concessionality established by the International Monetary Fund in any Extended Credit Facility arrangement, Standby Credit Facility or Policy Support Instrument with the Member Country in effect at the time of such notice, whichever is higher.]
2. We represent that [, except as stated in the Annex hereto,] no defaults exist in respect of any external debt (as defined in the DRSM). It is our understanding that, in making the Financing, the Association may rely on the representations set forth or referred to in this letter.
3. Please confirm your agreement to the foregoing by having a duly authorized representative of the Association sign in the space provided below.

Very truly yours,

[Name of member country]

By _____

Authorized Representative

AGREED:

International Development Association

By _____

Authorized Representative

¹ Paragraph(b) should ONLY be used if the Recipient is one of the countries subject to IDA's Non-Concessional Borrowing Policy. For a current list of such countries see [BP14.10, Annex B1](#). For further questions on this paragraph, please consult LEGFI or FRM.



Note: This BP 14.10, Annex B1 replaces the version dated July 2012.

Countries Subject to IDA's Non-Concessional Borrowing Policy

IDA-Only Countries to which the IDA Non-Concessional Borrowing Policy

Applies in FY13^{1, 2}

Red Light (15)	Yellow Light (22)		MDRI Recipient and Green Light (9)
Afghanistan Burundi Chad Comoros Congo, Democratic Republic of Haiti Kiribati Maldives Marshall Islands Micronesia, Federated States of Samoa São Tomé and Príncipe Tajikistan Tuvalu Yemen, Republic of	Burkina Faso Central African Republic Côte d'Ivoire Gambia, The Guinea Ghana Guinea-Bissau Kyrgyz Republic Lao People's Democratic Republic Lesotho Malawi Mali Mauritania Mozambique Nepal Nicaragua	Niger Rwanda Sierra Leone Solomon Islands Togo Tonga	Benin Cameroon Ethiopia Liberia Madagascar Senegal Tanzania Uganda Zambia

¹ This list is updated annually and is subject to change should other IDA-only countries qualify for IDA grants and/or MDRI. The list includes all IDA-only countries that are currently eligible for IDA grants on grounds of debt-sustainability as well as post-MDRI green light countries. It excludes “gap” or “blend” countries that receive hardened or blend terms from IDA and are not eligible for IDA grants. Should a country's IDA-only status change mid-year, the list would be updated at that time to reflect the change.

² The list is limited to active IDA-only countries and excludes countries with loans and credits in nonaccrual status as of June 30, 2013 (Eritrea, Somalia, and Sudan). The grant eligibility of inactive countries will be assessed upon their re-engagement with IDA.



Bank Procedures

Sample Letter of Representations regarding a Borrower's/Project Entity's Financial Condition

[Name of Member Country Borrower or Project Entity]

[Date]

International Development Association 1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Re: [Loan/Credit] No. _____

(_____ Project)

Representations

Dear Sirs and Mesdames:

In connection with the [Loan/Project Agreement] of this date between the [International Bank for Reconstruction and Development (the Bank)/International Development Association (the Association)] and [name of nonmember borrower (the Borrower)/name of project entity (the Project Entity)] for the above-captioned Project, the [Borrower/Project Entity] hereby undertakes and warrants to the [Bank/Association] that:

1. The financial statements dated _____, copies of which have been furnished to the [Bank/Association], correctly set forth the financial and operating condition of the [Borrower/Project Entity] as of that date, and since that date there have been no material adverse changes in the financial and operating conditions of the [Borrower/Project Entity].
2. The [Borrower/Project Entity] is not engaged in litigation as plaintiff or defendant, the outcome of which might materially and adversely affect its financial condition.
3. The [Borrower/Project Entity] has no outstanding agreements or liabilities, contingent or otherwise (including taxes), that might materially and adversely affect its financial condition.
4. No debt of the [Borrower/Project Entity] is secured by any mortgage, pledge, charge, priority, or other lien, and no contract or arrangement exists for the creation of any such mortgage, pledge, charge, priority, or other lien.
5. There are no existing defaults in the payment of principal of, or interest or other charges on, any of the debts of the [Borrower/Project Entity].



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6. The [Borrower/Project Entity] is not in violation of, and execution and delivery of the [Loan/Project Agreement] and the compliance with all its terms do not and will not result in any violation of, any provisions of any existing agreement, franchise, concession, license, or permit, or of any [statute,] law, [decree-law,] [executive decree,] regulation, or any other legal rule of a similar nature presently in effect and applicable to the [Borrower/Project Entity].

7. The [Borrower/Project Entity] is a duly existing _____ under the laws of _____, with full authority to carry out its present business, to carry out the Project, and to execute and deliver the [Loan/Project Agreement], and has furnished to the [Bank/Association] true copies of Law No. _____ and Decree No. _____ and of all other legislation presently in force and effect and governing or applicable to the operations of the [Borrower/Project Entity], as well as of its [articles of incorporation/statutes and by-laws] presently in effect and governing the [Borrower/Project Entity].

It is our understanding that, in making the [Loan/Credit] and entering into the [Loan/Project Agreement] with the [Borrower/Project Entity], the [Bank/Association] may rely on the representations contained herein.

Very truly yours,

[Name of nonmember borrower/project entity]

By _____

Authorized Representative



Revised April 2013

Note: OP/ [BP 14.20](#), *Cofinancing*, 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, [OP/BP 10.00](#), *Investment Project Financing*, have been updated, and OP/BP 12.00, *Disbursement*, have been retired (among other changes). This OP has consequently been updated to reflect these changes, as well as to reflect the updated titles of the Bank’s policy on access to information and of the Procurement and Consultant Guidelines.

Questions should be addressed to the Director, Global Partnership and Trust Fund Operations.

Cofinancing

1. The IBRD and IDA Articles of Agreement state that the Bank's¹ funding is intended to supplement investment from other sources (more specifically private ones).² Therefore, for projects that require resources additional to what the Bank and recipient can provide, the Bank expects the recipient to seek such resources from third parties. Cofinancing may derive from official or private sources, and it may be channeled as either joint or parallel cofinancing.³
2. The Bank's objectives in encouraging the provision of official cofinancing are to
 - a. mobilize resources to fill a financing gap in a specific project;
 - b. coordinate the financing for recipient countries' development programs and help establish common policies or investment priorities among financing sources at the project and sector level; and
 - c. assist donors that wish to link their own aid programs with the Bank's capacity to support the development and implementation of projects (provided the incremental costs to the Bank are covered; see para.5).
3. The Bank's objectives in encouraging the provision of private cofinancing are to
 - a. catalyze financing for individual projects and increase overall private resource transfers for development; and
 - b. facilitate borrowing countries' access to international capital markets.

¹ "Bank" includes both IBRD and IDA; "loans" includes credits and grants; "projects," "operations," and "investments" include the activities or facilities financed under investment, Program-for-Results, and development policy loans; "Loan Agreements" includes Development Credit Agreements; and "recipient" refers to the recipient of cofinancing funds, which is usually also the Bank's borrower.

² IBRD Articles of Agreement, Article I (ii); IDA Articles of Agreement, Article V, Section 1 (c).

³ Export credit cofinancing may derive from either official or private sources. For further discussion, see [Annex A](#), *Sources and Types of Cofinancing*.

**Revised April 2013**

4. Identification, preparation, appraisal, and supervision of cofinanced projects are carried out in accordance with the Bank's standard policies and procedures.⁴ The Bank cooperates with cofinanciers and shares with them information on cofinanced projects.⁵ The Bank endeavors to develop with official cofinanciers a framework for processing cofinancing quickly and expediently, and it engages in a dialogue at the operational level to develop specific cofinancing projects and follow-up actions.
5. The Bank recovers its incremental costs for services it agrees to provide to cofinanciers.⁶ A uniform fee structure, based on the level of service to be provided by the Bank, is used for this purpose.⁷

Strategy and Planning

6. Cofinancing needs and issues are addressed, as appropriate, in the Country Assistance Strategy (CAS).⁸ Cofinancing needs at the project level are identified early in project preparation and are spelled out at each stage of the preparation process. The Bank conducts periodic cofinancing consultations with official cofinanciers to achieve early agreements on cofinancing.

Operational Principles

7. The cofinancing needs of individual projects are matched with the interests of individual cofinanciers at the earliest possible stage. To obtain firm and timely commitments from cofinanciers, and to allow time to synchronize project processing, the Bank involves cofinanciers in project design as early as possible, normally at the initial Project Information Document stage. The terms and conditions of cofinanciers' participation must be consistent with the financing plan for any specific operation. Therefore, the Bank engages in a continuing and open dialogue with cofinanciers, sharing relevant country, sector, and project information.⁹ If the recipient country consents, cofinanciers may participate in Bank missions on cofinanced projects.

⁴ See [OP/BP 9.00, Program for Results Financing](#), [OP/BP 10.00, Investment Project Financing](#), and [BP 8.60, Development Policy Lending](#). Agreed adjustments may be made to these procedures when the Bank enters into special arrangements with multilateral development banks and other cofinanciers.

⁵ See [The World Bank Policy on Access to Information](#).

⁶ Such services may include project preparation, appraisal, supervision, procurement, and disbursement (including maintenance of and reporting on loan disbursement accounts) for the cofinanced project or component.

⁷ The fee structure is set from time to time by the Planning and Budgeting Department, in consultation with the Trust Funds Administrator, and is available in the Bank's Budget Management Manual. Any exception to the application of the fee structure requires the approval of the Vice President and Controller. Also see [OP/BP 14.40, Trust Funds](#).

⁸ See [BP 2.11, Country Assistance Strategies](#).

⁹ See [The World Bank Policy on Access to Information](#).



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8. To reduce project complexity, simplify implementation, and avoid placing an undue burden on the recipient's administrative capabilities, the number of cofinanciers for each project is kept to the minimum consistent with the needs of the project.¹⁰ To ensure that funds provided by cofinanciers will be made available when needed, Loan Agreements include, as necessary, cross-effectiveness clauses and events of default linked to cofinancing. The choice of clauses to be included depends on the specifics of the project financing plan.

9. In joint cofinancing, procurement is carried out in accordance with the Bank's [Procurement](#) and [Consultant](#) Guidelines.¹¹ In parallel cofinancing, the Bank and cofinanciers finance their different components according to their own rules. [OP/BP 11.00, Procurement](#), set out the Bank's procedures applicable to procurement. The Bank encourages cofinanciers to provide untied funding. The Bank does not administer tied cofinancing funds.¹²

Disbursements and any processing of disbursement documentation by the Bank in relation to cofinancing are governed by the policies and procedures set out in [OP/BP 10.00, Investment Project Financing](#). Exceptions require the approval of the Director, Loan Department.

¹⁰ Some projects--for example, those that seek to integrate cofinanciers' and government policies in a specific sector--may need to involve a large number of cofinanciers.

¹¹ [Guidelines: Procurement of Goods, Works, and Non-Consulting Services, under IBRD Loans and IDA Credits & Grants](#) (Washington, D.C.: World Bank); [Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers](#) (Washington, D.C.: World Bank). Procurement policies and procedures application to Program-for-Results operations are set out in [OP/BP 9.00](#).

¹² When justified by specific project circumstances and when requested to do so by the recipient, the Bank may consider administering tied trust funds to finance consultants for technical assistance activities that are not components of a Bank-financed project.



Sources and Types of Cofinancing

1. *Cofinancing* refers to any arrangement under which Bank funds or guarantees are associated with funds provided by third parties for a particular project or program.
2. There are two sources of cofinancing:
 - a. *Official cofinancing* is usually concessional and comes from donor governments and their agencies (mainly through bilateral assistance programs) and multilateral financing institutions (principally the regional development banks).
 - b. *Private cofinancing* refers to any arrangement that involves financing from such private sources as commercial banks, insurance companies, or other private lenders, for a Bank-supported project (including financing that is partially guaranteed by the Bank).¹
3. *Export credit cofinancing*, which may come from official or private sources, is linked to the export of specified goods or services from a particular country. It may be provided in the form of suppliers' or buyers' credits. Export credits are often guaranteed or insured by Export Credit Agencies (ECAs) operating in the suppliers' country.
4. Cofinancing may be channeled in two ways, each of which has distinct modalities for the procurement of cofinanced goods and services:
 - a. In *parallel cofinancing*, the Bank and the cofinancier finance different goods and services or different parts of a project.
 - b. In *joint cofinancing*, expenditures from a common list are jointly financed by the Bank and the cofinancier. The funds are disbursed in agreed proportions. When the cofinancier's funds are provided on more concessional terms than the Bank's, they may be disbursed first to maximize the benefits to the recipient.
5. Cofinancing may be in the form of a loan or a grant.
 - a. *Loan*. When cofinancing funds are provided as a loan, the cofinancier enters into a loan agreement with the borrower and normally disburses its funds directly. If procurement follows Bank policies and if the Bank recovers its costs, the Bank may supervise procurement and review withdrawal applications; in such cases, the Bank and the cofinancier usually sign a colenders' agreement that sets out the terms and conditions of the services to be provided by the Bank to the cofinancier.

¹ From 1983 to 1988, the Bank entered into private cofinancing operations mainly through the B-Loan program; from 1989 to 1994, it used the Expanded Cofinancing Operations (ECO) program. In September 1994, the Bank's Executive Directors approved a proposal to expand the scope of the Bank's guarantee program and to make guarantees a mainstream instrument in Bank operations. The Bank expects to issue policies and procedures statements on guarantees.



- b. *Grant.* When cofinancing funds are provided as a grant, the cofinancier may make the funds available directly to the recipient under a grant agreement or to the Bank under a Trust Fund Agreement (provided the costs of administration are reimbursed to the Bank). The Bank, as administrator of the funds on behalf of the cofinancier, enters into a Grant Agreement with the recipient and disburses the funds according to the terms of the Grant Agreement.



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Note: [OP/BP 14.20, Cofinancing](#), 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]) on October 25, 2012, which were approved by the Executive Directors on October 25, 2012. As a result of these recommendations, [OP/BP 10.00, Investment Project Financing](#), have been updated, and [OP/BP 12.00, Disbursement](#), have been retired (among other changes). This BP has consequently been updated to reflect these changes, as well as to reflect the updated title of the Bank’s policy on access to information.

Questions should be addressed to the Director, Global Partnership and Trust Fund Operations.

Cofinancing

Planning

1. For an official cofinancier with which the Bank¹ expects a sustained relationship, the Bank enters into a cofinancing framework agreement, which specifies (a) the terms and conditions of the cofinancier's participation in Bank-assisted projects and other activities; (b) project selection, appraisal, implementation, and supervision arrangements; (c) the modalities for mutual cooperation and consultation; and (d) the fees to be paid to the Bank for services provided. Such an agreement is prepared by the Legal Department (LEG), negotiated on the Bank's behalf by LEG and the Global Partnership and Trust Fund Operations (CFPTO), and cleared with the Controller's Department.
2. The recipient country identifies its potential cofinancing needs and possible cofinanciers for each project. Drawing on specific discussions with the recipient country, country department staff quantify at the project level the country's potential cofinancing needs. The departmental cofinancing coordinators ensure that information on cofinancing is entered in the Bank's Cost Accounting System² and updated throughout project processing. CAP consolidates this information Bankwide and transmits it to potential cofinanciers.

Identification to Board Approval

3. Detailed procedures for processing cofinanced projects involving trust funds are set out in [OP/BP 14.40, Trust Funds](#), as well as [OP/BP 10.00, Investment Project Financing](#).
4. For all projects, early during project preparation, Bank and recipient staff assess the need for cofinancing, determine the strategy for securing financing or otherwise completing the project financing plan, and consider suitable sources and terms, bearing in mind the recipient's creditworthiness. In drafting a tentative financing plan, Bank and recipient or implementing agency staff work to match possible financing to project needs and identify, inter alia, components suitable for official, export credit, and private cofinancing. The task manager (TM) includes in the Project Information Document a brief

¹ "Bank" includes both IBRD and IDA; "loans" includes IDA credits and IDA grants; "projects," "operations," and "investments" include the activities or facilities financed under investment, Program-for-Results, and development policy loans; "Loan Agreements" includes Development Credit Agreements; and "recipient" refers to the recipient of cofinancing funds, which is usually also the Bank's borrower.

² Formerly the Management Information System.

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analysis of the type of cofinancing that is appropriate for the project and feasible from the recipient's perspective. Throughout project processing, the TM promptly and accurately updates the cofinancing information in the project timetables.³

5. As needed, Bank staff facilitate contacts and interactions between the recipient and cofinanciers to expedite successful conclusion of the cofinancing discussions.
6. On obtaining confirmation of the cofinancier's interest in the project and of the recipient's decision on the cofinancier's participation, Bank staff:
 - a. endeavor to coordinate the cofinanciers' and the Bank's project processing to ensure that funds will be available when required for all project components;
 - b. encourage the recipient to extend to cofinanciers an invitation to participate in project preparation and appraisal missions, giving them sufficient lead time to plan for such participation;
 - c. keep cofinanciers informed on the details of the project and of its processing and make available to them all relevant information;⁴
 - d. reach agreement with the recipient and the cofinanciers on the project financing plan, the project components to be cofinanced, the form of cofinancing, the packaging of procurement, appropriate arrangements to harmonize the Bank's and cofinanciers' requirements on reports from the recipient, and the timing of disbursements, and record this information in the Staff Appraisal Report;
 - e. ensure that the Project Implementation Plan includes the implementation arrangements covering jointly financed components (and components cofinanced in parallel with the Bank, when such arrangements are necessary for the project's execution); and
 - f. coordinate with the cofinanciers on the preparation of the Loan and Guarantee Agreements and, with the recipient's consent, invite them to attend joint cofinancing negotiations.

Documentation

7. In cofinanced operations, the Bank's legal documents (described in [OP 7.00](#), *Lending Operations: Choice of Borrower and Contractual Agreements*) include provisions for cofinancing (e.g., any necessary cross-effectiveness and cross-default clauses). Additional documentation needed for cofinancing involving trust funds is described in [OP/BP 14.40](#), Trust Funds. For each project, the Bank and cofinancier may enter into a colenders' agreement covering, among other things, consulting and exchanging information. Colenders' agreements are prepared by LEG, cleared by the Trust Funds

³ The information serves as the basis for the list of operations suitable for cofinancing (e.g., *Cofinancing Opportunities with the World Bank*) that CAP periodically compiles and provides to cofinanciers.

⁴ See [The World Bank Policy on Access to Information](#).



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Administrator and the finance officer, and negotiated with the cofinancier by the TM and the country lawyer.

Implementation, Supervision, and Evaluation

8. Regional and CFPTO staff promptly notify each other if cofinancing arrangements change significantly after the Board approves the project. During project implementation, Bank staff (a) promptly provide cofinanciers with relevant information about project progress and about projected disbursement needs; and (b) whenever feasible, and if the recipient consents, invite the cofinanciers' representatives to participate in supervision missions.

9. In joint cofinancing (and, as appropriate, in parallel cofinancing), Bank staff include in supervision reports specific reference to (a) the sources and amounts of cofinancing and the progress of cofinanced components, (b) disbursement of cofinanced amounts, and (c) other monitoring ratings. Copies of mission aide-mémoire and supervision reports (in their entirety, if appropriate, or summaries) are sent promptly to the cofinanciers.⁵

10. When Bank and recipient staff identify major problems in a cofinanced project, the TM consults with the lawyer and the finance officer and promptly notifies CFPTO and the cofinanciers. Bank staff consult with cofinanciers on important actions that affect the project (e.g., restructuring plans, suspension of disbursements notices, amendments to Agreements), and solicit reciprocal treatment from cofinanciers on their loans. If a cofinanced project is in problem status, any remedial action program must take into consideration how the cofinanced components are to be modified to help realize overall project objectives. Actions are taken in a manner consistent with relevant legal agreements involving the recipient, the Bank, and the cofinanciers.

11. The Implementation Completion Report (ICR)⁶ records the amounts, sources, and other characteristics of cofinancing (e.g., whether it is joint or parallel); the fees charged; the cofinancing arrangements; and the Bank's and the borrower's experience with the cofinanced project components. Similarly, Independent Evaluation Group's evaluative notes on the ICR and the Project Performance Audit Reports comment on the cofinancing experience and the lessons learned.

Responsibilities

Regions

12. The Regions have the primary responsibility for all cofinancing interactions with recipients and have decision-making authority on all project- or country-related cofinancing matters, clearing decisions, when appropriate, with the lawyer, Trust Funds Administrator, and finance officer. The Regions consult with CAP on aspects related to the Bank's institutional relationship with cofinanciers. Within the Region, the TM has primary responsibility for working with the recipient to help ensure that cofinancing is arranged and implemented in accordance with Bank procedures.

⁵ See [The World Bank Policy on Access to Information](#).

⁶ See [BP 8.60](#), Development Policy Financing, [BP 9.00](#), Program-for-Results Financing, and [OP/BP 10.00](#), Investment Project Financing.

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13. Each country department (CD) designates one or more departmental cofinancing coordinators to coordinate the CD's cofinancing activities. In cooperation with the country officer and other country team members, the coordinator (a) ensures that cofinancing issues are addressed, as appropriate, in the Country Assistance Strategy document;⁷ (b) keeps informed about the status of cofinancing operations in the CD; (c) facilitates departmental liaison with cofinanciers, ensuring that departmental staff are informed about major policies and priorities of cofinanciers active in the CD's countries; and (d) advises and supports TMs in assisting recipients to identify cofinancing sources.

14. Each Region designates a Regional cofinancing coordinator to monitor the Region's cofinancing activities. The coordinator maintains Regional liaison with cofinanciers and provides guidance to the departmental cofinancing coordinators. The Regional coordinator is the focal point for management information and data flows on cofinancing from the Regions and ensures that Regional staff provide appropriate inputs to consultations with cofinanciers and to the list of operations suitable for cofinancing that is transmitted to the cofinanciers.

15. Global Partnership and Trust Fund Operations CFPTO is the main institutional point of contact with cofinanciers on Bankwide cofinancing issues. CFPTO (a) provides advice and support to Regional and departmental cofinancing coordinators and TMs on cofinanciers' policies, programs, and procedures; (b) when necessary, works with departmental cofinancing coordinators and TMs to assist recipients in identifying cofinancing sources and in firming up cofinancing commitments; (c) when necessary, aggregates the CDs' cofinancing needs into overall cofinancing plans; (d) compiles, from information provided by TMs in the project timetables, lists of operations suitable for cofinancing,⁸ and distributes them to cofinanciers; (e) organizes and manages annual cofinancing consultations with cofinanciers and informs the Regions of their outcomes and agreed follow-up actions; (f) negotiates, in cooperation with LEG, and administers the Cofinancing and Technical Assistance Framework Agreements; (g) serves as the contact point for cofinanciers for resolving generic issues of policy and procedures; and (h) provides cofinancing management information and analytical and statistical data services. CFPTO coordinates with External Affairs on general donor relations issues, with the Resource Mobilization Department on resource mobilization, and with the Treasurer's Department on issues related to financial institutions. For private cofinancing, CFPTO is responsible for structuring transactions, approaching the market, and carrying out negotiations, in close collaboration with Regional staff, LEG, and FPI.

⁷ See [BP 2.11](#), *Country Assistance Strategies*.

⁸ For example, *Cofinancing Opportunities with the World Bank*, published twice a year.



Note: This operational policy statement replaces the statement dated February 1997, and the Operational Memorandum: *Use of Tied Trust Funds and Contacts with Trust Fund Donors*, dated June 16, 1998. It applies to all [Trust Fund Proposals](#) (TFPs) that are submitted to [Concessional Finance and Global Partnerships](#) (CFP) on or after July 1, 2008. This statement does not apply to reimbursable arrangements, [externally-financed outputs](#) (EFOs), arrangements under which the Bank provides administrative services but does not receive funds in trust, IDA grants, grants under the Bank's Institutional Development Fund, or grants under the Bank's Development Grant Facility.

Trust Funds

1. A trust fund is a financing arrangement set up with contributions from one or more donors and, in some cases, from the World Bank Group.¹ The Bank² establishes and administers trust funds as a complement to IDA and IBRD financing to promote development and aid effectiveness by leveraging its capacity and development knowledge. The Bank encourages trust funds that draw on its operational role, include contributions from more than one donor, reinforce country capacity and ownership, and promote harmonization and alignment of donor aid modalities. Selectively, the Bank also provides specific administrative and financial services to the international community for trust funds that support work on issues of global importance and where the Bank may not perform an operational role.
2. The Bank accepts contributions from both sovereign and non-sovereign donors, and from the World Bank Group, provided that they meet criteria set out below. Trust funds do not extend any unfair advantages or benefits to the donor.
3. For each intended trust fund, the Bank decides whether to accept the role or responsibilities proposed, based on the following criteria:
 - a. *Consistency with the Bank's Purposes and Mandate.* Activities financed from the trust fund are in keeping with the IBRD and IDA Articles of Agreement.
 - b. *Strategic Relevance.* Activities financed from the trust fund are aligned with the Bank's strategies.
 - c. *Risk Management and Controls.* The risks arising from the trust fund, including those arising from any conflicts of interest or any restrictions on its use, are explicitly considered and are judged to be acceptable and manageable by the Bank.
 - d. *Governance.* The Bank has decision-making authority in the use of the funds adequate to fulfill its roles in administering the specific type of trust fund.³

¹ "World Bank Group" includes IBRD, IDA, IFC, MIGA, and ICSID.

² "Bank" includes IBRD and IDA.

³ See [paragraph 4](#) for the three types of trust funds.



- e. *Nationality Restrictions on Procurement.* The Bank does not accept any contribution to a trust fund that imposes nationality restrictions on procurement (as distinct from nationality restrictions on recruitment, which may still be accepted⁴).
 - f. *Operational Efficiency and Sustainability.* Trust funds are of a sufficient size⁵ to ensure efficient administration, and preferably are programmatic⁶ in design. The Bank recovers the costs of performing agreed roles in administering a trust fund, taking into account benefits associated with such funding.
4. The Bank's roles in administering a trust fund can vary, depending on its type. The Bank always performs some financial or administrative roles, and may also perform one or more operational or partnership support roles. Based on these roles, the Bank categorizes trust funds into three types:
- i. *Recipient-Executed Trust Funds (RETFs)*—funds that the Bank passes on to a third party and for which the Bank plays an operational role—i.e., the Bank normally appraises and supervises activities financed by these funds;⁷
 - ii. *Bank-Executed Trust Funds (BETFs)*—funds that support the Bank's work program;
 - iii. *Financial Intermediary Funds (FIFs)*—funds that involve financial engineering or complex finance schemes, or where the Bank provides a specified set of administrative, financial or operational services.
5. Trust funds involve three levels of administration—the trustee level at which funds are contributed, the program level at which they are allocated, and the disbursement level at which they are
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- ⁴ The only cases in which such nationality restrictions on recruitment are allowed are specific staff programs, such as those managed by the Human Resources Vice Presidency.
- ⁵ See [BP 14.40 Annex A](#) for information on sufficient size.
- ⁶ A programmatic trust fund finances multiple grants, under a two-stage mechanism. Initially, one or more donors agree to a thematic framework with criteria for supporting a program of activities. The donor(s) commit their funds to the trust fund on this basis. In the second stage, grants are approved for specific activities based on the agreed criteria.
- ⁷ Activities under RETFs are normally financed through grants and executed or implemented by grant recipients. For the purposes of this footnote, execution includes, inter alia, procurement of goods and services, negotiating contracts, making payments, submitting progress and financial reports, and performing other implementation activities as under a Bank-financed project. The Bank does not execute activities financed by trust funds that cofinance projects which also receive IBRD loans or IDA credits or grants. However, the Bank may consider executing activities under an RETF grant on behalf of the grant recipient in exceptional circumstances—for example, if the recipient is a new member country or inactive borrower, or its administrative capacity has been adversely affected by civil strife, crises or other emergencies – or for start-up activities referred to in OP 10.00, *Investment Project Financing*, or in Board-approved resolutions for trust funds that specifically permit Bank execution of such activities. In all such cases, and to the extent practicable, the Bank avoids execution of activities where such execution may undermine country ownership or pose undue conflicts of interest, liability issues or reputational risk for the Bank. Also in all such cases, administration of the funds (and execution of activities) is subject to the Planning, Budgeting and Performance Management Manual, the Administrative Manual, and relevant Bank Operational Policies.



disbursed through grant accounts. While a grant account can be of only one type, at the trustee or program level a trust fund may be a hybrid—that is, it may involve more than one type.

6. The policies and procedures that apply to trust funds vary, depending on the trust fund type.⁸ In cases of hybrid trust funds, the relevant policies and procedures apply to the type in effect for the grant account. Activities financed from RETFs are administered under the Operational Policies and Procedures that apply to IBRD and IDA financing;⁹ smaller-size grants may be subject to simplified procedures. Activities funded by BETFs are administered in accordance with the Bank's Planning, Budgeting and Performance Management Manual and the Bank's Administrative Manual, both of which apply to the Bank's administrative budget. In the case of FIFs, the application of Operational Policies and Procedures, the Administrative Manual, financial policies, budget policies and procedures, or other procedures, is determined on the basis of the characteristics of each such fund. All types of trust funds are subject to [The World Bank Policy on Access to Information](#).

⁸ For guidance and good practice on trust funds, refer to the Trust Fund Handbook and the trust funds website.

⁹ These include the Bank's framework regarding governance and anti-corruption. The approval process for grants, however, is determined by the approved Trust Fund Proposal (TFP) (see [BP 14.40](#)) and the legal agreements that govern the trust fund.



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Note: This BP was updated 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, [OP 10.00, Investment Project Financing](#), has been updated, and OP 8.00, *Rapid Response to Crises and Emergencies*, has been retired (among other changes. This BP has consequently been updated to reflect these two changes, as well as recent updates in [OP 11.00, Procurement](#).

This BP applies to all [Trust Fund Proposals](#) (TFPs) that are submitted to [Concessional Finance and Global Partnerships](#) (CFP) on or after July 1, 2008. This statement does not apply to reimbursable arrangements, [externally-financed outputs](#) (EFOs), arrangements under which the Bank provides administrative services but does not receive funds in trust, IDA grants, grants under the Bank’s Institutional Development Fund, or grants under the Bank’s Development Grant Facility.

For technical guidance and good practice on trust funds, staff may refer to the *Trust Fund Handbook*, and to the [trust funds website](#).

Trust Funds

Initiation

1. A trust fund administered by the Bank¹ can be country-specific, regional, or global in its geographic scope; it can be set up for a single set of pre-defined purposes, or on a programmatic basis²; it can have one or several donors.
2. Concessional Finance and Global Partnerships (CFP) and other Vice Presidential Units (VPUs) identify sources of trust fund support through their contacts with donors. When staff mobilize resources for or through a trust fund, they consult with their VPU Funding Coordinator and with staff in CFP for guidance on available options and good practices.

Establishment

3. At the trustee level, each trust fund is subject to a minimum size threshold as set out in Annex A. To establish a trust fund, the task team leader (TTL) (see [Annex B](#) for eligibility) prepares a Trust Fund Proposal (TFP) consistent with the provisions of [OP 14.40](#). The TFP describes *inter alia* the proposed objectives and results, scope of work, risks and mitigation measures, governance arrangements, supervision and reporting, cost recovery,³ and financial and audit arrangements.⁴ The TTL obtains clearance for the TFP from his/her line manager and submits it to the VPU Funding Coordinator. The

¹ “Bank” includes IBRD and IDA.

² A programmatic trust fund finances multiple grants, under a two-stage mechanism. In the first stage, one or more donors agree to a thematic framework with criteria for supporting a program of activities. The donor(s) commit their funds to the trust fund on this basis. In the second stage, grants are approved for specific activities based on the agreed criteria.

³ Refer to the [Policy Guidance Note on Trust Fund Cost Recovery](#).

⁴ In cases where a proposed trust fund will provide financing for a new global or regional program or partnership, the TTL consults with CFP on review/clearance of that global or regional program or partnership.



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VPU Funding Coordinator then endorses the TFP and submits it to CFP, which coordinates clearance with Controllers (CTR), Legal (LEG), Corporate Planning and Analysis (CFRPA), and any other Bank units that need to be consulted, as determined by CFP. Following clearance, CFP forwards the TFP to the Vice President of the relevant managing unit (or his/her designate) for approval.⁵

4. In certain circumstances, such as in the case of large trust fund proposals and/or where the financing mechanisms or governance or partnership arrangements are unusually complex or high-risk, review by Senior Management⁶ may be required; further, in certain cases, approval by Executive Directors may be required.⁷

5. In exceptional cases where the Bank executes on behalf of the grant recipient, it is upon specific written request from the recipient, and with approval by the relevant Regional Vice President.⁸

6. Following approval of the TFP, LEG finalizes⁹ legal agreements based on, and fully consistent with, the approved TFP.¹⁰ Trust funds are governed by:

- a. Administration Agreement(s) (AA)¹¹ between the Bank and the donor(s), or, in certain cases, by a Resolution of the Board of Executive Directors;

⁵ At its discretion, CFP may decide to delegate its review/clearance functions to the Managing VPU or other units.

⁶ For guidance on proposals requiring Senior Management clearance, see the TF Handbook.

⁷ Executive Directors approve any proposal for a Bank-administered trust fund where one or more of the following circumstances arise: (i) it includes a transfer or transfers from the Bank's net income or surplus; (ii) it would provide assistance to a non-member country, or to a member not in good standing with the Bank; or (iii) it presents novel or significant policy issue(s) which, in Management's judgment, warrant consideration by the Executive Directors. In most such cases, approval may be sought on an absence-of-objection basis. In cases where the trust fund is subject to Executive Directors' approval, the TTL sets out details in a Board paper and prepares a TFP. Both that paper and the related TFP are cleared by CFP, CTR, LEG, and CFRPA prior to submitting the Board paper to Executive Directors.

⁸ In cases of urgent need of assistance or capacity constraints (see paragraph 11 of OP 10.00 *Investment Project Financing*),

⁹ Where appropriate, an AA may be drafted in parallel with the development of the TFP. However, the terms of any such draft need to be fully consistent with the TFP as signed, before the AA is finalized.

¹⁰ The TTL secures appropriate internal clearance of the legal agreements with LEG (in the event that the document was not drafted by LEG), CTR, and other relevant units. Any significant changes from the signed TFP are also cleared by CFP and other units as necessary.

¹¹ In some cases, alternative forms of legal arrangements between the Bank and the donor(s), acceptable to the Bank, may be used to specify the respective obligations of the parties involved.



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- b. Grant Agreement(s) (GA)¹² between the Bank and the grant recipient(s) in the case of a Recipient-Executed Trust Fund (RETF) (regardless of execution), consistent with the terms¹³ of the AA or resolution from which they derive;
 - c. Financial Procedures Agreement(s) (FPA) or its equivalent¹⁴ in the case of some Financial Intermediary Funds (FIFs).
7. After distribution¹⁵ of the fully signed AA and activation of the trust fund,¹⁶ the TTL calls for funds from the donor(s). Disbursements can begin after the trust fund has been activated and funds have been received.¹⁷ For an RETF, a GA is also fully signed and distributed before disbursements to the grant recipient begin.

Implementation

8. Before initiating an activity financed from a trust fund, the TTL obtains approval from his/her line manager. If such an activity is to be implemented at the country level, concurrence of the relevant Country Director or Country Manager is also obtained. The TTL is responsible for supervising and reporting to his/her line manager (and also to the donor, as provided for in the AA) on progress in implementation of trust-funded activities.¹⁸
9. Procurement of activities funded by RETFs is governed by [OP 11.00, Procurement](#). For activities funded by BETFs and, in exceptional cases, activities financed from RETFs which the Bank has agreed to execute on behalf of the grant recipient,¹⁹ the Bank's Administrative Manual governs, and a procurement

¹² In some cases, alternative forms of legal agreements between the Bank and the grant recipient may be used; for example, where the funds provided carry a repayment obligation, a Loan Agreement may be specified instead of a GA.

¹³ For example, the scope, purpose, activities, eligible expenditures and commitment authority.

¹⁴ In some cases, alternative forms of legal arrangements may be used to specify the respective obligations of the parties involved, for example Participation Agreements and Emissions Reduction Purchase Agreements in the case of [Carbon Funds](#). In the case of a transfer by the Bank in its capacity as a limited fiduciary agent, a Transfer Agreement may be specified.

¹⁵ The TTL sends all original signed legal agreements to LEG, with copies to VPU files and CTR.

¹⁶ See [Annex A](#) for details.

¹⁷ In exceptional circumstances, for BETFs, once the TFP has been approved, and pending signature of the AA, the Managing Unit may request an Interim Budget from CTR. For details, see the TF Handbook.

¹⁸ The appropriate format for such reporting varies by type and use of the funds. For details, see the TF Handbook and the [trust funds website](#).

¹⁹ RETF-financed activities that are exceptionally executed by the Bank are distinct from activities funded by BETFs. BETFs provide funding for the Bank's work program. See [para. 4 of OP 14.40](#).



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plan is only required for grants above \$2 million.²⁰ In the case of FIFs and transfers outside the Bank from a trust fund, applicability of the Bank's Procurement Guidelines and other procedures is decided on the basis of the characteristics of each such fund.²¹

10. When the Bank executes on behalf of a grant recipient, it cannot procure goods or works except: (a) for goods required for training and workshops; and (b) as provided in [OP 10.00, Investment Project Financing](#), paragraph 11.

11. To demonstrate that it has complied with the conditions specified in the trust fund legal agreements, and in accordance with AMS 10.11, the Bank maintains key documents related to the approval and implementation of trust funds in its institutional document retention systems.²²

12. The TTL discusses changes to the original scope of work or general terms of the trust fund with the VPU Funding Coordinator, LEG and CFP to determine if amendment of the TFP and legal agreements (or Board Resolution where relevant) are required, and if wider consultation with other units or review by Senior Management is needed.

13. When Management determines that there has been a substantive departure from the purpose for which a trust fund has been established, and that this departure falls within the Bank's exercise of its responsibilities, the Bank reimburses the relevant trust fund for the expenditure covered by that substantive departure.²³ Any proposal for such a reimbursement is decided by the Vice President, CFP, in consultation with LEG.

Financial Reporting and Auditing

14. For all trust funds, the Bank provides regular financial reports to donors. For BETFs and RETFs, these reports are in the form of statements of receipts, disbursements and fund balance for individual trust fund accounts. These statements are available through the Bank's Client Connection website. The Bank also provides donors with an annual Management Assertion Regarding Effectiveness of Internal Control Over Financial Reporting for Trust Fund Activities, together with an attestation from the Bank's external

²⁰ This amount may be modified by the Vice President, Operations Policy and Country Services (OPCS).

²¹ The determination of which Operational Policies and Procedures apply in the case of FIFs is made by CFP, in consultation with OPCS and LEG, based on the characteristics of each such fund.

²² Guidance to staff on good practice in the selection of key documents is provided in the *Trust Fund Recordkeeping Matrix*.

²³ The Bank distinguishes between substantive deviations and technical/procedural exceptions which do not represent material breaches of obligation under legal agreement(s) with the donor(s). The latter may occur, for example, where: (a) activities clearly support the trust fund's purpose but were not explicitly provided for in the legal documents, or (b) where some internal Bank procedure may not have been followed. If, despite the proper exercise of the Bank's responsibilities, it appears that funds under a RETF have been used by a grant recipient in a way that constitutes a substantive departure from the purpose for which the trust fund was established, the Bank may also take action to recover the relevant funds from that grant recipient. In such cases, the Bank may consult with the donor(s) on the course of action to be followed and the responsibility for the costs associated with such action.

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auditors. This is known as the “single audit”. In addition, in certain circumstances, where CTR so recommends, or where a donor requires it and it has been provided for in the AA, the Bank will arrange for a financial statement audit of an individual trust fund. In such cases, the donor(s) to the trust fund bear the full cost of the audit, including Bank staff time spent supporting it. For FIFs, financial reporting and audit arrangements are decided on the basis of the characteristics of each such fund.

15. Unless otherwise specified in the GA or FPA, (i) the recipient arranges an audit of its administration of trust fund resources channeled to it by the Bank, and (ii) the Bank provides the donor(s) with copies of the financial statements and auditor’s reports received from the recipient.

16. The TTL of record for a trust fund, whether at the trustee level or at the grant level, provides *Letter of Representation (LOR)* for each activity financed in whole or in part by a trust fund annually, or when relinquishing management of the fund.

Closing

17. All AAs,²⁴ GAs, and selected FPAs include a date after which funds cannot be disbursed — the end-disbursement date. The closing date in a GA is set at no less than six months prior to the end-disbursement date in the AA. These dates may be extended as appropriate²⁵ in the event that the trust-funded activities have not been completed. The TTL initiates action for closure when the TF activities are completed. CTR cancels any unused funds, ensures the disposition of all cancelled funds in accordance with the legal agreements, and prepares final financial statements. In the case of certain FIFs, CFP handles closure arrangements.

Completion Reporting and Evaluation

18. The TTL is responsible for the evaluation of activities financed by a trust fund – including reporting on the outputs and the outcomes resulting from those outputs – to learn lessons from implementation and to inform decisions on future engagements in similar activities. Within six months following closure of each trust fund, the TTL prepares a completion report for approval by his/her line manager.²⁶

19. Where total contributions are greater than or equal to \$5 million for each programmatic trust fund and for each Global and Regional Partnership Program (GRPP) financed by trust fund(s), respectively, the TTL²⁷ arranges to have an independent evaluation carried out at least once every five years in accordance

²⁴ Except in the case of certain FIFs.

²⁵ Extension of the end-disbursement date of the AA is done in agreement with the donor(s).

²⁶ Forms for completion reporting vary by type and use of funds. For details, see the TF Handbook and the *trust funds website*.

²⁷ In the case of some GRPPs, such an evaluation may be required and arranged by the governing body of the GRPP.

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with the principles and standards laid out by the Independent Evaluation Group (IEG).²⁸ IEG periodically reviews such evaluations and also reviews individual trust funds and related activities as part of its ongoing ICR reviews of Bank-financed projects, Country Assistance Strategy Completion Report (CASCR) Reviews, Country Assistance Evaluations (CAEs), and sectoral/thematic reviews.

²⁸ See [IEG/DAC Sourcebook for Evaluating GRPPs](#).



Bank Procedures

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Trust Funds Minimum Size

1. The size of a trust fund is the total amount of funds that donors are expected to contribute to it over the life of the trust fund. The minimum threshold size for a trust fund at the trustee level is set at US\$2 million.¹
2. In exceptional circumstances, the Vice President, CFP, may waive the minimum threshold size of a trust fund. Any such waiver will take into consideration *inter alia* the following criteria:
 - Linkage of the activity to be supported to a larger project or program;
 - Requirement for a rapid response covered by the terms of [OP 8.00](#);
 - Recipient country scale and circumstances.
3. CTR will activate the trust fund once it receives signed Administration Agreements (AAs) for at least the minimum threshold. Each AA indicates the donor's total contribution, even though funds may be transferred to the Bank in tranches.
4. The minimum threshold can be amended by the Vice President, CFP, in consultation with the Vice President, OPCS. Such amendment takes the form of a published revision to this Annex.

¹ This minimum threshold does not apply to externally-funded staff programs managed by the Human Resources Vice Presidency, such as the [Donor Funded Staffing Program \(DFSP\)](#).

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Staff Eligibility to Administer Trust Funds

1. Any staff member appointed as task team leader (TTL) of a trust fund:
 - holds one of the World Bank appointment types listed in paragraph 2 below;
 - has been accredited under the Trust Fund Learning and Accreditation Program;
 - cannot have decision making authority to approve the allocation of trust fund resources to directly finance or benefit his/her position; and
 - is of at least Grade GF—except where a specific waiver of this requirement has been agreed to by the VPU Funding Coordinator, upon the request of the manager of the proposed staff member. Such waivers must be in place for each TTL for which this issue arises. A written copy of each such waiver is sent to CFP, CTR, and Trust Fund Quality Assurance and Compliance (TQC).
2. The eligible appointment types are:
 - Regular;
 - Open-ended;
 - Term; and
 - Special Assignment—except that a staff member on special assignment from a donor entity cannot administer any trust fund for which that donor entity is a major contributor.
 - Consultant and Temporary appointment types are not eligible.
3. These arrangements can be amended by the Vice President, CFP, in consultation with the Vice President, Human Resources.

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OFFICE MEMORANDUM

File with [OP/BP](#) 10.00

DATE: April 8, 2013

TO: Staff Recipients of the Operational Manual

FROM: R. Kyle Peters, Vice President and Head of Network, Operations Policy and Country Services

EXTENSION: 33556

SUBJECT: **Transition Arrangements for Six Policy Changes incorporated in [OP/BP](#) 10.00, *Investment Project Financing***

1. **Purpose.** This Operational Memorandum clarifies the transition arrangements for the six policy changes approved by the Executive Directors (EDs) on October 25, 2012,¹ and reflected in the new [OP/BP](#) 10.00, *Investment Project Financing*, dated April 8, 2013 (hereinafter referred to as [OP/BP](#) 10.00), applicable to projects financed through Investment Project Financing (IPF).²

2. **General Considerations.** Effective April 8, 2013, [OP/BP](#) 10.00 applies to all IPF projects, including any Preparation Advances.³ While the previous [OP/BP](#) 10.00, *Investment Lending*, are replaced and other related OPs/BPs are retired as of April 8, 2013, the substance and scope of the new [OP/BP](#) 10.00 is largely consistent with the previous investment lending policies and procedures. The memorandum continues with an elaboration of the transition arrangements for the six policy changes for project documents with reference to the following dispositions:

- a. Have not been circulated for the concept decision;⁴

¹ The policy changes are set out in the paper entitled *Investment Lending Reform: Modernizing and Consolidating Operational Policies and Procedures* (R2012-0204 [IDA/R2012-0248]).

² In case of recipient-executed grants financed from trust funds administered by the Bank, the project design and financing arrangements will also have to comply with the terms and conditions of the relevant Administration Agreement(s) between the Bank and the donor(s), or the relevant Board resolution(s), as the case may be.

³ See the pedigree box of [OP/BP](#) 10.00.

⁴ When a concept decision is not required, equivalent points of project processing are to be used, specifically in the case of (a) a Preparation Advance, the documents have not been circulated by the team leader for clearance; (b) Additional Financing, the Concept Memorandum has not been issued; (c) the Notification to Process under Rapid Response to Crises and Emergencies ([OP/BP](#) 8.00) has not been issued.

- b. Have been circulated for the concept decision but have not been circulated to the EDs⁵(or to Management) for approval; or
- c. Have been circulated to the EDs (or to Management) for approval.

Projects referred to under subparagraph 2(a) above follow the new [OP/BP 10.00](#). For projects referenced in paragraphs 2(b) and 2(c) above the new [OP/BP 10.00](#) do not require significant changes in project preparation or implementation support, unless an action is required or sought under one or more areas covered by the six policy changes, as described below.

3. **Special Policy Considerations for: (i) natural or man-made disaster; (ii) conflict; (iii) fragile states; (iv) small states; and (v) other situations of fragility.** Special policy considerations previously available to projects under OP/BP 8.00, *Rapid Response to Crises and Emergencies*, are now available in the situations listed above.⁶ For any project referred to under subparagraph 2(b) above, Management may decide to authorize the use of these special considerations.⁷ For any project referred to under subparagraph 2(c) above, a decision to use these special considerations would require a project restructuring.

4. **Economic Analysis.** New policy and procedure requirements for economic analysis for IPF operations have been approved.⁸ For projects referred to under subparagraph 2(b) above, the following decisions will apply:

- a. If the project documents have been circulated for the concept decision prior to April 8, 2013, task teams are not required to retrofit the concept note to add a section on economic analysis; task teams should proceed and complete the economic analysis in accordance with [OP/BP 10.00](#).
- b. If project appraisal was completed prior to April 8, 2013, and if the economic analysis in the Project Appraisal Document does not fully follow the outline of the new policy on economic analysis, teams do not have to retrofit the annex on economic analysis in accordance with [OP/BP 10.00](#) for the next decision point.

Moreover, for any project referred to under subparagraph 2(c) above, no action is required.

5. **Series of Projects.** Triggers are no longer required for subsequent projects in an IPF series.⁹ For the first project in a series and referred to under subparagraph 2(b) above, the Bank and the borrower do not need to specify triggers in the PAD(s) for subsequent project(s) in the series, unless explicitly agreed to between the borrower and the Bank. For any subsequent project in a series, the task team (a) as required under [OP/BP 10.00](#), provides a justification, based on the

⁵ By circulating project documents to the Corporate Secretariat Policy and Operations Unit (SECPO).

⁶ See paragraphs 11 and 12 of [OP 10.00](#), and paragraph 47 of [BP 10.00](#).

⁷ Task teams adjust the project documents to include the relevant justifications and seek Management's authorization for the proposed change, at the next decision point. If the project is already beyond the last decision point before financing approval, whoever made the last decision authorizes the proposed change, after the required advice, clearances and concurrences have been obtained.

⁸ The requirements are reflected in paragraph 5 of [OP 10.00](#), and paragraphs 5(e) and 17 of [BP 10.00](#).

⁹ See paragraph 14 of [OP 10.00](#) and paragraphs 49-51 of [BP 10.00](#).

performance of the preceding projects in the series, for continuing with the proposed project; and (b) may report on achievement of the trigger(s) if any were specified in the preceding project.

6. ***Additional Financing (AF).*** Additional Financing is no longer required to close within three years after the closing date of the original financing.¹⁰ For AF arrangements referred to under subparagraph 2(b) above, the Bank and the borrower may agree to the provisions available under the new policy, in which case the project document justifies the length of the AF implementation period. For AF arrangements referred to under subparagraph 2(c) above, the Bank and the borrower may agree to extend the AF closing date under the new policy, in which case the extension is processed as a project restructuring. When a new AF request is expected to result in an overall project implementation period that would exceed ten years, an Implementation Completion and Results Report (ICR) of the project's performance up to that point is required before Management's decision on the AF appraisal and negotiations.

7. ***Timing of Audit Reports.*** While annual audit reports continue to be generally required within six months following the borrower's financial year, alternative time limits are allowed.¹¹ For projects referred to under subparagraph 2(b) above, the Bank and the borrower may agree on alternative time limits for presentation of annual audit reports, and such limits are reflected in the project documents. Similar changes may be made for projects under subparagraph 2(c) above through project restructuring.

8. ***Preparation Advance Limits.*** If a borrower requests to increase the amount of a Preparation Advance, as reflected in the new policy,¹² task teams may either modify the current request if not yet approved, or prepare an additional request as applicable.

9. ***Implementation Completion and Results Reports (ICR).*** When preparing an ICR, the project evaluation is carried out on the basis of policies and procedures in effect at the time the project activities took place.

¹⁰ See paragraph 26 of [OP 10.00](#) and paragraph 54 of [BP 10.00](#).

¹¹ See paragraph 35 of [BP 10.00](#).

¹² See paragraph 11 of [BP 10.00](#).

OFFICE MEMORANDUM

File with [OP 8.40](#)

DATE: October 3, 2012

TO: Staff Recipients of the Operational Manual

FROM: Joachim von Amsberg, Vice President and Head of Network, Operations Policy and Country Services

EXTENSION: 80454

SUBJECT: **The Provision of Reimbursable Advisory Service**

1. This memorandum replaces Operational Memorandum ***The Provision of Fee-based Services***, dated September 24, 2008. It is intended to help Bank units respond appropriately and consistently to requests for Reimbursable Advisory Services—that is, services provided as a direct response to requests from, and partly or fully paid for by, the recipient of the service, under a legal agreement.¹

2. The principles set out in this memorandum apply to Reimbursable Advisory Services provided by Regions and Sectors.²

Purpose

3. In providing Reimbursable Advisory Services, the Bank's purpose is to expand the options and services available to clients beyond those that it can fully fund through the administrative budget or by appropriate trust funds. A client's request for Reimbursable Advisory Services does not affect the administrative budget for work in that country.³

General Principles

4. ***Strategic Objectives.*** Reimbursable Advisory Services, like any services provided by the Bank, must fall within the purposes of the Bank as set out in its Articles of Agreement and must

¹ Fee-based services (FBS) and reimbursable technical assistance (RTA) have been collectively renamed as Reimbursable Services (RAS). The Bank will continue to provide existing fee-based programs or reimbursable technical assistance under the original terms agreed upon with the client; however, as these programs move toward renewal over time, they must move into alignment with the principles outlined in this memorandum as soon as possible.

² The World Bank Institute and Treasury provide other advisory services, but they have their own pricing and processing arrangements.

³ Country budget allocations are determined by such factors as country performance, GDP per capita, population, and lending levels.

contribute to achieving the Bank's mission of poverty reduction and sustainable economic growth. Reimbursable Advisory Services must be consistent with the Bank's strategic priorities, including—for borrowing countries—those set out in the Bank's Country Partnership Strategy (CPS).

5. **Alignment with Institutional Mandate.** The Bank provides only Reimbursable Advisory Services that Management considers to be fully aligned with the Bank's development mandate. In providing such services, the Bank does not enter into competitive bidding.

6. **Types of Services.** The Reimbursable Advisory Services the Bank may provide are analytic and advisory services that the client requests and that the Bank cannot fund in full within the existing administrative budget envelope. This includes, *inter alia*, economic and sector work, non-lending technical assistance, impact evaluation, research services, external training and workshops/conferences. Subject to appropriate safeguards and risk management, the Bank may provide technical assistance for project-related preparation and implementation support services—except for advice directly related to engineering or final design.

7. **Role of the Bank.** Before taking on the provision of any reimbursable advisory service, staff and management explicitly consider the risks, including liability or reputational risks, and judge whether they are acceptable by the Bank, taking into consideration any risk management measures to be put in place. Staff ensure that the provision of Reimbursable Advisory Services does not involve a conflict of interest for the Bank or associate the Bank with any activity inconsistent with its policies. The Bank does not provide services to assist one member country in advancing its interests over those of another member country.

8. **Clients.** The Bank may provide Reimbursable Advisory Services to the following types of clients, all subject to the agreement of the country director concerned:

- a. governments and government institutions of the Bank's member countries, including those that have graduated from the Bank;
- b. subnational governments;⁴
- c. state-owned enterprises;⁵
- d. nongovernmental organizations⁶ and other not-for-profit private sector associations (such as chambers of commerce);
- e. multilateral institutions, including development banks and regional organizations.

⁴ Subject to legal due diligence to verify, among other things, the capacity of the subnational to enter into and perform the contract and the potential impact of domestic law on the transaction, including any liability or other legal risks that may arise in connection with the services.

⁵ The Bank may provide reimbursable services to state-owned enterprises so long as the other requirements of the Op Memo, in particular consistency with the Bank's mandate and strategic objectives, are met.

⁶ When providing services to entities other than the central government or its institutions, staff must obtain necessary central government approval.

The Bank does not provide Reimbursable Advisory Services to commercial entities, except in the context of training programs.

9. **Quality Assurance.** Reimbursable advisory tasks are subject to all applicable Bank policies and procedures and to the same quality assurance practices as analytic and advisory services handled through the administrative budget. Bank staff ensure that the client's rules and procedures are consistent with the Bank's operational policies, not just for the reimbursable advisory service itself, but also for the underlying projects on which the client is seeking the Bank's advice. The applicable safeguards policies and procedures provide guidance to Bank staff involved in providing Reimbursable Advisory Services. If the recipient of Bank advice fails to respect important safeguards, the Bank reserves the right to terminate the agreement.

10. **Costing.** For all clients, the full costs of Reimbursable Advisory Services are calculated using the methodology of uniform pricing—that is, the recovery of direct and indirect costs (salary and associated benefits, travel, and subsistence) as well as overhead costs associated with providing the service.⁷ Indirect and overhead costs are represented by a proxy derived from data for previous years and reconsidered every two years; the factor is currently set at 50 percent.⁸

11. **Sources of Funds.** To meet the cost of Reimbursable Advisory Services, clients may use their own budgetary resources or third-party resources. Under some circumstances, the Bank may also contribute, via its own budget, to funding some percentage of the cost of the Reimbursable Advisory Services delivered to the client.⁹

⁷ This defines the costing for reimbursable services, but does not prohibit the Bank from contributing to financing such costs (see para. 11).

⁸ Units should use the 50% proxy, unless actual estimates can be substantiated.

⁹ "Reimbursable Services: A Review of the Fee-Based Service Framework", October 1, 2012.

OFFICE MEMORANDUM

File with [OP/BP 9.00](#), [OP/BP 10.00](#) and [OP/BP 10.20](#)

DATE: June 29, 2012

TO: Staff Recipients of the Operational Manual

FROM: Joachim von Amsberg, Vice President and Head of Network, Operations Policy

EXTENSION: 80454

SUBJECT: **Disclosure of Project Integrity Risks to Executive Directors**

1. When a Region puts forward a proposed project for Board approval, it should advise the Board, in the Memorandum of the President (MOP), of any ongoing or recently completed INT investigations in the relevant sector¹ and country and, if there is such an investigation, should offer a Technical Briefing. Subject to the criteria set out below, a recently completed INT investigation is considered relevant to a project for two years after the public disclosure of the redacted Final Investigative Report (FIR).
2. For the purposes of this memorandum, projects for which INT investigations seem relevant include the following:
 - a. Follow-on projects (including additional financing) to a recently completed project that is subject to an ongoing or recently completed INT investigation.
 - b. Level 1 restructuring of projects that are subject to an ongoing or recently completed INT investigation.
 - c. New projects or follow-on projects in the same country and sector in which INT has an ongoing investigation or has recently completed one.
 - d. Projects that rely on the same implementation arrangements as a project under a recently closed or ongoing investigation, especially if the investigation involves allegations relating to the project implementation unit or line agency staff that may be involved in the new project.
 - e. New or follow-on multisectoral projects in the same country and with a component in a sector that is being or was investigated.
 - f. When there is an ongoing or recently completed INT investigation of a multisectoral project, new or follow-on projects in any of the relevant sectors.

¹ The project is considered to be in the same sector if it uses the same sector code.

- g. New or follow-on projects in the same country and in a sector that is related to the investigated sector (for example, in sanitation, following an investigation of a water supply project).
- 3. The Regional Director (who is the primary point of contact for INT) informs the task team as early as possible during project preparation, but no later than the Decision Meeting or submission of restructuring package for approval, if there is a closed or ongoing INT investigation that falls under any of the categories listed in paragraph 2. If there is, the Regional Director contacts INT early during project preparation for advice and guidance on the mitigation measures that could be included in such projects to address integrity risks. The Regional Director also agrees with INT on the language to be included in the Board documents relating to the description of an INT investigation.
- 4. For projects that are affected by an INT investigation for which a redacted Final Investigative Report (FIR) has been disclosed to the public, the risk assessment in the Project Appraisal Document should reflect any material risks to the project identified by the FIR and describe any measures incorporated in the project to address them.
- 5. When submitting a project to the Board for approval, the Country Director, in consultation with the RVP:
 - advises the Board, through the Memorandum of the President, of any ongoing or recently completed INT investigation that has identified integrity risks relevant to the project; and
 - offers a Technical Briefing if the Executive Directors wish to have additional details about the investigation and learn how the identified risks have been factored into the design of the new project.
- 6. In deciding whether to present the project for a regular Board discussion or under streamlined procedures, Regional Management takes into consideration the objectives and risks of the project and the complexity of the investigation, in consultation with OPCS and SEC.
- 7. INT representatives attend all Technical Briefings scheduled for projects subject to this procedure. If requested by the Region, or if the Executive Directors' statements refer to, or pose questions about, an INT investigation, INT representatives also attend Board discussions of such projects. The Region ensures the distribution of relevant documentation to INT ahead of the Technical Briefing or Board Discussion.

OFFICE MEMORANDUM

Revised April 2013

File with OP/BP 13.05; OP/BP 13.55, [OP/BP 14.40](#)

DATE: December 1, 2011

TO: Staff Recipients of the Operational Manual

FROM: Joachim von Amsberg, Vice President and Head of Network, Operations Policy and Country Services, and Rachel Kyte, Vice President and Head of Network, Sustainable Development

EXTENSION: 80454 and 85237

SUBJECT: **Supervision of Carbon Finance Operations**

1. This Operational Memorandum sets out how Bank staff are to supervise and monitor the carbon finance (CF) operations¹ of World Bank-managed carbon funds. It complements the provisions of [OP/BP 10.00](#), *Investment Project Financing*, on project implementation support, and [OP/BP 14.40](#), *Trust Funds*, as they apply to Bank-administered trust funds for carbon funds;² and it replaces the Guidelines on Supervision of Carbon Finance Operations, as revised in December 2009.

2. Oversight (supervision and monitoring) of CF operations is conducted in two phases:

- a. the implementation phase, from effectiveness of the Emission Reductions Purchase Agreement (ERPA) to project completion; and

¹ A carbon finance (CF) transaction refers to the commercial transaction involving delivery of and payment for emission reductions between a project entity and the Bank as Trustee of carbon funds (e.g., an Emission Reductions Purchase Agreement or ERPA). A CF operation refers to the investment activities that generate the corresponding emission reductions. The CF operation is typically part of a larger underlying investment. For further details, see *Application of Bank Safeguard Policies to Carbon Finance Transactions*, March 14, 2006; *Guidelines on Due Diligence Aspects of Carbon Finance Operations*, November 2007; *Carbon Finance Operational Processing and Review Guidelines*, November 2007; and *Application of Bank Policies to Carbon Finance Activities* (R2011-056), March 2011.

² This Operational Memorandum does not apply to the supervision of grants provided as part of the readiness mechanism of the Forest Carbon Partnership Facility (FCPF) or the Carbon Asset Development Fund of the Carbon Partnership Facility (CPF). Unless a two-phase approach to supervision as described in paragraph 2 is subsequently agreed, it does not apply to payments made under the Carbon Fund of the FCPF. If a CF operation involves IFC financing, this Operational Memorandum applies only to the World Bank part, and not to the IFC part, of the CF operation.

- b. the monitoring phase, from project completion to termination of the ERPA.

Between these phases, oversight responsibility is transferred from the Region to ENVCF.

Implementation Phase

3. During this phase, the Region supervises the underlying investment (the CF operation), including Bank safeguard policies. Supervision of CF operations is guided by the provisions of [OP/BP 10.00, *Investment Project Financing*](#), on project implementation support, with the following exceptions:

- a. When an IFC or MIGA operation is involved, the IFC or MIGA component of the project is supervised by IFC or MIGA, according to their respective requirements; and
- b. The supervision of CF transactions excludes assessments relating to the application of the Bank's fiduciary (procurement, financial management, and disbursement) policies.³

4. Staff report on the implementation and completion of CF operations in the same way as for any other Bank loan or IDA credit—through Implementation Status and Results reports (ISRs) and Implementation Completion Reports (ICRs). CF operations associated with a Bank loan or an IDA credit do not require ISRs or ICRs additional to those prepared for the loan(s) or credit(s) supporting the project; however, the carbon finance operation is addressed in the ISR and ICR. The ISR is prepared by Bank staff in accordance with Bank procedures, using the ISR template in the project portal, submitting it for clearance to the sector manager and country director, and sending a copy to the ENVCF Manager, the CF manager, the Regional CF coordinator, and the deal manager.

Project Completion

- 5. The project reaches completion upon reaching one of the following milestones:
 - a. for Agriculture, Forestry and Other Land Use/Land Use, Land Use Change and Forestry projects, completion of first verification;
 - b. for purchases made through a Green Investment Scheme, the later of two dates: the end of the Monitoring Phase as defined in the ERPA, or the termination of the ERPA; or
 - c. for all other CF operations, "Project Commissioning," which is defined in the ERPA General Conditions as "the date on which the Project is fully operational and capable of generating GHG Reductions."
- 6. Oversight responsibility for CF operations can be transferred to ENVCF upon completion if all the following criteria are met:

³ These fiduciary policies do not apply to CF transactions, which involve only the purchase of greenhouse gas (GHG) emission reductions generated by CF operations.

- The latest signed ISR (a) includes a recommendation from the task team leader (TTL) to the country director and sector manager that responsibility for the project be transferred to ENVCF; and (b) states that the project performance for the project is Moderately Satisfactory or higher and is expected to continue as such with no further need for supervision by the Region, as all material environmental and social safeguard and related issues have been addressed in the project; and
- A transfer memorandum for the project, transferring the responsibility for oversight of the CF transaction to ENVCF, has been completed, signed by the country director, and transmitted to the ENVCF Manager, who has signified concurrence by countersigning the transfer memorandum. (A template for the transfer memorandum is attached.)

7. Once the transfer memorandum is countersigned by the ENVCF Manager, the deal manager is then responsible for further monitoring.

8. *Programmatic or phased operations.* For programmatic or phased CF operations—including bundled Clean Development Mechanism (CDM) or Joint Implementation (JI) projects and project activities under a Programme of Activities (PoAs)—responsibility for monitoring individual phases or a select group of bundled projects, CDM Programme Activities (CPAs) or JI Programme Activities (JPAs) under PoAs can be transferred to ENVCF, but only if the individual project activities (such as the CPAs or JPAs under a PoA) or the individual phases meet all the criteria for transfer set out for a project in para. 6, and if they can be clearly identified and separated from other project activities or phases. To transfer oversight responsibility for such individual project activities or phases, the TTL prepares and the country director approves a transfer memorandum clearly identifying the project activities or phases (template attached). Once the transfer memorandum is countersigned by the ENVCF Manager, the deal manager is then responsible for further monitoring of the project activities or phases. Supervision of those individual project activities or phases not transferred to ENVCF remains the responsibility of the Region.

9. Once oversight responsibility for the CF operation, or all of the individual project activities, has been transferred to ENVCF, or if oversight responsibility for the CF operation has not been transferred to ENVCF prior to termination of the ERPA, the Region proceeds to close the project according to [OP/BP 10.00, Investment Project Financing](#).

10. *Implementation Completion Report.* After project closing, the TTL draws on inputs from ENVCF staff in preparing the ICR according to [OP/BP 10.00, Investment Project Financing](#), and associated guidelines. However, for stand-alone CF operations (those not associated with a Bank loan or an IDA credit), the content of the ICR is different from that set out in the relevant provisions on implementation completion reporting of [OP/BP 10.00](#); instead, the ICR covers the following points: it

- addresses the performance of the project, including, to the extent possible, the role and value of carbon finance in improving the overall sustainability of the project;
- measures, to the extent possible, the project's success in meeting its implementation and development objectives;
- reviews and records the lessons learned from the experience;

- identifies any key issues or events that may arise in the future that could affect the project's ability to deliver the contracted emission reductions; and
- assesses the project's potential to deliver the contracted emission reductions.

Staff complete ICRs for CF operations as soon as possible after project closing, and no later than six months after project closing. Extensions of ICR completion dates may be granted by the Regional Vice President in exceptional circumstances.⁴

Monitoring Phase

11. From the time responsibility for oversight of the CF transaction is transferred to ENVCF until termination of the ERPA, oversight is limited to monitoring compliance by the party to the ERPA with its obligations to deliver emission reductions, and related obligations. The relevant provisions of [OP/BP 10.00, *Investment Project Financing*](#), on project implementation support do not apply during this phase, even if Regional involvement is required as described in paragraph 15. Bank oversight during this phase relies on the verification reports submitted by an independent auditor and annual reporting from the project entity as required under the ERPA. ENVCF may conduct spot-checks of this information as needed.

12. For projects for which an Environmental Management Plan (EMP) is prepared in accordance with [OP/BP 4.01, *Environmental Assessment*](#), the standard obligations under an ERPA include a requirement for the project entity to set out in an annual report evidence satisfactory to the Bank that the project is in compliance with the EMP. Bank oversight during the monitoring phase includes verifying this evidence.

13. For CF transactions that integrate specific and measurable social co-benefits with emission reductions (such as the projects financed by the Community Development Carbon Fund), monitoring during this phase also includes verifying compliance with the community benefit obligations included in the ERPA.

14. During the monitoring phase, ENVCF may conclude that there is a need for Regional knowledge and expertise, particularly in relation to environmental and social safeguards. In such instances the mechanisms for Regional involvement, including logistical and financial mechanisms, are agreed between the ENVCF Manager and the relevant sector manager and country director.

Attachments ([1](#) and [2](#))

⁴ If such extensions add cumulatively to more than six months from the original ICR completion date, the exception is reported to the Board as stated in *Review of Operational Policy Waivers* (R2011-0184), July 26, 2011.

Revised April 2013

Attachment to OpMemo: [Supervision of Carbon Finance Operations](#) (12/1/11)

Attachment 1

Transfer Memorandum for Projects (Template)

(Use official memo and file in WBDocs)

DATE:

TO: ENVCF Manager

FROM:

EXTENSION:

SUBJECT: **Transfer of Project XXXX (PXXXXX) from Region X to ENVCF**

According to the Operational Memorandum *Supervision of Carbon Finance Operations* (December 2011), responsibility for monitoring CF projects can be transferred to ENVCF.

I confirm that:

- a. The latest signed Implementation Status and Results report (ISR) includes a recommendation from the TTL to the country director and sector manager that responsibility for the project be transferred to ENVCF.
- b. The ISR states that the project performance for the project is Moderately Satisfactory or higher and is expected to continue as such with no further need for supervision by the Region, as all material environmental and social safeguard and related issues have been addressed in the project.
- c. The project has reached the required milestone as defined in paragraph 5 of the Operational Memorandum.

I am satisfied that responsibility for oversight of the CF project XXXXX (PXXXXX) may be transferred to ENVCF in accordance with the Operational Memorandum.

I understand that, after transfer of responsibility, during the monitoring phase, ENVCF may conclude that there is a need for Regional knowledge and expertise, particularly in relation to environmental and social safeguards. In such instances the mechanisms for Regional involvement, including logistical and financial mechanisms, will be agreed between the ENVCF Manager and the relevant sector manager and country director. If you agree with this proposal and accept this transfer, please indicate your concurrence by returning a counter-signed copy of this memorandum. ENVCF will then prepare and finalize all future monitoring reports.

Sincerely,

Country Director, XXXXX

CC list: TTL, DM, Regional Safeguards, Country Sector Coordinator,
Regional Carbon Finance Coordinator

Revised April 2013

Attachment to OpMemo: [Supervision of Carbon Finance Operations](#) (12/1/11)

Attachment 2

Transfer Memorandum for Programme Activities or Phases (Template)

(Use official memo and file in WBDocs)

DATE:

TO: ENVCF Manager

FROM:

EXTENSION:

SUBJECT: **Transfer of parts of Project XXXX (PXXXXX) from Region X to ENVCF**

According to the Operational Memorandum *Supervision of Carbon Finance Operations* (December 2011), for programmatic or phased CF operations—including bundled CDM and JI projects and project activities under a Programme of Activities (PoAs)—responsibility for monitoring phases or a select group of bundled projects, CDM Programme Activities (CPAs) or JI Programme Activities (JPAs) under PoAs can be transferred to ENVCF.

I confirm that:

- a. The latest signed Implementation Status and Results report (ISR) includes a recommendation from the TTL to the country director and sector manager that responsibility for the individual project activities or phases be transferred to ENVCF.
- b. The ISR states that the project performance for the individual project activities or phases is Moderately Satisfactory or higher and is expected to continue as such with no further need for supervision by the Region, as all material environmental and social safeguard and related issues have been addressed in those project activities or phases.

- c. The individual project activities or phases have reached the required milestone as defined in paragraph 5 of the Operational Memorandum.

I am satisfied that responsibility for oversight of the following parts of CF project XXXXX (PXXXXX) may be transferred to ENVCF in accordance with the Operational Memorandum.

[Precisely define the individual project activities or phases.]

I understand that, after transfer of responsibility, during the monitoring phase, ENVCF may conclude that there is a need for Regional knowledge and expertise, particularly in relation to environmental and social safeguards. In such instances the mechanisms for Regional involvement, including logistical and financial mechanisms, will be agreed between the ENVCF Manager and the relevant sector manager and country director.

If you agree with this proposal and accept this transfer, please indicate your concurrence by returning a counter-signed copy of this memorandum. ENVCF will then prepare and finalize all future monitoring reports.

Sincerely,

Country Director, XXXXX

CC list: TTL, DM, Regional Safeguards, Country Sector Coordinator,
Regional Carbon Finance Coordinator

OFFICE MEMORANDUM

File with OP/BP 13.05; OP/BP 13.30; OP/BP 13.50

DATE: December 3, 2009

TO: Staff Recipients of the Operational Manual

FROM: Jeffrey S. Gutman, Vice President and Head of Network, Operations Policy and Country Services

EXTENSION: 80454

SUBJECT: **Cancellation and Recommitment of IDA Resources**

1. [Investment lending reform](#) aims to improve the efficiency and effectiveness of investment lending and pays special attention to development effectiveness and implementation support. An important component of this reform aims to facilitate project changes and restructuring, making adaptation to changing circumstances easier and faster. Facilitating project restructuring is expected to help countries use their scarce resources more effectively.
2. To enhance flexibility in the restructuring of ongoing projects and to give incentives to cancellation of IDA operations, where applicable, cancelled IDA balances from ongoing operations would be available for recommitment to other purposes in the same country, either to supplement ongoing successful operations or for new activities that are consistent with the CAS instead of returning back to the general IDA pool for future redistribution as is currently the case.
3. **Recommitments.** The cancelled funds will normally be used for recommitments within the same fiscal year, and in all cases before June 30 of the last year of the IDA replenishment cycle within which the cancellation occurs. The following are not eligible for recommitments: (a) IDA graduates, (b) countries eligible for IDA on an exceptional basis, (c) balances cancelled from regional projects, and (d) cancellations due to: (i) suspension; (ii) misprocurement; and (iii) fraud and corruption. The recommitted funds should be noted in the project documentation submitted to the Board.
4. **Applicable IDA Terms.** Consistent with the current IDA grants system, where grant eligibility depends on the degree of debt distress, cancelled funds would be available for recommitment on terms (grants or credits) for which the country is eligible in the year during which the funds are recommitted. For example, if a country's degree of debt distress is high (i.e. "red light" country) in the year of approval of recommitted funds, the cancelled funds would be available on grant terms (even though the original cancelled project may have been on credit terms). Similarly, if a country's degree of debt distress is low ("green light" country) in the year of recommitment, the cancelled funds would be available on credit terms (even though the original cancelled project may have been on grant terms). For countries with a moderate degree of debt distress ("yellow light" countries), recommitment would be on a 50:50 mix of grants and credits. For funds that were originally on credit terms but are now being

recommitted on grant terms because of changes in a country's debt position (or traffic light), there will be no grant discounting (to keep the monitoring of funds as simple as possible).

5. **Cancellations after the Closing Date of the Credit.** Cancellations must occur prior to the Credit closing date. However, if the closing is the result of restructuring effort, the cancelled funds are eligible for recommitment. Amounts cancelled after the closing date are not eligible for recommitment and will be returned to the general IDA pool.

6. **Monitoring.** Cancellations and recommitments will need to be monitored to ensure that they are not treated as new commitments that utilize the country's IDA allocations. Consequently, it is important that the country director, in collaboration with LOA, notifies CFPIR of any cancellations that are to be used for recommitments (see [attached sample Memo](#)).

7. **Contacts.** Staff may contact their Regional Operations Advisor or OPCShelpdesk@worldbank.org for more information.

8. **Timing.** This change is effective for cancellations made on or after October 23, 2009.

[Attachment](#)

OFFICE MEMORANDUM

Attachment to Opmemo: [Cancellation and Recommitment of IDA Resources](#) (12/3/09)

SAMPLE MEMORANDUM

DATE:

TO: CFPIR, Director

FROM: Country Director

EXTENSION:

SUBJECT: **IDA Cancellation for [Name of Project and Project ID]**

1. This is to inform you of the cancellation of funds for [Country], [Project Name], [Loan/Credit No], [Project ID] in the amount of _____. The cancellation is effective [Date].
2. The funds will be recommitted to [Project Name], [Loan/Credit No], [Project ID]. The expected Board date (if applicable) is [Date].

OR

3. We will inform CFPIR no later than [Date] to which project the funds will be recommitted to.

cc: LOA; LEG; SM(s); TTL(s)

OFFICE MEMORANDUM

File with OP/BP 6.00 and OP/BP 12.00

DATE: March, 23, 2007

TO: Staff Recipients of the Operational Manual

FROM: Jeffrey S. Gutman, Vice President and Head of Network, Operations Policy and Country Services

EXTENSION: 80454

SUBJECT: **Specific Expenditure Eligibility and Cost Sharing Requirements for Investment Projects in Countries Without Approved Country Financing Parameters**

1. On April 13, 2004, the Executive Directors approved *Eligibility of Expenditures in World Bank Lending: A New Policy Framework (R2004-0026/1)*, which revised the eligibility framework for Bank¹ financing. This new policy framework is reflected in OP/BP 6.00, *Bank Financing*, which applies only to investment projects in countries with approved country financing parameters (CFP). This Operational Memorandum sets out the eligibility framework, including cost-sharing arrangements, for investment projects in countries without approved CFP (the “non-CFP borrowing countries”) to which OP/BP 6.00, *Bank Financing*, does not apply. Specifically this Operational Memorandum addresses the treatment of Cost Sharing; Local Cost Financing; Expenditure Eligibility (Recurrent costs, Customs duties and taxes, Land, Resettlement, Late payment penalties, Food expenditures, Severance pay, Local transportation and insurance, Interest during construction, Special accounts, Secondhand goods); Retroactive Financing; and Project Preparation Facility (PPF) in such projects. This Operational Memorandum does not apply to emergency operations governed by the new [OP/BP 8.00, Rapid Response to Crises and Emergencies](#).

¹ “Bank” includes International Bank of Reconstruction and Development (IBRD) and International Development Association (IDA); “loan” includes IBRD loans, IDA credits, IDA grants, Project Preparation Facility (PPF) advances, grants made under the Institutional Development Fund (IDF), and Global Environment Facility (GEF) grants unless otherwise provided in [OP/BP 10.20, Global Environment Facility Operations](#). The policy also applies to recipient-executed grants financed from trust funds, unless the terms of the agreement with the donor make provision for different requirements; and “project” includes investment projects processed under [OP/BP 10.00, Investment Project Financing](#), as well as projects or activities financed under PPF advances and subject to OP/BP 8.10, *Project Preparation Facility*, and recipient-executed activities financed under trust fund grants, IDF grants and GEF grants and subject to [OP/BP 14.40, Trust Funds](#), [OP/BP 8.45, Grants](#), and [OP/BP 10.20, Global Environment Facility Operations](#), respectively. This Operational Memorandum does not apply to emergency operations governed by the new [OP/BP 8.00, Rapid Response to Crises and Emergencies](#).

I. Cost Sharing

2. The Bank sets cost-sharing ceilings for all non-CFP borrowing countries. A country's upper limit on Bank cost sharing is a function of its ability to mobilize domestic and foreign financial resources and thus is based on its per capita income.

3. The uniform cost-sharing limits applicable to non-CFP borrowing countries within each of the income groups set forth in [OP 3.10, Annex D, IBRD/IDA Countries: Per Capita Incomes, Lending Eligibility, and Repayment Terms](#), are as follows:

<i>Per capita income group</i>	<i>Per capita income(US dollars)</i>	<i>Cost-sharing limit (percentage)</i>
I and II: IDA only	Up to 1,235	90
I and II: IBRD and Blend	Up to 1,235	75
III/IV	1,236-4,465	60
V	Over 4,465	50

4. Bank cost sharing limits in such countries are applicable not to individual projects but to the Bank's overall lending program for a country (excluding financial intermediary, additional financing, emergency recovery, development policy, and technical assistance loans). The limits are ceilings, and actual cost sharing is expected to be below the limits. To ensure flexibility, the country limit is applied to a rolling three-year investment lending program, encompassing two prior years and the current year.

5. For individual projects, the Bank usually expects a non-CFP borrowing country to demonstrate commitment to the project by making a 10 percent minimum contribution to project cost (net of taxes and duties). However, if government finances are seriously strained, and if a reassessment of the Bank's lending priorities warrants, a lower borrower contribution may be justified. In general, to ensure that there is no disincentive to seeking cofinancing and to reduce the potential for conflicts with other donors, the Bank does not limit external cost sharing (Bank plus cofinanciers). In exceptional cases, the Bank allows a government to demonstrate commitment by allocating to the project general donor resources for cofinancing, thereby permitting up to 100 percent external financing.

6. **Procedures for establishing cost-sharing limits.** The cost-sharing limits for a given non-CFP borrowing country are established by the Regional vice president (RVP) based on the cost-sharing limits set out in paragraph 3 above, and are documented in the Country Assistance Strategy (CAS) for such country. Within such country limits, the country director (CD) determines cost sharing for individual projects. When there is sufficient evidence that a borrower is committed to a project or investment program,² the CD may make exceptions to the borrower's minimum 10 percent cost sharing for individual projects and may permit

² Such evidence might be, for example, a strong implementation performance on projects in the sector or satisfactory overall budgetary allocations as shown by a public expenditure review.

cofinancing to substitute for the borrower's contribution. The RVP may approve a temporary increase in the cost-sharing limit for a non-CFP borrowing country whose resource situation has become fundamentally more constrained in recent years or whose external situation has deteriorated sharply. (OP/BP 12.00, *Disbursement*, describes procedures for reallocations and making changes in disbursement percentages to individual projects.) Changes on country grounds that are not temporary may be made only with the approval of the Managing Director.

7. The Bank may provide local cost financing for projects in non-CFP borrowing countries under the following circumstances:

- a. When indirect foreign costs can be clearly identified, financing of local expenditures up to the equivalent of such costs may be provided;
- b. If, on the basis of a careful appraisal of a country's overall development program, the Bank judges that the financial requirements of the program will exceed the limits of available local savings and expected foreign exchange resources, financing of local costs in certain high-priority projects may also be provided; (c) If a specific project has too little foreign exchange cost to permit the Bank to achieve its project objectives by foreign exchange financing alone; and, (d) Local costs of goods and services procured locally in the case of technical assistance (TA) projects and in TA components of investment projects.

8. To protect local suppliers against discrimination in competitive bidding or selection, when a contract is awarded to local suppliers as a result of international competitive bidding (ICB) procedures, the Bank disburses up to the full ex-factory cost of the items provided. Similarly, when local consultants are selected through competitive process from a shortlist of local and foreign firms, the Bank permits financing of the same proportion of costs for such local consultants as for foreign consultants. In such cases, the financing of the local cost component of locally procured items is a consequence of the Bank's procurement policy; and such financing does not need to be further justified on country resource transfer or project grounds.

9. **Local cost financing justification.** In a non-CFP borrowing country the Bank's resource transfer objective for the country, including the analysis by which the objective was reached and a statement on whether local cost financing is justified, is included in the CAS.

10. Subject to the CAS's recommendations, the Project Appraisal Document (PAD) for a project in a non-CFP borrowing country gives the justification for local cost financing for a specific project: country resource transfer grounds or project grounds. When local cost financing for local procurement and local consultants is projected to account for less than 5 percent of the loan, justification on country resource transfer or project grounds is not required.³

11. Following are categories of expenditures that are not eligible for financing under a Bank loan to a non-CFP borrowing country except as specified below under each such category:

³ Justification for financing of local costs under Bank loans to revenue-earning entities and financial intermediaries is explained in *Eligibility of Specific Expenditures for Investment Projects in Countries Without Approved Country Financing Parameters: Guidelines to Staff* (the "Guidelines for Investment Projects in Non-CFP Borrowing Countries").

- a. **Recurrent costs**, except the Bank may finance incremental recurrent costs (that is, costs that are over and above the recurrent costs which the implementing entity would have to meet even without the project), when:
 - i. the country has serious shortage of budget resources that makes it unable to finance such recurrent expenditures for the project; and
 - ii. a specific recurrent expenditure is crucial to the success of the project and Bank financing is desirable to ensure timely availability of funds.

Recurrent costs are normally financed on a declining basis with Bank financing not exceeding 25 percent in the final year;⁴

- b. **Customs duties or taxes**⁵ levied by the non-CFP borrowing country including income tax⁶ levied on payments to consultants under contract and payments to PIU staff. However, social charges that may be levied on salary payments to Project Implementation Unit staff are eligible for financing under Bank loans, provided the Bank is satisfied that these charges constitute a payment for the drawdown of future benefits by these staff. Normally, in a project for a non-CFP borrowing country, no adjustment is made for duties or taxes on imported components that are included in the final cost of locally manufactured products;⁷
- c. **Cost of land**, except that the Bank may finance the cost of land for projects in non-CFP borrowing countries that support community-based land reform, on the basis of review and authorization by the Bank's Land Acquisition Committee;⁸
- d. **Costs associated with resettlement, including** cash compensation, the cost of land for resettlement activities (including compensation for land acquisition), and other resettlement assistance paid in cash, except the Bank may finance the cost of land improvements undertaken as part of resettlement activities;⁹

⁴ For additional guidance on considerations, design, and other aspects relating to Bank financing of recurrent costs, staff may refer to *Guidelines for Investment Projects in Non-CFP Borrowing Countries*.

⁵ Local taxes associated with consultant fees and Project Implementation Unit salaries can be financed under Trust Fund grants if the donor for such Trust Fund has agreed. For more information, staff should refer to *Follow-up on Reimbursement of Local Taxes under Trust Funds* (April 16, 2003) and *Trust Funds: Reimbursement of Local Taxes* (December 18 2002).

⁶ Such income taxes are not eligible whether or not they are withheld at the source.

⁷ For additional guidance on considerations and other aspects relating to Bank financing of customs duties or taxes, staff may refer to *Guidelines for Investment Projects in Non-CFP Borrowing Countries*.

⁸ For additional guidance on considerations, design, and other aspects relating to Bank financing of the cost of land, staff may refer to *Guidelines for Investment Projects in Non-CFP Borrowing Countries*.

⁹ For additional information, see [OP 4.12](#), *Involuntary Resettlement*.

- e. **Late payment penalties imposed by suppliers**, except where these penalties are incurred in connection with a disputed payment that has been the subject of arbitration;
- f. **Expenditures for the purchase of food intended for human consumption**, except in the context of projects that support poverty alleviation, health and nutrition, improving the targeting and effectiveness of social safety nets, and temporary compensatory measures during fiscal and economic reform programs.¹⁰ Such costs are normally financed on a declining basis with Bank financing not exceeding 25 percent in the final year;
- g. **Severance pay**, except in the context of operations supporting retrenchment which forms part of a broader program of productivity enhancing public sector reform, and where the retrenchment package is designed to ensure that the severance payments minimize the risk of adverse selection, overpayment and rehiring of staff receiving severance packages.¹¹
- h. **Local expenditures for transportation and insurance** (except as part of foreign shipments to the project destination), unless the project legal agreement provides for the financing of local costs. Costs for local transportation and insurance constitute local expenditures which the Bank may finance when a foreign or local supplier or contractor includes them in its bid for: (i) a contract for supply of goods or equipment under "related services"; or (ii) a contract for works.¹² The Bank may reimburse such local expenditures for transportation and insurance up to the percentage stipulated in the legal agreement for local expenditures for the underlying goods, equipment or works;¹³
- i. **Interest during construction (IDC)**¹⁴ except from the proceeds of an IBRD loan if the beneficiary is a financially autonomous entity¹⁵ whose cash flow requires such

¹⁰ For additional guidance on considerations, design, and other aspects relating to Bank financing of the cost of food for human consumption, staff may refer to *Guidelines for Investment Projects in Non-CFP Borrowing Countries*.

¹¹ For additional guidance on considerations, design, and other aspects relating to Bank financing of severance pay, staff may refer to *Guidelines for Investment Projects in Non-CFP Borrowing Countries*.

¹² See [Guidelines: Procurement under IBRD Loans and IDA Credits, footnote 2](#), which explains that references to "goods" and "works" in the *Procurement Guidelines* include related services such as transportation and insurance.

¹³ When such costs are included in the CIP price, they are considered part of the foreign expenditures for the contract and may be reimbursed at the percentage applicable to the foreign expenditures for the underlying goods or equipment.

¹⁴ IDC comprises interest, commitment, and other charges on a loan made by a lender for a project payable to the lender during the project's construction period.

¹⁵ A "financially autonomous entity" is an enterprise that (a) is a distinct legal entity with power to enter into financial contracts, including those for borrowing and raising equity capital; (b) raises revenue through the sale of goods and/or services; and (c) is required to maintain independent books of account and have its accounts prepared and annually audited.

financing. If the proceeds of the IBRD loan are channeled through a financial intermediary, the Bank may finance¹⁶ IDC only if the intermediary itself finances IDC on the subloans it makes out of the proceeds of the IBRD loan. The Bank may finance up to the full amount of the estimated IDC on the IBRD loan. If the project entity qualifies for IBRD financing of IDC and the project's construction period is longer than the standard grace period for IBRD loans, the Bank may extend the grace period and adjust final maturities correspondingly (see [OP/BP 3.10](#), *Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits*). The estimated amount of IDC to be financed under an IBRD loan is calculated at the IBRD lending rate¹⁷ at the time of appraisal and is based on the projected disbursement schedule of the loan for that part of the project construction period for which IDC will be financed. If IDC is to be financed under an IBRD loan whose amount exceeds the project's foreign exchange cost, the amount of the loan is calculated as follows: the *base amount* of the loan is determined by applying the percentage of Bank financing to the total project cost, net of taxes and duties¹⁸ and excluding all IDC; and the *total amount* of the Bank loan is calculated by adding to the base amount the estimated IDC on the base amount;

- j. **Operating charges on special accounts**, except when included in the definition of incremental operating costs in the project legal agreements; and
- k. **Secondhand goods** except when:
 - i. there is a surplus (in suitable quantity and quality) of the type of goods required from enough sources to ensure competitive bidding; and
 - ii. the procurement of new goods would result in excessive costs due to lack of economies of scale.

12. In exceptional circumstances, to facilitate the prompt execution of Bank-financed operations in a non-CFP borrowing country, the Bank allows retroactive financing under the following conditions: (a) the activities financed are included in the project description; (b) the payments are for items procured in accordance with applicable Bank procurement procedures; (c) such payments do not exceed 10 percent of the investment loan amount (20 percent for development policy loans) ; and (d) the payments were made by the borrower not more than 12 months before the expected date of Loan Agreement signing. The date after which payments may be made is agreed at appraisal, confirmed during negotiations, and recorded in the Loan Agreement. Exceptions to these limits may be approved in exceptional circumstances by the Regional vice president in consultation with the Vice President, Operations Policy and Country Services. Proposals for retroactive financing, including any exceptions to normal limits for such financing, are spelled out in the PAD.

¹⁶ This typically occurs for (a) a new enterprise that will not have adequate revenues until the project being financed is completed, or (b) an established enterprise for which the incremental investment to be supported by the Bank loan is large relative to cash resources.

¹⁷ The rate applied is the one applicable to the particular IBRD loan product selected by the borrower; see [OP 3.10](#), *Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits*.

¹⁸ See section II, paragraphs 6-9 of this Operational Memorandum, Local Cost Financing.

13. Consistent with expenditure eligibility requirements for non-CFP borrowing countries, the PPF advance finances primarily foreign exchange costs, but it may be used for local currency costs. Normally the PPF advance finances consultants' services or incremental operating costs, but it may be used to finance goods and minor works as well.

14. Questions related to this Operational Memorandum should be addressed to Galina Mikhlin-Oliver, ext. 81871.