Bank Policy

Development Policy Financing

Bank Access to Information Policy Designation
Public

Catalogue Number
OPS5.02-POL.120

Issued
June 10, 2024

Effective
February 1, 2024

Last Revised On
June 10, 2024

Content
This Policy sets out the principles for Development Policy Financing (DPF)

Applicable to
IBRD,IDA

Issuer
Vice President, Operations Policy and Country Services

Sponsor
Director, Operations Policy

SECTION I – PURPOSE AND APPLICATION

1. This Policy sets out the principles for Development Policy Financing (DPF)

2. This Policy applies to the Bank.

SECTION II – DEFINITIONS

3. As used in this Policy, the capitalized terms or acronyms have the meanings set out below:

a. Bank and Word Bank: means IBRD and IDA (whether acting in its own capacity or as administrator of trust funds funded by other donors);

b. Bank Guarantee: means a guarantee, provided by the Bank, of financing extended by private entities;

c. Bank Guarantee Closing Date: means the date after which the Bank stops monitoring the program;

d. Bank Guarantee Expiration Date: means the date after which the Bank stops accepting calls on the Bank Guarantee;

e. 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;

f. Executive Directors: means executive directors of the Board of IBRD or IDA, or both, as applicable;

g. IMF: means International Monetary Fund;

h. Investment: see paragraph 34.

i. Investment Project Financing: as defined by Policy: Investment Project Financing;

j. Loan Closing Date: means the date after which the Bank may stop accepting withdrawal applications under the Bank Loan and cancel any undisbursed balance;

k. Program-for-Results Financing: as defined by Policy: Program-for-Results;

l. Member Country: means a member country of the Bank, and references to Member Country apply equally to its Political Subdivision if the DPF is made to, or guarantees, a debt of the Political Subdivision;

m. Member Country Indemnity: means the counter-guarantee and indemnity provided by a Member Country to the Bank in connection with a Bank Guarantee;

n. Member Country Guarantee: means a guarantee provided by a Member Country to the Bank in connection with a Bank Loan;

o. Member Countries Affected by Crisis: means countries 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;

p. Countries Affected by Conflict: means countries that need DPF for urgent rehabilitation, and whose medium-term structural reform agenda may be still emerging;

q. 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;

r. Program Document or PD: means a document that sets out the Member Country's program being supported by the Bank, the associated expected specific results and the Bank's appraisal of the program;

s. Supplemental DPF Document: means a document that provides the information required under paragraph 32 of this policy.

SECTION III – SCOPE

4. The Bank provides DPF in the form of a policy-based Bank Loan or a policy-based Bank Guarantee. 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.[1]

5. 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 provided to guarantee the debt of a Political Subdivision requires a Member Country Indemnity. 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 Policy apply equally to the Political Subdivision, as relevant.

Considerations for Development Policy Operations

6. *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.

---

[1] See Policy: *Lending Operations: Choice of Borrower and contractual agreements*.

7. *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.

8. *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.[2] 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 has an adequate expenditure program, sustainable debt, and adequate fiscal arrangements with the central government in accordance with the country's constitutional and legislative framework.

9. *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 the process of formulating its development strategies. Key stakeholders include social groups directly affected by the operations, as well as public sector, private sector, and donor organizations relevant to the operation. 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 (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.

10. *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

11. *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

---

[2] 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.

Guarantee of debt of an IDA Member Country or its Political Subdivision as meeting the special cases provision of IDA's Articles of Agreement.[3] 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.

12. *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,[4] environment and natural resource management, governance and public expenditure 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.

13. *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. 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.

14. *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.

15. *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

[3] 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).

[4] See Policy *Poverty Reduction (OP 1.00)*.

financing, and financial leverage of Bank resources, among other considerations stated in this Policy, are important factors in deciding the form of DPF.

16. *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 Loan[5], and signing of each agreement providing for a Bank Guarantee, is conditioned on: (a) satisfactory implementation of the program supported by the 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.

17. *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. Such programmatic 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.

18. *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 Indemnity to the Bank. 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. The portion of debt guaranteed by the Bank is not subject to debt rescheduling or debt restructuring without the Bank's consent.

19. *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.

20. *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

[5] For disbursements of Bank Loans with a deferred drawdown option for catastrophic risk see paragraph 27.

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

21. 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.

22. *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.[6] 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.[7]

23. *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.[8]

---

[6] 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. See the definition of "excluded expenditures" in the Appendix of the IBRD DPF General Conditions.

[7] Excluded expenditures in the case of financing supported by a Bank Guarantee are essentially the same as those for Bank Loans.

[8] 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.

24. 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, requiring dedicated accounts for Bank Loan proceeds or counterpart funds, and having a right to request an audit of these dedicated accounts.

Options

25. A DPF may include one or more options that have specific requirements.

Deferred Drawdown under Bank Loans

26. 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.

27. *Eligibility, Drawdown Period, and Conditions*. The DDO is available to IBRD eligible Member Countries and the Cat DDO is available to both IBRD-eligible and IDA Member Countries. Disbursement of Bank financing may be deferred 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.

28. *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. An IDA-financed Cat DDO may be renewed once for up to three years for a total deferral period of six years, and an IBRD-financed Cat DDO may be renewed four times for up to three years each time, for a total deferral period of 15 years. If selected by the Member Country, IBRD-financed Cat DDO amounts repaid during the deferral period are again available for drawdown.

Special Development Policy Financing

29. 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.

30. *Design and Eligibility Criteria*: To be eligible for special DPF, the Member Country has a disbursing IMF-supported program in place. Special DPF are 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 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.

31. *Financial Terms:* The financial terms of special DPF reflect the special nature and high risks of financing for crisis support.

Supplemental Development Policy Financing

32. 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.

Scalable Development Policy Financing

33. The Bank may scale up the original Cat DDO through a separate scalable financing, additional to the original DPF—in support of the objectives of the program supported by the original DPF and under implementation. Scalable financing may be provided for a Cat DDO to respond to unanticipated financing needs in the aftermath of a natural catastrophe when the reform program is proceeding on schedule and in accordance with the agreed policy agenda. A scalable financing is approved only when:

    a. the program is being implemented in compliance with the provisions of the legal agreement with the Bank; and
    b. Member Country remains committed to the program.

Debt and Debt Service Reduction

34. 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. 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 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 satisfies 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 investment[10] 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.

---

[9] 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, Bank staff coordinate with the IMF, the Paris Club, and other organizations, as appropriate, to achieve a concerted action in these situations.

[10] Investment is 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.

Documentation and Disclosure

Program Document

35. 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.[11] 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.[12]

Letter of Development Policy

36. 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[13]. 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.[14]

Tranche Release

37. 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.

---

[11] For a supplemental DPF, a concise Program Document, the Supplemental DPF Document (SDPFD), is prepared. For scalable DPF, a concise Program Document, the Scalable DPF Document is prepared. Both documents are disclosed in the same fashion as the Program Document.

[12] 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*, paragraph 4(b),(ii).

[13] 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 then becomes a short letter reflecting specific parts of the country's own strategy supported by the DPF

[14] See *The World Bank Policy on Access to Information*, paragraph 4(b),(ii).

Crisis and Post-Conflict Situations

38. Countries Affected by Crisis[15] or Conflict[16] 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.

39. 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

Approval

40. The Board approves the IBRD and IDA developing financing operation. Approval of Scalable Developing Financing for a Cat DDO is delegated from Board to Management. Except for IDA grants and trust fund-financed grants explicitly requiring approval by the Board, all other grants are approved by Management.

Signing

41. 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

42. 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.

---

[15] These might include Member Countries eligible for special DPF under paragraphs 29-31 of this Policy.
[16] For Countries Affected by Conflict, see Policy, *Development Cooperation and Conflict (OP2.30)*.

Bank Guarantee Closing Date; Bank Guarantee Expiration Date

43. 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

44. 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.

SECTION IV – EXCEPTION

N/A

SECTION V – WAIVER

A Waiver of any provision of this Policy may be granted only in accordance with the provisions of Bank Policy "Operational Policy Waivers" and the Bank Procedure "Operational Policy Waivers and Waivers of Operational Requirements".

SECTION VI – OTHER PROVISIONS

N/A

SECTION VII – TEMPORARY PROVISIONS

N/A

SECTION VIII – EFFECTIVE DATE

This Policy is effective as of the date on its cover page.

SECTION IX – ISSUER

The Issuer of this Policy is the Vice President, Operations Policy and Country Services

SECTION X – SPONSOR

The Sponsor of this Policy is the Director, Operations Policy

SECTION XI – RELATED DOCUMENTS

Bank Policy, Investment Project Financing

Directive, Investment Project Financing

Bank Policy: Program-for-Results Financing

Bank Policy, *Lending Operations: Choice of Borrower and contractual agreements*

Bank Policy, *Poverty Reduction* (OP 1.00)

SECTION XII – REVISION HISTORY

1. This Policy was updated in June 2024 to reflect changes approved by the Board under the Board Paper, "Proposed Changes to IBRD/IDA Operational Policies to Enhance the World Bank Crisis Preparedness and Response Toolkit."

Questions regarding this Policy should be addressed to the Sponsor.