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PROJECT PREPARATION FACILITY:
INCREASE IN COMMITMENT AUTHORITY
AND ENHANCED SCOPE

Operations Policy and Country Services

December 27, 2016

ACRONYMS AND ABBREVIATIONS

AFR	Africa Region
BP	Bank Procedure
CMU	Country management unit
DPF	Development policy financing
EAP	East Asia and Pacific Region
ECA	Europe and Central Asia Region
FCS	Fragile and conflict-affected situations
GP	Global practice
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IPF	Investment project financing
LCR	Latin America and Caribbean Region
MD&COO	Managing Director and Chief Operating Officer
MNA	Middle East and North Africa Region
OP	Operational Policy
OPCS	Operations Policy and Country Services
PA	Preparation advance
PforR	Program-for-Results
PPF	Project Preparation Facility
SAR	South Asia Region
SD	Sustainable Development
TA	Technical assistance

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PROJECT PREPARATION FACILITY: INCREASE IN COMMITMENT AUTHORITY AND ENHANCED SCOPE

I. INTRODUCTION

1. This paper reviews the use and performance of the Project Preparation Facility (PPF) over the nine-year period FY08-FY16 since the last Board update,[1] and recommends (a) an increase in the PPF commitment authority, and (b) a policy modification to allow the PPF not only to support individual IBRD- and IDA-financed projects but also to strengthen borrower capacity in cross-cutting areas through a "programmatic approach." The PPF is an important funding vehicle supporting the preparation of individual projects under investment project financing (IPF), and programs to be supported by Program-for-Results (PforR) financing and development policy financing (DPF). Preparation advances (PAs) from the PPF are used to provide technical assistance for successful project design and implementation start-up, institutional strengthening, and incremental operating support. The proposed changes would allow the PPF to better respond to the IDA18 scale-up, particularly in fragile and conflict-affected situations (FCS), through additional resources for project preparation and increased flexibility.

2. ***Increase in Commitment Authority.*** The commitment authority of the PPF—that is, the amount that the Bank's Executive Directors have permitted Management to approve in the form of advances against the IBRD loans and IDA credits and grants that are being prepared—is $290 million. The PPF commitment authority was last increased in 1996, when IBRD commitments were $14.5 billion and IDA commitments were $6.9 billion. Since then, the Bank's lending volume has more than doubled, other sources of project preparation funds are increasingly difficult to secure, and the costs of preparation have increased. With the significant increase in resources from IDA18, the project pipeline and demand for PAs are growing quickly. Management proposes that the commitment authority be increased to $750 million.

3. ***Policy Modification: Programmatic Approach.*** PPF PAs have always been linked to preparatory activities for a specific individual operation. This is important because the PPF is not a stand-alone facility, but a revolving fund with a requirement that any PA be refinanced from a follow-on loan,[2] or repaid. However, the Bank works in environments where a specific operation may not be readily identified at the outset and the borrower needs assistance in clearly identifying and prioritizing a pipeline of operations, as well as institutional strengthening to be able to implement the operations that are identified. Management proposes that the current policy be amended so that a PA can be made before a specific operation is identified or can support cross-cutting capacity building that will facilitate implementation of future projects. This programmatic approach would provide more flexibility for borrowers to address broader project preparation needs, such as activities that cut across sectors, or build capacity in core fiduciary areas that will benefit future operations.

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[1] When Management last updated the Board on the PPF, the report covered FY96-FY07. See *Project Preparation Facility: Policy Update* (R2008-0141), June 16, 2008.

[2] *Loans* includes IBRD loans, IDA credits, and IDA grants, and *borrowers* includes borrowers of IBRD loans and recipients of IDA credits or IDA grants.

4. ***Structure of Paper.*** Following this introduction, Section II of the paper provides background on the PPF and its main features. It also describes the experience with and performance of the PPF over the last nine years, including the impact of policy changes in 2008 and 2013. Section III explains the new environment that calls for scaling up and describes the programmatic approach. Section IV summarizes the proposed changes, and Section V focuses on the request for approval and next steps. Annexes provide additional and supporting information.

II. BACKGROUND, EXPERIENCE, AND PERFORMANCE

5. The PPF was approved by the Board in November 1975 with an initial authorization of $5 million. Over the ensuing 20 years, the commitment authority was increased 10 times in increments of $7.5-55.5 million; the last increase, approved in August 1996, brought the ceiling up to its current level of $290 million. (Annex A provides a summary of policy changes approved by the Board since 1975.)

6. ***Revolving Fund.*** The PPF was set up and operates as a revolving fund. Repayment and refinancing terms were established to maintain the integrity of this revolving fund: borrowers of PAs were required either to refinance the PA from the loan for which it is being used or repay the advance from their own resources. The standard terms and conditions approved by the Board in 1975 have been maintained since then, except as explained in paragraph 7:

> Bank advances would be at the Bank interest rate deferred until the advance was refinanced or other terms of repayment determined; IDA advances would bear the IDA service charge similarly deferred. They would normally be repaid through reimbursement under the loan (credit) for the project in question as soon as it became effective. However, the borrowing government would be required in its request to undertake to repay the advance (and accrued interest or service charge to date) in equal installments over the next five years at the Bank's rate of interest in the case of Bank advances and with IDA service charge in the case of IDA advances if a project loan (credit) was not made within a reasonable period to be agreed upon at the time the advance is granted.[3]

7. Additional features were incorporated in 2007 to allow for the provision of PAs on grant terms to countries that are at high risk of debt distress[4] and are eligible for IDA grants only, when the operations are prepared under OP 8.00, *Rapid Response to Crises and Emergencies*.[5] Further changes were introduced in 2008 to (a) allow a PA made for a project that is subsequently dropped to be refinanced under any loan in that country, (b) waive the service charges on PAs made to countries at high risk of debt distress, even when the operations are not prepared under OP 8.00, and (c) waive the requirement for repayment of PAs made to countries at high risk of debt distress when a loan fails to materialize.[6] A distinction by project size for individual PA limits was also eliminated at this time (paragraph 10 provides additional details).

8. ***Policies and Procedures.*** The rules governing the PPF were set out in OP/BP 8.10, *Project Preparation Facility*, until FY13.[7] In FY13, as part of the Bank's broader investment lending

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3 From paragraph 12 in *A Facility to Assist in the Preparation of Bank-financed Projects* (R75-224), November 17, 1975.

4 Countries at high risk of debt distress can be identified as those having 100% grant repayment terms in Annex D, OP 3.10, *Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits.*

5 See *Toward a New Framework for Rapid Bank Response to Crises and Emergencies* (R2007-0010), January 17, 2007, and (R2007-0010/1), February 22, 2007.

6 See *Project Preparation Facility: Policy Update* (R2008-0141), June 16, 2008 (hereafter 2008 PPF Policy Update).

7 See *Investment Lending Reform: Modernizing and Consolidating Operational Policies and Procedures* (R2012-0204, IDA/R2012-0248), October 25, 2012; changes effective April 8, 2013.

reform, the policy and mandatory procedural elements of OP/BP 8.10 were integrated into OP/BP 10.00, *Investment Project Financing*, and associated Instructions, and OP/BP 8.10 was retired.[8]

9. PAs finance (a) preparatory and limited initial implementation activities for IPF projects, or (b) preparatory activities for operations to be financed by development policy or PforR financing. Borrowers of PAs may be, in the case of IDA, member countries or regional organizations, and in the case of IBRD, any IBRD-eligible borrower. A PA is made only when there is a strong probability that the operation for which the PA is made will materialize, but granting a PA does not obligate the Bank to support the operation for which it is made.[9] Box 1 provides some examples showing how PAs have been used in supporting the preparation of IPF operations.

Box 1. Preparation Advances Provide Critical Upstream Funds

A $1 million PA signed in July 2015 provided critical funds for the preparation of the $148 million (IDA credit + grant) **Eastern and Southern Africa Higher Education Centers of Excellence** (P151847), an operation across nine countries and one regional coordination institution (approved by the Board in May and effective in October 2016). The PA helped the regional coordination institution prepare the operation through (a) organizing regional steering committee meetings; (b) evaluating eligible proposals submitted by the participating countries; (c) undertaking activities and assessments to complete appraisal; (d) preparing the operational manual and project launch; and (v) supporting the selected centers in finalizing their implementation plans and meeting effectiveness conditions. Without the PA, this complicated regional project would have been unlikely to materialize as a regional operation.

A $500,000 PA signed in December 2014 was instrumental in the formulation and readiness of the $55 million (IDA grant) **Burundi Coffee Sector Competitiveness Project** (P151869), which became effective in October 2016. The PA-financed activities were completed quickly, and they helped the Government (a) elaborate on its coffee strategy, which helped define the follow-on project; (b) build stakeholder consensus to contribute to smooth project implementation; (c) undertake key activities toward readiness, such as safeguards studies and the development of the project operational manual; and (d) initiate technical studies such as satellite mapping of the coffee trees, which helped expedite implementation.

A $1.85 million PA was signed in December 2011 for the preparation of the $113 million (IDA credit) **Bangladesh Weather and Climate Services Regional Project** (P150220), which is expected to become effective in January 2017. The PA enabled key technical support to the project management units during preparation, including the preparation of the "Development Project Proforma" document required for project approval. The PA also facilitated training related to weather services and recruitment of the procurement and financial management consultants to help advance preparation of bidding documents that are critical for project readiness. These activities are expected to lead to quick disbursement and improved quality of implementation.

A $500,000 PA was signed in September 2016 for the preparation of the **Nepal Livestock Sector Innovation Project** (P156797), an $80 million IDA credit that is under preparation and has a March 2017 Board date. The expected refinancing date of the PA is June 30, 2017. The PA will fund key preparation activities, including the development of the project implementation manual, safeguards studies, the financial management plan, the procurement plan, institutional assessments, and technical sector studies. The PA provides critical funds that otherwise would not have been available to the newly established (one-year-old) Ministry of Livestock Development and without which project readiness would have been difficult.

8 While PAs may be refinanced under any lending instrument, they are made in accordance with IPF policies and procedures and disburse on the basis of expenditures.

9 OP 10.00, *Investment Project Financing,* paragraphs 17-18.

10. Individual PAs are subject to a limit that is approved by the Board. The limit in 1976 was $500,000 per operation. Increases in the limit were negligible until 2007, when the revised policy on rapid response to crises and emergencies increased the limit to $5 million for individual PAs made in the context of crises and emergencies. Six years later, under the FY13 investment lending reform umbrella, the limits for individual PAs were increased to the current limit of $6 million ($10 million for FCS)[10] (see Table 1).

Table 1. Limits of Individual Preparation Advances ($ millions)

	Regular operations	***FCS operations***
July 1976	0.5	-
October 1978	1.0	
March 1986	1.5	-
September 1993	2.0	3.0*
2007	2.0	3.0*, 5.0
July 2008	3.0	5.0
April 2013	6.0	10.0

* This limit applies to "special circumstances … for loans exceeding $200 million."

11. ***Demand and Resource Use.*** Management last requested an increase in the PPF commitment authority in 1996. Since then, 1,434 advances have been approved to 111 countries, involving a total commitment of $1.593 billion.[11] Of these advances, 212 were made on IBRD terms and 1,222 on IDA credit or grant terms. (Figure 1 shows the 20-year trend based on the dollar value of the commitments; the annual breakdown—by number and value—between IBRD and IDA is in Annex B.) A review of usage by IBRD and IDA shows a low of 71.6 percent for the number of PAs made on IDA terms in FY97 (64.9 % in terms of value), and a high of 100 percent in FY13. On average, however, 87.2 percent of PAs are made to IDA countries (85% in terms of value), largely reflecting borrowers' inability to pre-finance preparation activities and generally weaker capacity. While PAs continue to be used in IBRD countries, their use has declined significantly from the level in the 1990s; only 10 PA commitments were made on IBRD terms in the FY13-FY16 period.

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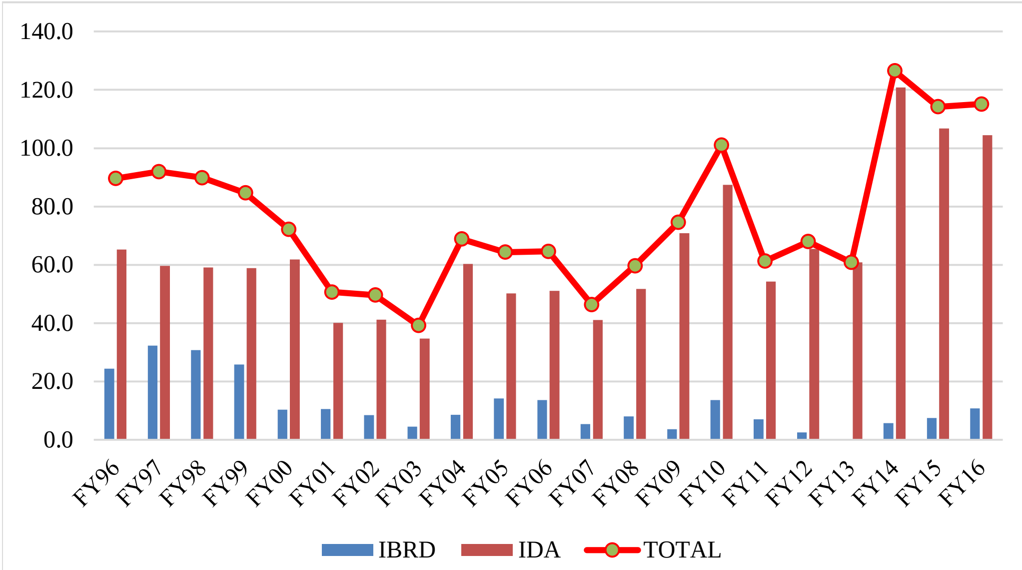
10 See Annex A for a summary of Board-approved changes.

11 This compares to 1,304 advances made between the start of the PPF in 1975 to July 1996, for a total commitment of $979.6 million.

Figure 1. Preparation Advances Approved FY96-FY16 ($ million)



12. ***Regional Use.*** Operationally, the Managing Director and Chief Operating Officer (MD&COO) of the Bank makes indicative allocations to the Regions within the limits of the commitment authority and adjusts those allocations periodically, as necessary. Regional allocations are based on experience and projected demand, to optimize preparation funds for the Bank as a whole. Table 2 shows the Regional allocations both before and after 2014 (the last time formal reallocations were made).

Table 2. Regional Allocations

	Before November 2014		***Effective November 1, 2014***	
Region	***($ millions)***	***(%)***	***($ millions)***	***(%)***
AFR	127.0	43.8	190.0	65.5
EAP	7.5	2.6	7.5	2.6
ECA	43.0	14.8	18.7	6.4
LCR	47.5	16.4	29.5	10.2
MNA	12.0	4.2	0.5	0.2
SAR	43.0	14.8	33.0	11.4
Reserve	10.0	3.4	10.8	3.7
Total	**290.0**	**100.0**	**290.00**	**100.0**

13. Historically, Africa Region (AFR) has been the biggest user of the PPF. Since FY96, 65 percent of all PAs have been made in AFR. Europe and Central Asia (ECA), Latin America and Caribbean (LCR), and South Asia (SAR) together account for an additional 30 percent of the 20-year portfolio, and East Asia and Pacific (EAP) and Middle East and North Africa (MNA) for the final 5 percent (see Table 3).

Table 3. PA Usage FY96-FY16, by Region

	IBRD		***IDA***		***Total***	
Region	***No.***	***Amount ($)***	***No.***	***Amount ($)***	***No.***	***Amount ($)***
AFR	17	25,779,252	915	998,168,074	932	1,023,947,326
EAP	7	7,230,856	31	28,526,288	38	35,757,144
ECA	84	96,733,618	83	73,956,180	167	170,689,798
LCR	78	70,536,783	69	115,947,573	147	186,484,356
MNA	6	6,514,000	32	24,423,606	38	30,937,606
SAR	20	40,465,000	92	104,603,006	112	145,068,006
Total	**212**	**247,259,509**	**1222**	**1,345,624,727**	**1434**	**1,592,884,236**

14. In FY97, AFR accounted for 68.3 percent of all PAs made (64.8% in terms of dollar value), and in FY07 for 67.1 percent (59% in terms of dollar value). AFR's share has increased steadily in recent years; as of November 30, 2016, PAs in AFR account for 82.6 percent of all active PAs (82.2% in terms of value). This reflects continued growth and new demands in AFR, but also represents reduced use of the PPF in other Regions: SAR has seven PAs, EAP three, and ECA two, while LCR and MNA have none at this time. (The current active portfolio is shown in Annex C.)

15. ***Average Size of PAs.*** The current limit on individual PAs is $6 million ($10 million for FCS). However, 74 percent of the current active PAs were made in amounts less than $3 million (see Table 4), and the average size of a PA is about $2.1 million.[12] Analysis indicates that the size of PAs has been influenced in part by scarcity of Regional commitment authority. In AFR, the regional PPF coordinator has had to ration PPF resources, and accordingly the size of individual PAs has been relatively low: just 24 percent of active PAs in AFR have been made for $3 million or more.

Table 4. Number of Active* PAs by Size and Region, November 30, 2016

Region	***AFR***	***EAP***	***ECA***	***LCR***	***MNA***	***SAR***	***Total***	***% of total***	***Total amount ($)***
Up to $499,000	3	0	0	0	0	1	4	5.8	1,809,565
$500,000-$999,999	10	3	0	0	0	0	13	18.8	8,370,584
$1,000,000-$1,999,999	13	0	0	0	0	2	15	21.7	19,695,100
$2,000,000-$2,999,999	17	0	1	0	0	1	19	27.5	40,636,930
$3,000,000-$3,999,999	7	0	0	0	0	2	9	13.0	30,126,284
$4,000,000-$4,999,999	3	0	0	0	0	1	4	5.8	16,500,000
$5,000,000-$5,999,999	3	0	1	0	0	0	4	5.8	20,000,000
$6,000,000 and over	1	0	0	0	0	0	1	1.4	6,000,000
Total	**57**	**3**	**2**	**0**	**0**	**7**	**69**	**100.0**	**143,138,463**

* Active PAs do not include PAs approved but not yet processed in the Bank's systems.

[12] A PA in the amount of $15 million was provided to Haiti following the earthquake of 2010. Waivers of the limit have also been granted in a few other cases, when appropriately justified.

16. ***Average Duration of PAs.*** Because PAs are intended to support the preparation of individual pipeline projects, they are normally expected to be refinanced or to close within two years after approval. Internal procedures allow for extension of the PA—by the Country Director for up to a total duration of four years, and by the Regional Vice President if the extension will result in a total duration of four or more years. Under the current active portfolio, the average duration is 12 months, and the median duration just over 10 months. Table 5 shows the duration of active PAs in the current portfolio by Region. Notably, 89.9 percent of the active portfolio is less than two years old.

Table 5. Number of Active* PAs by Duration and Region, November 30, 2016

Duration	***AFR***	***EAP***	***ECA***	***LCR***	***MNA***	***SAR***	***Total***	***% of total***
Less than 6 months	8	3	0	0	0	2	**13**	**18.9**
6 months up to 1 year	24	0	1	0	0	1	**26**	**37.7**
Over 1 year up to 2 years	21	0	1	0	0	1	**23**	**33.3**
Over 2 years up to 3 years	4	0	0	0	0	3	**7**	**10.1**
Total	**57**	**3**	**2**	**0**	**0**	**7**	**69**	**100.0**

* Active PAs do not include PAs approved but not yet processed in the Bank's systems.

17. There has been a steady decline in the duration of PAs (the time from approval of the PA until refinancing or closing) during FY08-FY16. In FY08 the average duration was almost 19 months, and the average over the nine-year period was 16.1 months. Clearly, PAs are being refinanced (or closed) within a reasonable period of time. When they are not, it is usually for country reasons—that is, the project has been dropped and a new operation under which the PA can be refinanced has yet to materialize.

18. ***PAs that did not Materialize into Loans.*** During FY08-FY16, almost all PAs have materialized into loans (see Table 6). Only 22 PAs in the amount of $42.8 million (5.5% of the FY08-FY16 total) did not result in loans financed by the Bank and were (or are being) repaid. Of these, three PAs in the amount of $8.4 million were terminated (approved but never signed). In addition, two PAs were refinanced by a loan other than the loan they were intended for. Among Regions, the distribution of PAs that did not materialize into loans is in line with the distribution of PAs overall.

Table 6. PAs that did not Materialize into Loans, FY08-16

	IBRD		***IDA***		***Total***	
Year	***No.***	***Amount***	***No.***	***Amount***	***No.***	***Amount***
FY08	-	-	3	2,931,000	3	2,931,000
FY09	2	2,500,000	3	7,000,000	5	9,500,000
FY10	2	2,813,000	6	10,970,000	8	13,783,000
FY11	1	3,000,000	-	-	1	3,000,000
FY12	-	-	4	7,600,000	4	7,600,000
FY13	-	-	-	-	-	-
FY14	-	-	-	-	-	-
FY15	-	-	1	6,000,000	1	6,000,000
FY16	-	-	-	-	-	-
Total	**5**	**8,313,000**	**17**	**34,501,000**	**22**	**42,814,000**

19. ***Lending Instrument.*** PAs primarily finance preparation activities for IPF projects. Before FY15, PAs were not available for use in guarantee operations. This feature was added as part of guarantee reform and modernization,[13] with the caveat that since guarantees do not materialize into loans, PAs would need to be repaid or refinanced by another loan in the country. To date, only two PAs have been made for guarantee operations.

20. PAs are rarely used for the preparation of DPF operations; over the last 10 years, only one DPF was associated with a PPF PA. However, PAs could be very useful, especially for a programmatic series. Staff consultations suggest that the reason for the limited use is staff's lack of awareness that PA resources are available to support preparation of a DPF operation.

21. PAs have also been used recently for preparing PforR operations: two PforR operations have used PA resources, and two are in the process of requesting a PA. Box 2 shows how a PA facilitated early achievement of results in a PforR operation.

Box 2. Using Preparation Advances for PforR Operations

The **Burkina Faso Public Sector Modernization Program-for-Results** (PforR)—the first PforR in the country (and the first in francophone Africa)—is a $40 million IDA credit that became effective on February 1, 2016, and is expected to close on December 31, 2019. In support of the Government's flagship reform effort, the Ten-Year Strategic Plan for the Modernization of the Administration, the PforR aims to improve selected service standards in target areas of the ministries responsible for primary education, justice, labor and civil service. On July 9, 2014, the Government requested $4,845,393 to undertake key preparatory activities to facilitate Program implementation. Constrained by commitment authority, AFR provided an initial PA of $500,000 on December 29, 2014, and approved a follow-on PA of $2.5 million on April 15, 2015, when additional commitment authority became available.

The PAs were critical in conducting diagnostic studies and technical audits, developing monitoring and evaluation systems, engaging in stakeholder consultation and holding workshops among the three ministries involved in Program implementation, and preparing operational manuals. The team credits the PA for the quick achievement of some of the Program disbursement-linked indicators (DLIs): within 3 months after effectiveness, year 1 targets were achieved for DLI1 (related to the human resource management system), DLI5 (monitoring mechanism for primary education), and DLI7 (case tracking system in district courts).

22. ***Global Practices.*** PAs are used for project preparation activities across all global practices (GPs). PAs approved in FY15 and FY16 were mostly for the preparation of projects in the Sustainable Development (SD) practice group, with the highest number of PAs in Agriculture (19) and largest value in Transport & ICT ($33 million) (see Figure 2). The high proportion of PPF use in the SD practice group is to be expected—these are the projects requiring the heaviest up-front investments in preparation and "readiness"—and is consistent with the demand and needs identified in a recent study undertaken by the SD practice group on readiness for disbursement in infrastructure IPF.[14]

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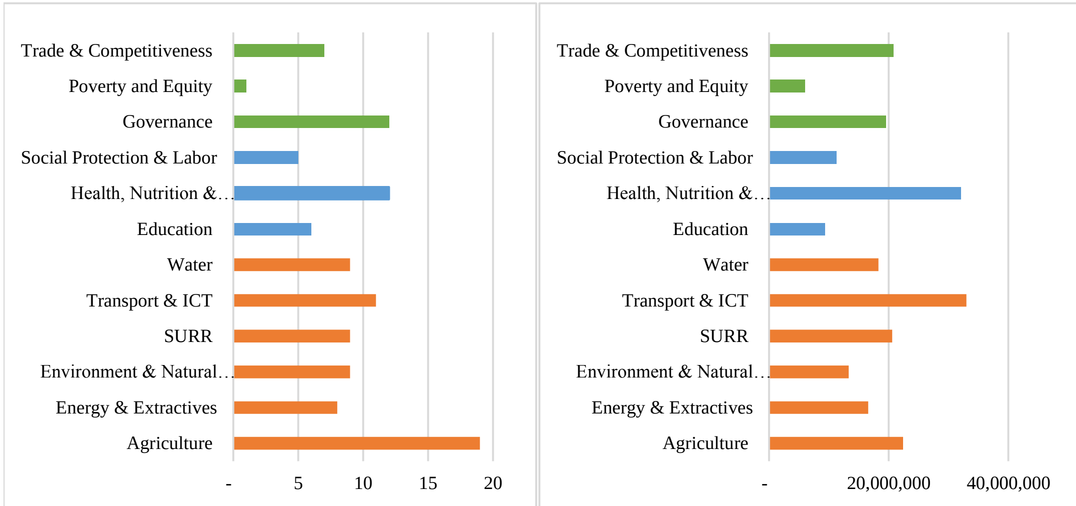
[13] See *Enhancing the World Bank's Operational Policy Framework on Guarantees* (R2013-0206, IDA/R2013-0298), November 20, 2013.

[14] *Analysis of Project Preparation Funds Available to Clients*, SD Practice Group, November 8, 2016.

Figure 2. PPF Advances by Practice Group



(Number of PAs) **(Value of PAs, in $)**

23. ***Impact of 2008 Policy Changes.*** Two significant changes were introduced through the 2008 PPF Policy Update.

- The first change was the ability to refinance a PA under any loan, not just the loan for which the PA was granted. This was expected to be a significant boon to countries in which projects are sometimes dropped: in such cases, the PA must be repaid along with accrued interest or service charges in 10 semiannual installments over the next five years; if the amount disbursed is $50,000 or less, then the PA must be repaid within 60 days. Since this policy was introduced it has been used only twice—in two PAs that were approved in Cambodia in FY10. In FY13, the projects for which these PAs had been requested were dropped, and the PAs were refinanced under ongoing projects in the Cambodia portfolio (through restructurings of these ongoing projects). During FY08-FY16, the number of PAs required to be repaid because the operation has been dropped has also declined: there have been none since 2012. It would appear that most PAs are being refinanced from the loans for which they were made, and the flexibility introduced in 2008 is being used rarely and judiciously. No further change is required to the policy on refinancing and repayment.

- The second 2008 change allowed for a PA made to a grant country[15] to be deducted from a country's IDA allocation but not repaid if the operation that was being prepared did not materialize. There is no indication that this feature has ever been used.

[15] This is applicable also to a country whose borrowing status changes to IDA Grant between the time the PA was approved and the time it is refinanced.

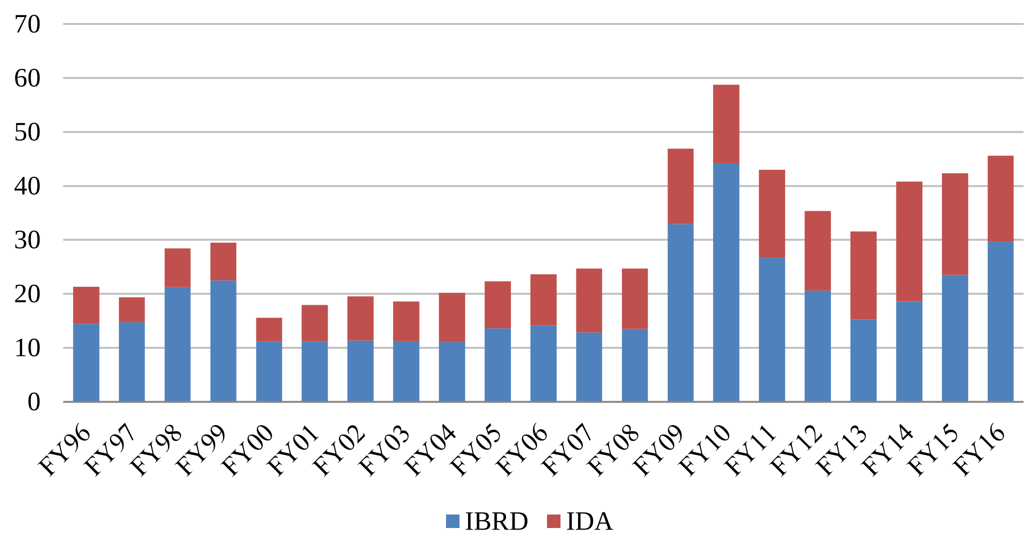
III. New Requirements

A. Commitment Authority

24. Recent developments make it necessary to consider a significant increase in the PPF's commitment authority and to enhance its operational flexibility: (a) increases in lending volume, particularly in IDA; (b) growing Regional demand for project preparation resources, especially in AFR; (c) the IDA18 scale-up and doubling of resources for FCS countries; and (d) the scarcity of other resources for project preparation. In addition, the programmatic approach for project preparation that Management proposes in this paper will exert additional pressure on the commitment authority.

25. ***Lending Volumes.*** In 1996, the last time the PPF's commitment authority was increased, IBRD/IDA total lending volume was just under $21.4 billion ($14.5 billion IBRD/$6.9 billion IDA). In 2016, IBRD/IDA total lending volume was almost $45.8 billion ($29.7 billion IBRD/$16.1 billion IDA), more than twice the 1996 volume (see Figure 3). Current projections are that the IDA lending volume could reach $22.7 billion in FY20, the final year of IDA18, more than three times the IDA volume in 1996. At the same time, the number of new projects per year has stayed more or less constant, but borrowers are increasingly demanding larger, multisectoral, and cross-cutting operations.

Figure 3. IBRD/IDA Lending Volumes, FY96-FY16 ($ billion)



26. ***Regional Demand.*** Regional allocations were modified in FY15 to help AFR meet borrowers' increased demand for project preparation funds; however, this demand has continued to grow more rapidly than the reflows from refinanced/repaid PAs. In October 2016, the MD&COO agreed to a temporary reallocation of commitment authority from PPF reserves and other Regions to AFR and SAR to enable them to meet their requirements for FY17. AFR is already bumping up against the new limit, and new requests for PAs are again being wait-listed in anticipation of funds that will be freed up from PA reflows. As Table 7 shows, the PPF's current

utilization rate is 80.7 percent, assuming reflows[16] of approximately $26.3 million materialize in the next three months. Without the reflows, the utilization rate hits 89.7 percent, leaving Regions very little space to take on any new commitments within their individual ceilings.

Table 7. Utilization Rate, Commitment Authority*

Factor	*($ millions)*	*(% of CA*)*
Current active portfolio**	178.2	
AFR PAs cleared but not yet in active portfolio	57.2	
AFR PAs in process	17.8	
SAR PAs cleared but not yet in active portfolio	7.1	
Total committed	**260.2**	**89.7%**
Estimated reflows in next 3 months	(26.3)	
Total committed after reflows	**233.9**	**80.7%**

* Commitment authority (CA) is $290 million.
** Current active portfolio includes signed, effective, or disbursing PAs (in Annex C) and repaying PAs ($35.0 million).

27. ***IDA18 Scale-up.*** Anticipating a significant increase of resources in IDA18, all Regions are building their pipeline of projects. Even the Regions that have used negligible amounts of PPF funding in recent years are starting to receive and consider PA requests. Following the temporary reallocation referred to in paragraph 26, allocations for EAP, LCR, and MNA are so small there is no capacity to authorize more than a few PAs, even in very small amounts. An increase in commitment authority is essential for Regions to build and deliver their IDA18 pipeline. Moreover, as resources for FCS under IDA18 will double, it is likely that requests for PAs from FCS countries will increase both in number and in dollar amounts requested. Of the 69 PAs that are active today, 23 are in 13 of the 29 IDA-eligible FCS countries[17] and make up 30 percent of the active PA portfolio ($43 million).

28. ***Other Sources of Preparation Funds.*** While project preparation activities are considered essential to project readiness for disbursement, the availability of preparation funds outside the PPF is limited. A recent SD review of project preparation funding available to borrowers found that of the 664 IBRD/IDA trust funds that were active as of June 30, 2016, only 37 provided any project preparation grants to recipients in FY12-FY16. The total grant amount from all 37 was approximately $250 million—supporting the preparation of 183 projects, of which only 35 percent were IBRD/IDA projects. Preparation grants were highly concentrated in a few sector- or thematic-specific trust funds, with a notable concentration on the environment, natural resources, and climate change. Excluding two trust funds that specifically supported carbon finance, about 10

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[16] Reflows are the amounts returned to the PPF "pool" when the PA is refinanced or repaid. There is considerable uncertainty around reflows, and amounts are estimated under the assumption that 50% of PAs will actually be refinanced and the financing date for the other 50% will be extended.

[17] From "Harmonized List of Fragile Situations FY17." Of the 23 PAs in FCS, 19 are in AFR, 3 are in EAP and 1 is in SAR.

trust funds accounted for 86 percent of all recipient-executed preparation grants in FY12-FY16—about $145 million over five years, an average of $29 million per year.[18]

29. While this amount may not capture all preparation grants made or available through trust funds, it is a substantial drop from previous years, when the project preparation window of the technical assistance program of the Japan Policy and Human Resources Development Fund provided significant grant resources. This window was discontinued in FY09, but during the preceding eight years it had granted $384.5 million for project preparation, an average of $48 million per year.

30. Some recently established trust funds and a few older ones do include a focus on project preparation, but this is not their primary objective (see Box 3 for some examples). It is too early to comment on the actual use of these new sources for project preparation by borrowers. But because most of them are mandated to support specific sectors/themes, they are not a perfect substitute for the PPF, which can support any sector/theme in any IBRD/IDA borrower country.

Box 3. Trust Funds Providing Financing for Preparation

Quality Infrastructure Partnership (effective August 2016)—with a capital contribution of $40 million from Japan over four years—will provide grants up to $700,000 per project for the preparation and implementation of infrastructure projects managed by four GPs.

Global Infrastructure Facility (April 2015)—with an initial capital contribution of $95 million—will facilitate the preparation and structuring of complex infrastructure projects through public-private partnerships (no cap on grant size).

Global Facility for Disaster Reduction and Recovery (2006) started providing recipient-executed grants for project preparation in 2014.

Global Agriculture and Food Security Program (2010) began offering project preparation grants in 2016.

B. Programmatic Approach

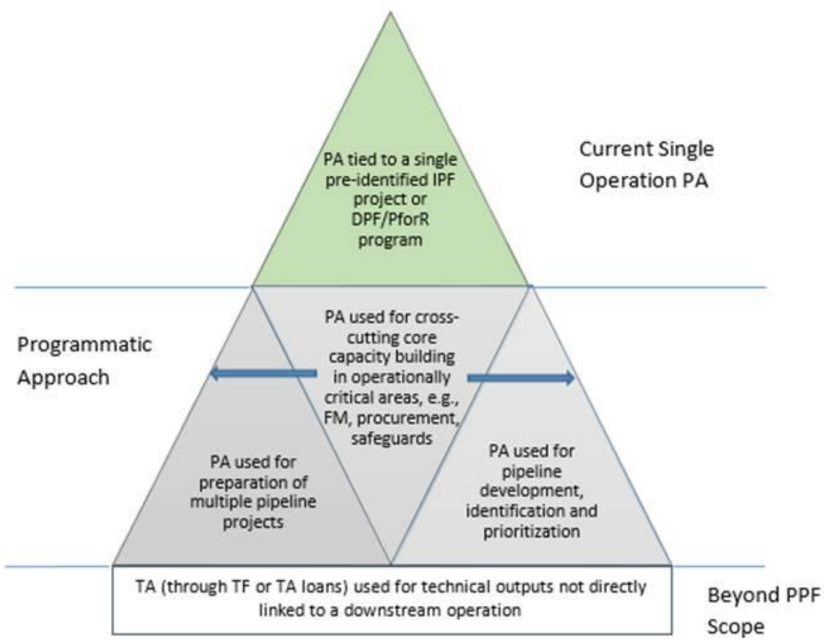
31. The development needs of borrowers no longer fit neatly into the traditional concepts of project preparation and project implementation. Enhancing the scope of the PPF by including a programmatic approach would allow the Bank to support borrowers in developing cross-cutting capacity for program/project development and implementation, especially in environments of weak capacity. The substantive increase in IDA18 resources for FCS provides important opportunities for the Bank but also brings significant reputational and fiduciary risks. The programmatic approach can provide an important mechanism to help borrowers address weak capacity, limited data, and inadequate fiduciary and monitoring systems. A programmatic PA could also be used in FCS and other countries to support the rollout of the Bank's new procurement framework and the forthcoming environmental and social framework, and to provide borrowers with targeted support for the adoption and implementation of these new frameworks.

[18] While this review considered all trust funds, and not just those related to SD, there were limitations in data collection and the numbers presented here should be considered indicative rather than conclusive.

32. Until now, PPF PAs have been used to undertake preparatory activities for a single pre-identified operation. To help prepare the pipeline operation, these PAs typically finance goods and consulting services related to activities such as technical studies, engineering design, safeguards requirements, and institutional strengthening, as well as limited implementation. However, the Bank works in environments where (a) a specific operation may not be readily identified at the outset and the borrower needs help to clearly identify and prioritize a pipeline of operations, and (b) institutional strengthening of various cross-cutting functions may be critical to help prepare and implement projects in the Country Partnership Framework.

33. ***Added Flexibility.*** The programmatic approach would introduce the flexibility of using a *single PA* to support the *identification and preparation of multiple projects* in the pipeline and/or to *strengthen institutions to better prepare future projects*, in a specific country.[19] A programmatic PA would support broader and less project-specific capacity building to address wide-ranging project preparation needs in operationally critical areas (e.g., financial management, procurement, safeguards), or across sectors, essentially helping to build capacity for future projects and other activities. The programmatic approach stays within the realm of project preparation, but is not limited artificially to the traditional single project concept (see Figure 4 and Box 4).

Figure 4. Options for Accessing the PPF with Proposed Changes



34. ***Efficiency.*** By providing for up-front approval of a single PA that can be used to support the preparation of multiple projects in a country, the programmatic approach also aims to increase efficiency in the use of the PPF by (a) reducing the transaction costs of accessing preparatory resources for multiple projects, and (b) strengthening critical cross-cutting functions that affect project preparation and implementation. Thus the programmatic approach will fill an important gap by providing targeted, yet flexible and adaptable, TA that will help borrowers—particularly

19 The programmatic approach would not be available for regional operations.

FCS countries—develop a strong pipeline of operations and strengthen their ability to prepare and implement those operations.

35. ***Parameters.*** Under a programmatic PA, eligible activities would include, among other things, capacity building in the areas of fiduciary, social, and environmental management, external resources management, project planning and monitoring, and formulation of sectorwide strategy documents—in essence, activities that would help borrowers systematically identify priority operations, ensure the readiness of the implementing entities to undertake specific operations, and strengthen cross-cutting agencies that affect the quality of external resource planning, implementation, and monitoring.

Box 4. Scope for Usage of PPF—An Illustration

Taking the example of an investment operation supporting a wastewater treatment plant in a given country, the following illustrates how various options under the PPF could be used in the spectrum of support the Bank can provide to borrowers.

1. ***Currently available single-operation PA:*** The PA funds the *feasibility study for the wastewater treatment plant* that is likely to be financed through a pre-identified follow-on operation in the country's portfolio pipeline.

2. ***Proposed programmatic PA:*** The expanded flexibility offered through the programmatic approach would provide upstream support to the borrower that is critical in the identification and successful implementation of downstream operational projects. The following three types of activities could be funded under a programmatic PA.

(a) *Pipeline development.* The PA funds a *water and wastewater sector strategy and capacity building plan* that could lead to the identification and formulation of a downstream operation that is not yet in the pipeline but that the CMU supports investigating as part of strategic pipeline development. The counterpart agency would be the ministry responsible for water and wastewater, e.g., Ministry of Water or Ministry of Local Development.

(b) *Core strengthening.* The PA funds improvements to the *central government's audit function or procurement capacity* that will create the space for the development and delivery of a strong pipeline of operations (including, but not limited to, the wastewater treatment plant example cited). Building the capacity of agencies like the Auditor General's office, the Foreign Aid office in the Ministry of Finance, or the Planning Department, for instance, can enhance the government's capacity to support more effective design and implementation of downstream Bank-financed operations. The counterpart agency would be the appropriate central government agency, e.g., in the case of procurement capacity, the Public Procurement Regulatory Agency.

(c) *Support to multiple projects.* The PA funds *engineering designs for both the wastewater treatment plant and access roads* to the facility that would be financed under a separate roads sector operation, where complementarities/efficiencies can be gained by undertaking the activities under a single PA. The counterpart agency would be a central coordinating ministry such as the Ministry of Finance since multiple line ministries may be involved in the multiple-project PA.

3. ***Beyond the scope of the PPF:*** Support to the *public-private partnership (PPP) cell* that would facilitate PPP investments in another wastewater treatment plant for which no Bank investment (or programmatic or budgetary) financing support is envisaged downstream. The Bank has instruments other than the PPF to provide this kind of generalized support toward the creation of an enabling environment for critical infrastructure investments. The PPF is specifically designed to provide advances for downstream Bank-financed operations while other instruments – such as trust funded TA or a TA loan – are available to provide generalized TA support for technical outputs that are not directly linked to downstream Bank-financed operations.

36. Programmatic PAs would be subject to certain requirements.

- Each programmatic PA would need to be (a) aligned and consistent with the Country Partnership Framework; (b) based on a formal request from the borrower; and (c) clearly linked to a borrower strategic or thematic plan indicating evidence of commitment and probability of downstream operations. The country management unit (CMU) would endorse the programmatic approach, confirming the strong probability of one or more downstream operations and justifying the use of a programmatic PA for the specific country or sector circumstances.

- The decision to grant a programmatic PA could be made (a) before the decision on a specific Project Concept Note, or (b) when one or more operations had been identified, with or without approved Project Concept Notes.

- The PA documents would specify the country and financier (IBRD/IDA) under which the PA would eventually have to be refinanced through a specific follow-on loan or loans, or else repaid. The PAs would normally be refinanced from subsequent Bank-financed operations, using the financier selected at the time the PA was approved.[20] However, if no such operations are in effect by the time of the PA refinancing date, the borrower would be required to repay the PA from their own resources.

37. The individual limits for a programmatic PA would be the same as for a PA linked with a specific project—$6 million ($10 million for operations in FCS). Similarly, because commitment authority for programmatic PAs would be embedded in the Regional allocations, Regions would maintain the flexibility to manage their PA portfolios within the overall commitment authority without artificial restrictions. Programmatic PAs would be approved by the Country Director, consistent with the current procedures for PAs linked with a specific operation; extensions of the refinancing date would be approved by the Country Director, except that those going beyond four years would be approved by the Regional Vice President. Additional parameters and/or procedures would be developed to help manage the risk that programmatic PAs do not materialize into loans and hence impede timely reflows to the PPF—for example, periodic portfolio reviews to assess the probability of a future operation, Management actions in respect of PA extensions beyond six years without concrete evidence of a specific operation identified for refinancing, and enhanced monitoring.

38. ***Proposed Policy Modification.*** The PPF policy set out in OP 10.00, *Investment Project Financing*, links a PA with the specific project for which it is made.[21] To address borrowers' broader project preparation needs, Management proposes for Board approval a modification of the provisions related to the PPF in OP 10.00 to support the programmatic approach described here.

39. The modalities for requesting, processing, recording, and refinancing programmatic PAs are being developed in collaboration with Regional VPUs, Global Practices, WBG Financial

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20 For example, an IBRD PA would be refinanced by an IBRD loan. However, should the country status slip from Blend to IDA or IDA Credit to IDA Grant, then the new country borrowing terms would apply.

21 Paragraph 17 refers to "preparatory and limited initial implementation activities for the Project." Paragraph 18 states that "a PA is made only when there is a strong probability that the operation for which the PA is granted will be made."

Operations, the Legal Vice Presidency, and others. If the policy change is approved, guidance materials will be prepared and procedures updated to explicitly address programmatic PAs. Awareness raising will be provided to Bank staff, especially those working in FCS, and to borrowers in the context of country dialogue.

C. Enhancing the Use of the PPF

40. As part of the review of experience with the PPF and development of options for expanding its scope, the following complementary actions were identified and will be undertaken to increase the use and efficiency of the PPF and add flexibility for task teams and borrowers:

- Bank-wide awareness-raising on the availability of the PPF and its uses, including targeted outreach to CMUs and GPs.
- Provision of enhanced support on the use of the PPF to teams working in FCS countries in the context of increased IDA18 resources, as well as to teams preparing DPF, PforR, and guarantee operations.
- Review of the current PPF instructions to improve PA preparation and implementation processes, including streamlining the documentation required for approval, and clarifying existing flexibility to reallocate funds among categories and increase PA amounts during implementation.
- Development of PPF-specific guidance and templates to facilitate processing for both project-specific PAs and the proposed programmatic approach.
- Further integration of the PPF into existing operational training.
- Strengthening of internal reporting on PPF and availability of real-time information on PPF performance to manage resources.

41. ***Additional Flexibility for Guarantee Operations.*** PAs have only recently been made available for the preparation of guarantee operations. However, the experience of the Banda Gas-to-Power Project indicates a need to modify BP 10.00, *Investment Project Financing*, to recognize the unique characteristics of guarantee operations. In the Banda case, the PA to help the Government of Mauritania undertake preparatory work was requested *after* approval of the guarantee operation, thus necessitating a Management waiver of the BP 10.00 requirement that "PAs may be made for an operation at any stage *before* the Bank approves the financing for the operation." Unlike operations involving Bank loans, guarantee operations continue to be developed (i.e., prepared) and negotiated after Board approval.

42. To facilitate the use of PAs for guarantee operations and to account for these unique processing characteristics of guarantees, Management intends to clarify in BP 10.00 that for guarantee operations, PAs may be made at any time before the guarantee documents associated with the Project are signed. Relevant processing instructions and guidance materials will be updated and included in training and awareness-raising sessions on guarantee operations.

IV. Proposed Changes

43. ***Proposed Increase in Commitment Authority.*** Taking into consideration the developments described in Section III, Management proposes an increase in commitment authority of the PPF to $750 million. Management will monitor the use of the PPF and, if demand exceeds this amount, will consult with the Executive Directors on the need for a further increase.

44. Since the PPF operates as a revolving fund refinanced from subsequent loans, credits, and grants, the $750 million is a notional amount that does not require a financial set-aside. Regular reports are provided to the Executive Directors listing the PAs approved, and their amounts. The increased commitment authority will provide Regions with additional flexibility in granting PAs when needed, and in the amounts needed for preparation activities. While it is possible that the full amount of the commitment authority will not be used, there is little risk to the increase and no cost if the authority is not used. However, if Regions do not have access to sufficient project preparation funds, there is a significant risk to the Bank's ability to scale up lending in IDA countries, and particularly in FCS.

45. ***Proposed Policy Modification.*** Management proposes a modification of the PPF policy, as set out in OP 10.00, *Investment Project Financing*, to support a programmatic approach, which allows a single PA to (a) support the preparation of multiple projects in the pipeline, (b) identify projects for support, and/or (c) strengthen borrower institutions to better prepare future projects, in a specific country. PAs, including programmatic ones, will continue to be made when there is a strong probability that an operation will receive future financing by the Bank. While it is possible that programmatic PAs may not materialize into loans (hence requiring borrowers to repay the PAs from their own resources), Management considers that on balance the potential longer-term benefit of strengthening institutions to deliver better projects, particularly in FCS and weak capacity environments, outweighs this risk. (Annex D provides a summary of the proposed changes to the PPF provisions in OP/BP 10.00.)

V. RECOMMENDATION AND REQUEST FOR APPROVAL

46. It is recommended that the Executive Directors approve

(a) an increase in the commitment authority of the Project Preparation Facility from $290 million to $750 million; and

(b) a modification in the policy governing the PPF (to be set out in OP 10.00), to support a programmatic approach within the parameters described in this paper.

47. If the Executive Directors approve this recommendation, the new commitment authority will take effect from February 1, 2017, and the programmatic approach will be implemented beginning in FY18.

48. Following approval by the Executive Directors, Management will operationalize the proposed changes. The Chief Executive Officer of IBRD/IDA (who assumes the responsibilities previously held by the MD&COO with respect to the PPF) will make indicative allocations to the Regions in accordance with their expected needs, while maintaining a reserve to meet a sudden demand in any Region. Management will continue to review and, as warranted, modify these indicative allocations from time to time. Management will also update OP/BP 10.00 and the IPF Instructions to reflect the programmatic approach and the change described in paragraph 42. Guidance and training materials will be prepared and rolled out to staff beginning in FY17.

Annex A. Summary of PPF Policy Changes Approved by the Board

Year	Event
November 1975	The PPF is established with Board Approval.
December 1975	Board authorizes $5 million for the newly created PPF.
December 1976	Board approves increase to $12.5 million, effective January 1977.
March 1978	Board approves increase to $22.5 million.
October 1978	Board approves increase of individual limit from $500,000 to $1 million; advances over $500,000 can be made only after projects are pre-appraised and appear justified.
January 1979	Board approves increase to $37.5 million.
December 1979	Board approves increase to $57.5 million.
July 1980	Board approves increase to $87.5 million.
July 1981	Board approves increase to $99.5 million.
March 1986	Board approves increase of individual limit from $1 million to $1.5 million.
July 1987	Board approves increase to $155 million.
September 1991	Board approves increase to $190 million.
October 1992	Board approves increase to $220 million.
September 1993	Board approves increase of individual limit from $1.5 million to $2 million, and in special circumstances to $3 million for loans exceeding $200 million.
December 1994	Board approves increase to $250 million.
August 1996	Board approves increase to $290 million.
February 2007	Under the auspices of a new framework for rapid Bank response to crises and emergencies, Board approves an individual PA limit of $5 million to cover start-up emergency response activities; and to reflect the debt sustainability framework adopted under IDA14, Board approves the provision of PAs on grant terms in emergency situations to countries in distress that are eligible for IDA grants only.

Year	Event
July 2008	Board approves increase of individual limit to $3 million. Board approves refinancing of a PA from the proceeds of *any* loan or loans to the country. Board approves waiving service charges on PAs made to a recipient country that is classified as "red light" on the date of approval of the PA. Board approves waiving requirement for repayment of PAs made to "red light" countries when a loan fails to materialize.
April 2013	Board approves doubling of individual limit from $3 million to $6 million, and for operations in FCS, from $5 million to $10 million.
December 2013	Board approves use of PA for guarantee operations.

ANNEX B. PPF COMMITMENTS, FY96-FY16

	IBRD		***IDA***		***Total***	
Year	***No.***	***Amount ($)***	***No.***	***Amount ($)***	***No.***	***Amount ($)***
FY96	27	24,338,300	95	65,258,500	122	89,596,800
FY97	31	32,256,000	78	59,680,000	109	91,936,000
FY98	27	30,802,000	69	59,059,050	96	89,861,050
FY99	19	25,806,100	74	58,835,000	93	84,641,100
FY00	12	10,350,000	87	61,825,930	99	72,175,930
FY01	10	10,574,518	57	40,079,718	67	50,654,236
FY02	12	8,415,633	58	41,173,360	70	49,588,993
FY03	4	4,472,000	47	34,694,038	51	39,166,038
FY04	7	8,559,921	85	60,286,170	92	68,846,091
FY05	12	14,138,687	53	50,195,980	65	64,334,667
FY06	11	13,569,200	69	51,017,189	80	64,586,389
FY07	5	5,345,100	49	41,025,492	54	46,370,592
FY08	7	8,003,550	43	51,657,728	50	59,661,278
FY09	4	3,653,000	51	70,880,176	55	74,533,176
FY10	9	13,563,000	43	87,468,153	52	101,031,153
FY11	3	7,000,000	41	54,259,106	44	61,259,106
FY12	2	2,532,000	39	65,412,585	41	67,944,585
FY13	0	-	34	60,833,868	34	60,833,868
FY14	3	5,740,000	48	120,768,630	51	126,508,630
FY15	4	7,429,500	57	106,793,116	61	114,222,616
FY16	3	10,711,000	45	104,420,938	48	115,131,938
Grand Total	**212**	**247,259,509**	**1222**	**1,345,624,727**	**1434**	**1,592,884,236**

ANNEX C. ACTIVE PORTFOLIO

Financier	*Loan number*	*Project ID*	*Loan name*	*Country*	*Region*	*Original approved amount (US$)*	*Approval date*
IDA	Q9010	P145054	CASA-1000 Project	**Afghanistan**	SAR	3,000,000	01/23/2014
IDA	V0150	P154807	Regional Disease Surveillance Systems Enhancement	Africa	AFR	1,900,000	04/11/2016
IDA	Q9970	P150220	Weather and Climate Services Regional Project	Bangladesh	SAR	1,690,000	03/16/2016
IDA	Q9980	P147014	Public Investment Management and Governance Support Project	Benin	AFR	1,000,000	01/13/2016
IDA	V0080	P149117	Cross Border Tourism & Competitiveness Project	Benin	AFR	2,000,000	02/05/2016
IDA	Q9960	P151832	Transport and Urban Infrastructure Development Project	Burkina Faso	AFR	3,136,184	11/05/2015
IDA	Q9820	P155121	Economic Governance and Citizen Engagement Project	Burkina Faso	AFR	1,000,000	07/24/2015
IDA	Q9610	P143307	Regional Great Lakes Integrated Agriculture Development Project	**Burundi**	AFR	1,000,000	01/28/2015
IBRD	P4800	P152755	Electricity Transmission and Reform Project	Cameroon	AFR	3,500,000	10/04/2016
IDA	Q9910	P154908	Livestock Development Project	Cameroon	AFR	2,978,930	10/09/2015
IDA	V0100	P156210	Inclusive Cities Program	Cameroon	AFR	1,970,000	03/02/2016
IDA	V0230	P154482	Sahel Irrigation Initiative Support Project	**Chad**	AFR	605,258	05/18/2016
IDA	Q9260	P143307	Regional Great Lakes Integrated Agriculture Development Project	**Congo, Democratic Republic of**	AFR	2,000,000	07/11/2014
IDA	Q9490	P149233	Quality and Relevance of Secondary and Tertiary Education Project	**Congo, Democratic Republic of**	AFR	2,000,000	01/20/2015

Note: Includes active PAs that have been signed, become effective, and/or are disbursing; does not include PAs that are in repaying status. Countries identified as FCS in the Harmonized List of Fragile Situations for FY17 are in bold.

Financier	***Loan number***	***Project ID***	***Loan name***	***Country***	***Region***	***Original approved amount (US$)***	***Approval date***
IDA	Q9750	P151083	Great Lakes Trade Facilitation	**Congo, Democratic Republic of**	AFR	600,000	06/01/2015
IDA	V0350	P156208	Electricity Access and Services Expansion	**Congo, Democratic Republic of**	AFR	3,500,000	10/06/2016
IDA	V0020	P152910	Education Sector Support Project	Congo, Republic of	AFR	3,000,000	12/23/2015
IBRD	P4750	P132824	eGabon	Gabon	AFR	5,000,000	11/03/2015
IBRD	P4770	P157473	Statistical Development Project	Gabon	AFR	3,750,000	07/07/2016
IDA	Q9700	P152670	Sankofa Gas Project	Ghana	AFR	2,000,000	03/12/2015
IDA	V0050	P155876	West Africa Regional Communications Infrastructure Project	**Guinea-Bissau**	AFR	6,000,000	01/13/2016
IBRD	P4740	P148775	Capacity Augmentation of the National Waterway I	India	SAR	3,500,000	05/18/2015
IDA	Q9420	P149340	Nagaland Health Project	India	SAR	1,000,000	10/17/2014
IDA	Q9240	P150308	Citizen-Centric Service Delivery Reform Assam	India	SAR	2,000,000	07/28/2014
IBRD	P4780	P159427	West Bengal Institutional Strengthening of Gram Panchayats Project II	India	SAR	4,500,000	06/17/2016
IDA	V0090	P149129	Devolution Support Project	Kenya	AFR	1,900,000	02/12/2016
IDA	V0240	P151004	Rural Roads Project	Kenya	AFR	2,000,000	05/23/2016
IDA	V0060	P151831	Youth Employment and Opportunities	Kenya	AFR	2,158,000	01/08/2016
IDA	Q9870	P153349	National Agricultural and Rural Inclusive Growth Project	Kenya	AFR	2,000,000	09/07/2015

Note: Includes active PAs that have been signed, become effective, and/or are disbursing; does not include PAs that are in repaying status. Countries identified as FCS in the Harmonized List of Fragile Situations for FY17 are in bold.

Financier	*Loan number*	*Project ID*	*Loan name*	*Country*	*Region*	*Original approved amount (US$)*	*Approval date*
IDA	V0340	P159632	Connectivity Project	**Kiribati**	EAP	600,000	10/07/2016
IDA	V0070	P152398	Public Sector Modernisation Project	Lesotho	AFR	1,000,000	02/02/2016
IDA	V0110	P155229	Transport Infrastructure and Connectivity Project	Lesotho	AFR	5,000,000	02/25/2016
IDA	V0190	P155658	Southern Africa Tuberculosis and Health Systems Support Project	Lesotho	AFR	500,000	04/05/2016
IDA	Q9160	P148352	Land Administration	**Liberia**	AFR	416,950	07/02/2014
IDA	V0010	P150116	Public Sector Performance Project	**Madagascar**	AFR	2,000,000	12/29/2015
IDA	Q9790	P153370	Second South West Indian Ocean Fisheries Governance and Shared Growth Project	**Madagascar**	AFR	4,000,000	07/01/2015
IDA	Q9860	P153205	Lilongwe Water Project	Malawi	AFR	3,000,000	07/28/2015
IDA	V0200	P155658	Southern Africa Tuberculosis and Health Systems Support Project	Malawi	AFR	465,140	03/31/2016
IDA	Q9760	P149494	Dakar-Bamako Railway Improvement Project	**Mali**	AFR	2,000,000	06/18/2015
IDA	Q9690	P151909	Economic and Environmental Rehabilitation of the Niger River	**Mali**	AFR	2,000,000	03/19/2015
IDA	V0170	P154482	Sahel Irrigation Initiative Support Project	**Mali**	AFR	599,373	04/18/2016
IDA	V0330	P160505	Rural Mobility Project	**Mali**	AFR	1,000,000	09/21/2016
IDA	V0410	P160096	Pacific Resilience Program – Phase II	**Marshall Islands**	EAP	500,000	11/14/2016
IDA	Q9930	P107940	Banda Gas-to-Power Guarantee	Mauritania	AFR	4,000,000	10/12/2015
IDA	Q9900	P149620	Agriculture and Natural Resources Landscape Management Project	Mozambique	AFR	3,740,100	10/22/2015

Note: Includes active PAs that have been signed, become effective, and/or are disbursing; does not include PAs that are in repaying status. Countries identified as FCS in the Harmonized List of Fragile Situations for FY17 are in bold.

Financier	*Loan number*	*Project ID*	*Loan name*	*Country*	*Region*	*Original approved amount (US$)*	*Approval date*
IDA	V0130	P155658	Southern Africa Tuberculosis and Health Systems Support Project	Mozambique	AFR	635,048	03/18/2016
IDA	V0250	P158249	Power Efficiency and Reliability Improvement Project	Mozambique	AFR	2,000,000	05/16/2016
IDA	V0290	P156797	Livestock Sector Innovation Project	Nepal	SAR	497,975	07/07/2016
IDA	V0180	P154482	Sahel Irrigation Initiative Support Project	Niger	AFR	503,905	04/12/2016
IDA	V0270	P159761	Mineral Sector Support for Economic Diversification Project	Nigeria	AFR	2,000,000	07/14/2016
IDA	Q9940	P146469	Growth and Export Development	Senegal	AFR	5,000,000	10/20/2015
IDA	Q9770	P149494	Dakar-Bamako Railway Improvement Project	Senegal	AFR	2,000,000	06/18/2015
IDA	V0280	P154482	Sahel Irrigation Initiative Support Project	Senegal	AFR	589,000	06/28/2016
IBRD	P4760	P155642	Third South West Indian Ocean Fisheries Governance and Shared Growth Project	Seychelles	AFR	1,211,000	04/11/2016
IDA	V0040	P153437	Smallholder Commercialization and Agribusiness Development Project	**Sierra Leone**	AFR	978,000	02/24/2016
IDA	V0210	P127187	Health Rapid Results Project	**South Sudan**	AFR	4,000,000	05/06/2016
IDA	Q9460	P130119	Agriculture Development and Food Security Project	**South Sudan**	AFR	900,000	12/05/2014
IDA	Q9090	P143975	Institutional Development and Capacity Building Project	**South Sudan**	AFR	2,500,000	04/11/2014
IDA	Q9320	P145581	Energy Sector Technical Assistance Project	**South Sudan**	AFR	2,000,000	10/06/2014
IDA	V0500	P153370	Second South West Indian Ocean Fisheries Governance and Shared Growth Project	Southern Africa	AFR	1,100,000	10/27/2016
IBRD	P4730	P151433	Private Sector Competitiveness	Swaziland	AFR	429,500	05/21/2015

Note: Includes active PAs that have been signed, become effective, and/or are disbursing; does not include PAs that are in repaying status. Countries identified as FCS in the Harmonized List of Fragile Situations for FY17 are in bold.

Financier	*Loan number*	*Project ID*	*Loan name*	*Country*	*Region*	*Original approved amount (US$)*	*Approval date*
IDA	Q9800	P150816	Nurek Hydropower Rehabilitation Project Phase I	Tajikistan	ECA	5,000,000	07/31/2015
IDA	V0220	P158298	Strengthening Critical Infrastructure against Natural Hazards	Tajikistan	ECA	2,500,000	05/05/2016
IDA	Q9740	P150523	Resilient Natural Resource Management for Growth	Tanzania	AFR	2,500,000	05/13/2015
IDA	V0310	P150361	Second Water Sector Support Project	Tanzania	AFR	1,724,100	11/01/2016
IDA	V0490	P159395	Telecommunications and ICT Development Project	**Tuvalu**	EAP	750,000	11/08/2016
IDA	V0160	P154482	Sahel Irrigation Initiative Support Project	Western Africa	AFR	1,000,000	03/28/2016
IDA	Q9880	P154683	Mining and Environmental Remediation and Improvement Project	Zambia	AFR	1,200,000	08/24/2015
IDA	V0140	P155658	Southern Africa Tuberculosis and Health Systems Support Project	Zambia	AFR	610,000	03/14/2016

Note: Includes active PAs that have been signed, become effective, and/or are disbursing; does not include PAs that are in repaying status. Countries identified as FCS in the Harmonized List of Fragile Situations for FY17 are in bold.

ANNEX D. SUMMARY OF CHANGES PROPOSED TO OP/BP 10.00

Current text	Modified text	Explanation
OP 10.00 paragraphs on Preparation Advances from the Project Preparation Facility		
17. The Bank may make a preparation advance ("Preparation Advance" or "PA") from the Project Preparation Facility ("PPF") to a Borrower listed in paragraph18 to finance: (a) preparatory and limited initial implementation activities <u>for the Project</u>; 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.	17. The Bank may make a preparation advance ("Preparation Advance" or "PA") from the Project Preparation Facility ("PPF") to a Borrower listed in paragraph18 to finance (a) preparatory and limited initial implementation activities <u>for the Project or Projects</u>; (b) preparatory activities for operations to be financed by Development Policy Financing or Program-for-Results Financing; and/or (c) activities that strengthen borrower institutions required to carry out the Project(s) or operations. 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.	*Addition of "or Projects" and new item (c) to allow for programmatic approach.*
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. <u>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</u> <u>support the operation for which it is granted</u>. 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	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. <u>A PA is made only when there is a strong probability that ~~the~~ an operation will receive future financing by the Bank; ~~for which the PA is granted will be made, but~~ however, granting a PA does not obligate the Bank to provide such financing ~~support the operation for which it is granted~~</u>. Once approved, a PA is treated as a Bank Loan under Investment Project Financing. The PA may be refinanced from the proceeds	*Changes to allow for programmatic approach.*

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.	of any Bank Loan. If ~~such~~ a 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.	
BP 10.00 paragraphs on Preparation Advances from the Project Preparation Facility		
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.	11. One or more PAs may be made for an operation at any stage before the Bank approves the financing for the operation, or in the case of PAs made for a Bank guarantee, at any stage before the guarantee documents associated with the Project are signed, 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.	*Clarifies that PAs may be made for guarantee operations after Board approval but before finalization of guarantee documents.*