Folder Title:	Development Economics and Chief Economist [DEC] - Policy Review Committee - PRC/s/C/74-17, PRC/C/74-17
Folder ID:	30019980
Series:	Secretariat's Copies of Policy Papers and Minutes of Policy Review Committee Meetings and of Staff Review Meetings
Dates:	10/06/1974 – 03/05/1975
Subfonds:	Records of the Office of the Vice President, Development Policy (VPD) and the Development Policy Staff
Fonds:	Records of the Office of the Chief Economist
ISAD Reference Code:	WB IBRD/IDA DEC-01-14
Digitized:	06/12/2023

Policy Review Committee : PRC/s/C/74-17
PRC/C/74-17

FORM NO. 678
(7-73)

CONFIDENTIAL

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

POLICY REVIEW COMMITTEE

PRC/s/C/74-17

November 6, 1974

CO-FINANCING PRACTICES AND POTENTIAL

The paper on Bank Group "Co-financing Practices and Potential," prepared by the Policy Planning and Program Review Department, is distributed for information. Comments in writing should be sent to Mr. Arthur H. House, Room D-441, by close of business, November 20, 1974.

Frank Vibert
Secretary
Policy Review Committee

Distribution:
Vice President - IFC
IBRD Department Directors
Chief Economists
Program Coordinators

CO-FINANCING PRACTICES AND POTENTIAL

Policy Planning and Program Review Department
Policy Planning Division
November 5, 1974

TABLE OF CONTENTS

I. Introduction

1. Financing of development projects by co-financing partners (official bilateral aid agencies, multilateral aid agencies, and export credit agencies) in association with the Bank Group has become a significant channel of capital to the third world. Such co-financing has evolved from the rate of about one operation per year during the 1950's to more than 50 operations per year in several sectors. As the number and diversity of co-financed projects have increased, the Bank has considered from time to time whether to codify and standardize its co-financing methodologies.[1/] Each time the Bank has concluded that both increased volume and efficacy of lending to developing countries required considerable flexibility to adapt co-financing arrangements to each project.

2. The volume of co-financing has also become quite significant. From FY56-68, co-financiers channeled $1.4 billion to developing countries in association with the World Bank.[2/] The amount doubled during the five years FY69-73.[3/] If $2.8 billion in co-financing accompanied $12.8 billion of IBRD/IDA lending during FY69-73, a similar proportion would be $6.5 billion

---

1/ Annex 1 to this paper is a note on previous Bank discussions concerning co-financing.

2/ The data in this paper for the FY56-68 period are taken from work on co-financing prepared for the Pearson Commission Report, Sec M69-541 of December 12, 1969.

3/ The data for FY69-73 are from those sources of co-financing identified in Bank Appraisal and President's reports as part of project financing. In some cases, such identification is less precise than others: public utility companies and development finance companies, for example, normally have several sources of external capital available concurrently with the Bank's financing but not included within the defined project.

in co-financing with $29.8 billion IBRD/IDA lending (excluding the net oil exporting countries) during FY74-78. The following tables indicate the division by sectors of co-financing from FY69-73:

Table 1: Total Co-financing by Sectors FY69-73[1/]

	Amount of Co-financing				
Sectors[2/]	Official Bilateral $m	Multilateral $m	Export Credit $m	Total $m	Percentage
Agriculture	249.0	21.8	0.1	270.9	9.7
Industry	148.3	138.8	713.0	1,000.1	35.7
Basic Infrastructure	549.2	130.1	806.3	1,485.6	53.0
Social Sector	26.3	18.2	-	44.5	1.6
Technical Assistance	-	2.0	-	2.0	less than .1
Total	972.8	310.9	1,519.4	2,803.1	100.0

1/ Includes joint and parallel co-financing, not participations. Participation shares are included in text tables only when specifically designated.

2/ The data tables in this paper include the following sectors under basic infrastructure: power, transportation, water supply and sewerage, telecommunications, and other public utilities. Industry includes industry, tourism, and a few DFC projects subject to footnote 3 on the preceding page. Social Sector projects include education, population and nutrition, and urban development.

3. During the same period, FY69-73, a total of 256 sponsor agency operations were involved in co-financing 173 projects. The following table indicates the number and amount of co-financing operations with bilateral, multilateral and export credit agencies from FY69-73:

Table 2: Co-financing by Source, FY69-73

	Official Bilateral Aid Agencies	Multilateral Aid Agencies	Export Credit Agencies	Total
Number of Sponsor Agency Operations	125	36	95	256
Number of Bank Projects	95	36	42	173
Total Co-financing (US $million)	972.8	310.9	1,519.4	2,803.1

4. While this paper is restricted to the subject of co-financing, it should be noted that there are many other forms of cooperation and mutual support between the World Bank and other development agencies and commercial institutions. This paper concerns only the systems through which other organizations finance part of a project with the World Bank.1/ The three basic forms of co-financing are joint, parallel, and participation purchases. Although they are discussed more thoroughly in Section III and in Annex 3, the following definitions may be helpful:

a) Joint financing: The association of IBRD or IDA funds with one or more co-financiers in accordance with standard Bank procurement rules, to finance a common list of goods in a given project.

b) Parallel financing: The association of IBRD or IDA funds with one or more co-financiers to finance separate lists of goods in a given project. The list financed by the Bank is according to standard Bank procurement rules; the other list is financed according to procedures established by the co-financier.

1/ Although the Bank has not yet co-financed a program loan, it could do so.

c) Participation: The sale of part of a Bank loan or (less frequently) an IDA credit at the time a loan is made to a co-financier who then receives payment of principal and interest (or principal and service charge in the case of a credit) through the Bank or the Association.

5. Co-financing originated with the Bank seeking the participation of other financiers for costly projects, or for projects in which it wished to limit its financing to less than the required external capital. The array of co-financing techniques which have evolved offers possibilities for increasing the net flow of capital to developing countries through means other than a direct increase in the Bank's lending program. Co-financiers participate in projects which would be too expensive to finance by themselves, or for a number of other reasons, including the desire to avoid duplication of project appraisal and supervision, to coordinate roles in a given sector with the Bank, to mount an aid program without building an extensive aid bureaucracy, or to conserve scarce technical and economist manpower. Co-financing terms range from concessionary to commercial. Certain bilateral and multilateral agencies co-finance with the Bank on concessionary (or complete grant) terms, with the effect of either a larger package of concessionary assistance or a softening of overall terms.

6. In some cases, initial Bank financing of a project has encouraged export credit agency participation in countries that such agencies might otherwise be hesitant to enter.1/ This branch of co-financing has its own history of international discussion concerning the rules of participation, and some rather complex forms of export credit co-financing have evolved.

1/ Annex 2 is a background note on co-financing with export credit agencies.

Wealthier developing countries normally gain access to international capital markets while simultaneously receiving Bank project co-financing with export credit agencies.

7. The management of participation sales is a rather specialized form of co-financing;[1] a more detailed discussion has been included in paragraphs 10 through 16 in Annex 3. Participations in Bank loans are sold at the rate of interest at the time of negotiation (sales can be made below the Bank's interest rate but such sales are rare in periods of high interest rates in capital markets). The sale of participations in Bank loans has normally been a form of commercial investment for financial institutions, but as discussed in paragraph 15, participation sales can be an effective means of channeling concessionary assistance to developing countries. Sales from the Bank's portfolio have other potential advantages for the recipient country, including possible reduction of the effective borrowing rate and support for establishing the borrower's credit in financial markets.

8. In light of the increased importance of co-financing operations in the Bank's work, this paper is intended to serve these purposes:

a) To examine the record of co-financing from the three categories of sponsoring agencies to the Bank's regions and lending sectors;

b) To bring together a description of the different forms and techniques of co-financing both as a source of information

---

1/ Portions of loans sold when a loan is made are called "participations"; sales of maturities after disbursements have started are referred to as "portfolio sales."

and to ensure that different parts of the Bank are aware of practices and innovations in different regions;[1]

c) To examine some of the lessons and policy issues highlighted by this study in order to consider the prospects for increased co-financing with new sources of capital.

II. Co-financing: Forms, Sources and Experience

A. Forms of Co-financing

9. Whether a project is financed by a joint or parallel arrangement depends upon several factors, especially the preference of the co-financier. Although joint financing implies a larger administrative role for the Bank, the advantages for the recipient of a larger amount of financing through international competitive bidding usually outweigh the added burden. A project which falls into obvious "packages" or lists of procurement items is more likely to be parallel than a project with less readily defined components or less clear focus. The definition of a co-financed project in contrast to two separate but closely related projects is sometimes arbitrary. Joint financing is much easier with untied aid, and the participation of a major co-financier with tied aid requirements often necessitates parallel financing (refer to paragraph 14 below). At times the borrowing country expresses preference for a certain form, or for co-financing from a given source which itself prefers a particular form. The Bank's policy has been flexible: to design co-financing appropriate to each individual project.

1/ Given the complexity of this aspect of the paper, a separate part (Annex 3) has been prepared to describe co-financing techniques and administration.

Joint Financing

10. In joint financing,[1] IBRD or IDA funds are usually associated with one or more co-financiers to finance agreed portions of a project's procurement costs. The arrangements for all procurement conform to the Bank's standard rules for international competitive bidding. When joint financing is with a donor agency which does not tie procurement to a particular country or group of countries, joint financing can be arranged on the basis of a common list of goods open to international competitive bidding. The Bank and the co-lender provide funds in agreed proportions, or on the basis of agreement to share in a given proportion the total external financing for the project. The borrower repays each lender at the specified rate and may not reimburse one joint financier before the other.

11. Multilateral aid agencies normally provide funds to finance procurement only in their member countries.[2] When the membership of a multilateral agency is different from the Bank's there may be a problem in arranging full use of that agency's funds. Bidding is open to all the Bank's members and Switzerland, and countries outside the multilateral agency's membership may win the contracts. In practice, it is often possible to use multilateral aid agency funds in conjunction with international competitive bidding if the multilateral aid agency can finance local expenditures or to the extent that firms located in the agency's membership

---

1/ Joint financing is discussed in greater detail in paragraphs 2 and 3 of Annex 3.

2/ Regional development banks normally permit procurement in non-member countries which provide finance to that bank. The Arab Fund does not restrict procurement to members or contributors.

are successful bidders in amounts sufficient to cover the agency's participation. If the agency's membership is not the same as the Bank's, contracts won by suppliers in non-Bank member countries would be financed by the agency alone, in which case the relative shares subsequently financed by the Bank and the agency would require adjustment. Joint operations with multilateral agencies involve cooperation in administering and realizing the conditions of the project. Such cooperation is normally defined in a memorandum of understanding between the Bank and the agency covering appraisal, bidding and award of contracts, disbursement and supervision, contingencies in the event difficulties arise, and changes in the loan agreements.

12. In both joint and parallel operations, the Bank includes a "cross default" clause. Such a clause states that if the Bank's loan is suspended or prematured, the co-financier has the right to suspend or premature his loan. If the co-financier's loan is suspended or prematured, the Bank has the same right. Lately, some borrowers have suggested that the borrower be given the opportunity to find alternate financing from another source in case of suspension or prematuring, before the Bank invokes the cross-default clause.

13. There have been no joint financing operations with export credit agencies in recent years. Annex 2 gives some background and description of export credit joint financing.

Parallel Financing

14. Parallel financing[1/] refers to co-financing arrangements in which the Bank finances procurement of goods and services on a distinct list of

---

1/ Parallel financing is further discussed in paragraphs 4 through 6 of Annex 3.

goods, and a co-financier finances the procurement of another list of goods for the same project. The Bank finances its part of a parallel operation by normal international competitive bidding procedures, and the co-financier manages procurement for its share by either international competitive bidding, by restriction to membership in a regional bank or international organization, or by tied bilateral procurement. In general, tied aid increases the effective cost of projects. In line with its insistence on international competitive bidding, the Bank has always favored untied aid. In some cases where co-financiers have only tied aid to offer, the Bank seeks to ensure that there will not be unfavorable effects on the borrower by, for example, assessing the co-financier's competitiveness for the goods in question. In an "organized" parallel operation, the Bank plays an active role in establishing the participation of co-financiers and the framework within which an entire project is financed. In an "un-organized" parallel operation, the borrower manages the financial arrangements for the part of the project not covered by Bank lending. National aid agencies often finance all or most of the orders placed in their countries within the limit of a preagreed amount. Some bilateral and multilateral agencies also finance local costs. The extent of competitive bidding for procurement financed by multilateral aid agencies depends on the agencies' memberships. If procurement is not limited to such an agency's members, competition depends upon the extent to which orders placed with non-member countries' suppliers qualify for agency financing. The Bank is not involved in bid adjudication and award of contracts financed by a multilateral agency in a parallel operation.

15. Projects involving parallel financing tie the Bank and the co-financier each separately to the recipient; there is not necessarily any direct relationship between the co-financing partners. Parallel financing has the advantage of mobilizing various sources of project financing and the simplicity of identifying one financier for a given list of project costs. The Bank frequently supervises an entire project involving parallel financing. In other cases, each co-financier administers its share of the project's financial and technical requirements, thereby placing both the administrative burden and the possibility of duplicated effort on both partners. Both co-financing partners risk losing the possible advantages of coordination and shared responsibility for successful project completion. Difficulties in the non-Bank part of a parallel operation may impede the progress of the entire project.

Participation Sales

16. The sale of participations in Bank loans (or portfolio sales if made after the loan is signed) has normally been a form of commercial investment for financial institutions.1/ In two recent cases, this branch of co-financing has been used as a form of concessionary assistance. In one case, Norway made a portfolio purchase of a Bank loan on grant terms, considerably softening the project's overall financing terms; in the other, Norway purchased part of an IDA credit on grant terms.2/ When loans are sold at

---

1/ Participation sales are discussed more thoroughly in paragraphs 10 through 17 of Annex 3.

2/ The first such project was an education project in Zambia, Loan No. 900 ZA of June 6, 1973. This project is discussed further in paragraph 15 of Annex 3. This case and Norway's purchase of part of an IDA credit (Credit 422 Pak of July 19, 1973) in August of 1974 are the only instances to date of portfolio sales to a bilateral aid agency.

rates significantly below the original lending rate (or in the cases mentioned, on grant terms) the resulting benefits in loan costs accrue to the borrower.[1/] The borrower can also benefit from the sale of a participation in that such sales may help establish the recipient's credit in financial markets, or could help to promote private foreign investment in the recipient country. A co-financier could purchase part of a loan for an approved project which is ready for disbursement from the Bank, thereby enabling the co-financier to commit funds for disbursement much sooner than would be the case if the co-financier managed project preparation and appraisal on its own. Such purchases relieve the co-financier of the project's administrative burden. Although the Bank Group has had limited experience in selling parts of IDA credits, such has been done on rare occasions and is an effective way to channel concessionary assistance.

16. It is possible for a borrower to purchase part of a loan extended by the Bank. During the latter 1960's Thailand had extensive foreign exchange reserves yet wished to maintain the project assistance and advice associated with Bank lending. An arrangement was made for Thailand to purchase parts of two loans from the Bank during this exceptional period of high reserves. Such an approach may also be useful in lending to certain higher income and oil exporting countries - providing Bank technical support without requiring the use of Bank lending capacity (refer to paragraph 16 of Annex 3).

B. Sources of Co-financing

17. Co-financiers fall into four categories, each with different vantages and sets of objectives in co-financing. The co-financiers are official

---

1/ On September 14, 1959, the Executive Directors adopted Resolution No. 499 which approved report R59-12 regarding sales of loans below par.

bilateral aid agencies, multilateral aid agencies, export credit agencies, and the financial institutions which purchase participations in Bank loans. This paper considers the Bank's relations with the first three categories, participation purchases being more of a commercial transaction normally separated from project financing.1/

Co-financing With Bilateral Aid Agencies

18. Whether a co-financing operation with a bilateral aid agency is joint or parallel depends primarily on whether the agency's financing is tied or untied, and secondarily, on the nature of the project and the preferences of the agency concerned. There are several advantages to joint financing for an agency new to the field of development finance. As long as funds are not tied to procurement in the agency's country, a relatively new aid agency can use the Bank's project management from identification to supervision, participating in any step it desires according to its wishes and manpower constraints. The Bank makes available to a co-financier all technical and economic reports relevant to the project, and the co-financier can supplement this work as it sees fit. Disbursement can be managed by one of a few systems (refer to paragraph 9 of Annex 3), and it is possible for the co-financier to manage an aid program without extensive use of economists and technical manpower. The bilateral agency is nevertheless in direct contact with the recipient country during project execution and disbursement for project expenses.

19. Parallel financing is normally the result of shared interest in a project with tied aid requirements on behalf of the participating bilateral

1/ A summary table showing distribution of co-financing by sources is on page 3.

agency.[1] Usually (in practice rather than because of Bank policy), only one bilateral aid agency participates in a parallel operation. Aid agencies with small project evaluation staff and limited manpower to manage development projects often prefer joint operations. In fact, many countries with extensive aid bureaucracies find it difficult to forego steps in their standard operating procedure of managing part of a parallel operation despite duplicated efforts by such an agency and the Bank. Parallel operations with national aid agencies,like joint operations, are frequently designed to utilize a particular project or country expertise of the Bank or the co-financier to the benefit of the whole project.

20. Some aid agencies with untied funds have concluded general loan administration agreements with the Bank as a framework for governing relations in co-financing operations. To date the Bank has such agreements with Norway and Sweden and is discussing a possible agreement with Germany. In all joint financing operations, the Bank's relations with the recipient are set forth in a loan agreement, and the co-financier has its own relationship with the borrower. In some cases, a tripartite agreement among the Bank, the co-financier, and the recipient is concluded.[2]

21. Joint financing with official bilateral aid agencies has tended to serve the objectives of both new aid agencies seeking to compensate

---

1/ Some bilateral agencies also like to have an identifiable "share" of a project in physical as well as financial terms.

2/ The normal provisions of such tripartite agreements are discussed in paragraph 3 of Annex 3.

for lack of aid administration experience, and of sophisticated aid agencies seeking to enjoy various external economies of a loan administration agreement with the Bank. In the latter case, a co-financier can use its link with the Bank to contribute financing for larger projects than would otherwise be possible, and to participate in more diverse involvement in countries of aid concentration for the donor.1/ The agreement with Norway confirms its intention to provide financing on an untied grant basis, and to relieve debt burden (and soften terms) by participation on joint financing for projects for which IBRD/IDA financing has not yet been arranged, or by portfolio purchases of parts of loans or credits at any time subsequent to their signing.

22. During the twelve years FY56 through FY68, official bilateral agencies channeled $1.05 billion to development projects in co-financing operations with the Bank Group. From FY69 through FY73, there were 125 bilateral co-financing operations amounting to $970 million. The following tables shows the distribution by donors and recipient regions of co-financing during FY69 through FY73.

1/ Norway has identified the areas of rural development, small industries, education, population and nutrition as those in which cooperation with the Bank would be most desirable.

Table 3: Distribution by Sponsor Agencies and Recipient Regions of Official Bilateral Co-financing FY69-73 (in U.S. $ millions)

Donor Country	L.A.C.	W. Africa	E. Africa	EMENA	Asia	Total	Percentage of Total
United States	None	44.6	31.4	41.8	88.2	206.0	21.2
Canada	6.7	8.8	54.2	None	103.2	172.9	17.8
Sweden	None	5.0	75.1	13.3	29.8	123.2	12.7
France	None	65.8	1.8	2.4	43.0	113.0	11.6
Japan	None	None	None	None	68.4	68.4	7.0
Italy	None	1.7	None	None	40.0	41.7	4.3
United Kingdom	7.5	0.2	4.1	0.6	28.9	41.3	4.2
Germany	1.8	3.9	0.6	12.4	8.1	26.8	2.8
Kuwait	None	None	11.0	15.6	None	26.6	2.7
Australia	None	None	None	None	6.6	6.6	0.7
Norway	None	None	2.0	None	None	2.0	0.2
Others	None	None	0.6	1.9	9.5	12.0	1.2
Unidentified	None	5.9	None	None	126.4	132.3	13.6
Total	16.0	135.9	180.8	88.0	552.1	972.8	100.0
Region's share of co-financing during FY56-68	7.3%	8.7%	3.3%	1.7%	79.0%	100%	
Region's share of co-financing during FY69-73	1.6%	14.0%	18.6%	9.0%	56.8%	100%	

Source: Appendix Table II

23. Over 20 percent of total bilateral co-financing during FY69-73 was from the United States, which had a relatively large share of the total amounts in each region except for Latin America and the Caribbean. Although the Bank has loan administration agreements with Norway and Sweden, as Table 3 shows, most co-financing with official bilateral agencies has been outside such formal agreements.

24. There was negligible official bilateral agency co-financing during FY69-73 in the LAC region while during the same period it received 75 percent of total export credit agency co-financing (refer to paragraph 44). Over half the total bilateral agency co-financing was in the Asia region (57 percent), it being the largest recipient area from the United States, Canada, Japan, Italy and the United Kingdom. East Africa's share of this kind of co-financing rose from very little to nearly 20 percent from FY56-68 largely because of increased Canadian and Swedish assistance.

25. Appendix Table III shows that over half of the number of donor operations and value of official bilateral co-financing was in basic infrastructure. The distribution of this form of co-financing by sectors was as follows:

Table 4: Distribution of Official Bilateral Co-financing During FY69-73 By Sectors

Sector	Number of Sponsor Agency Operations	Percentage of Total Bilateral Co-financing
Agriculture	32	25.6
Industry	12	15.2
Basic Infrastructure	75	56.5
Social Sectors	6	2.7
Total	125	100.0

Co-financing With Multilateral Aid Agencies

26. Shared interest between the Bank and multilateral agencies has produced a wide variety of co-financed projects. Both regional development banks and international development organizations have joined in co-financing; the experiences with each are summarized below. During FY69-73,

10 of the 36 projects co-financed with multilateral agencies were joint operations, and 26 were parallel. Of $311 million in total co-financing, $226 million (73 percent) was joint financing, and $85 million (27 percent) was parallel. Many multilateral agencies have defined in a memorandum of understanding with the World Bank a format for cooperation in appraisal and supervision. Appraisal is normally joint, and supervision of progress of operations is sometimes delegated in its entirety to the Bank with a system for information exchange.

Past Operations With Multilateral Agencies

27. From FY56 through FY68, the Bank had $62.5 million in co-financing with multilateral agencies: about $30 million of the total was with the European Investment Bank, about $15 million with the Inter-American Development Bank, and about $15 million with the European Development Fund. During the five years FY69 through FY73, multilateral co-financing increased significantly to $311 million. As Appendix Table IV indicates, both regional development banks and United Nations agencies became more active during this period. The regional banks of course restricted lending to their respective regions. Sixty-nine percent of the Bank's co-financing with multilateral agencies was with the Inter-American Development Bank. The United Nations Development Program, although its total amount of co-financing was not large, was the partner in 17 of the 36 operations during FY69-73.

Table 5: Co-financing With Multilateral Agencies: Shares of Recipient Regions in FY56-68 and FY69-73

	Percentage Share FY56-68	Percentage Share FY69-73
Latin America	24.7	72.0
West Africa	29.7	4.7
East Africa	12.2	6.9
EMENA	33.4	6.1
Asia	-	10.2
	100.0	100.0

28. Co-financing with multilateral agencies was largely in industry and basic infrastructure, and 22 of 36 projects were in the latter category. The following table drawn from Appendix Table V indicates the distribution of numbers and amounts of co-financing by sectors:

Table 6: Co-financing With Multilateral Agencies: Project Distribution by Sectors During FY69-73

Sector	Number of Sponsor Agency Operations	Percentage of Total Multilateral Co-financing
Agriculture	3	7.0
Industry	6	44.6
Basic Infrastructure	22	41.8
Social Sectors	4	5.9
Technical Assistance	1	.6
	36	100.0

29. Co-financing has been part of the Bank's cooperation with regional development banks. The nature of such cooperation, and hence co-financing, has differed considerably among the regions. In general, the World Bank

does not have clearly defined divisions of labor with the regional banks regarding lending sectors. The Bank's lending in each country is determined in light of expected lending from regional banks. The IBRD seeks to include regional bank participation in projects requiring large amounts of capital. Occasionally, regional banks take over from the IBRD projects identified but not included in the IBRD lending program. The IBRD has consciously sought to avoid interfering with potential regional bank operations and has generally deferred to their expressed interests in projects. Regional banks have similarly respected the World Bank's interest in continued association with project agencies.

30. The Inter-American Development Bank (IDB) and the IBRD have sought to avoid duplication within sectors or for the services of a particular borrowing agency managing external assistance from either bank. The extensive development activities of the IDB, USAID, and the IBRD in Latin America have in the past led to recognized intra-sectoral specialization in certain countries; such divisions have occurred, for example, in kinds of education financed by each of these three agencies. In other areas, the presence of two large banks with both experienced staff and large capital resources occasionally has led to competition for good projects (as in the power sector) as well as to cooperation in co-financing. During FY69-73, the IDB co-financed $213 million in six projects with the IBRD. Five of the six projects were joint operations, accounting for 82 percent of co-financing with the IDB. In FY74, there was one parallel operation in Brazil; the IDB's share was $70 million.

31. The Asian Development Bank (AsDB) has developed operational experience and has increased its lending program notably in recent years.

In several countries the AsDB's lending programs are about the same size as the World Bank's lending program (India being an important exception; the AsDB does not lend to India). The AsDB had one joint financing operation of $10 million with the World Bank during FY69-73. During FY74, the AsDB co-financed two parallel operations, involving about $50 million, and indicated a preference for future operations to be parallel rather than joint.

32. Efforts to increase cooperation and exchange of views with the African Development Bank have been facilitated by its proximity to the Bank's West Africa Regional Office in Abidjan. During FY69-73 the AfDB co-financed five projects with the IBRD; all were parallel operations totaling about $8 million. Operations expanded in FY74: there were three parallel operations with $16 million in co-financing.

33. The Central American Bank for Economic Integration (CABEI) finances projects (mainly infrastructure) fostering economic integration in its region. During FY69-73, CABEI co-financed two projects with the World Bank, one joint and one parallel, contributing a total of $8.7 million. In FY74 there was a $2.3 million parallel operation.

34. During FY69-73, the Bank had three co-financing operations with European multilateral organizations. The European Development Fund (FED) co-financed two operations in Africa, both joint financing, for a total of $21 million. In one of these operations, the FED's joint financing was a grant to Somalia for a transportation project. In general, however, the FED and the Bank have both sought to strengthen their lending programs in Africa, especially in francophone Africa, and have done so separately rather than through co-financing arrangements. The European Investment Bank (EIB)

co-financed one parallel operation in Turkey, contributing $16.1 million to the project. During FY74, the EIB co-financed two large operations (parallel) in Turkey and a small one in Senegal, a total of about $120 million.

35. The United Nations Development Program (UNDP) has been a very valuable source of technical assistance for World Bank projects. During FY69-73, the UNDP co-financed 17 projects with the Bank Group, contributing almost $17 million in grant assistance. Its technical assistance has been used primarily to finance the skilled manpower locally unavailable yet required for successful project execution or to provide, as part of the project, preinvestment services for possible follow-up lending. The UNDP finances training and fellowship services with Bank projects and occasionally provides equipment or other capital costs essential to its technical assistance. Twelve of the 17 operations during FY69-73 were in basic infrastructure projects. The UNDP had co-financing operations in all regions; five were in West Africa, and four were in East Africa. All operations with the UNDP were parallel rather than joint. During FY74, the number of projects co-financed with the UNDP increased significantly to eight parallel operations involving $11 million in co-financing.

36. In addition to the UNDP, another United Nations agency to co-finance projects with the Bank has been the United Nations Fund for Population Activities (UNFPA). During FY69-73 there were two projects: one in Indonesia, and one in Malaysia. The UNFPA contributed a total of $17.5 million. The UNFPA received an extensive mandate from the United Nations to serve as the coordinating agency in the field of family planning for all United Nations specialized agencies (including the World Bank).

The relatively recent emergence of the Bank and the UNFPA in the population field, and the extensive mandate and use of investment funds by the UNFPA have placed co-financing in the context of sorting out priorities and trying to reduce competition and duplicated work while improving cooperation between the two organizations. The first co-financing project was a joint operation in Indonesia; the Bank disburses for and supervises the project. Although the project is working well from the Bank's viewpoint, the UNFPA has been less pleased with the project and has indicated its disinclination towards future joint operations. The second project, in Malaysia, began as two separate projects and was combined during appraisal into one parallel operation. In FY74, the UNFPA provided $1.2 million of parallel financing for a project in Kenya.

37. In June 1974, the Association negotiated a credit with the Government of Tanzania co-financed by the United Nations Capital Development Fund (UNCDF). The project is for rural development in the Kigoma region; the UNCDF contributed $1.5 million as a grant.

Co-financing With Export Credit Agencies

38. Export credit financing differs from bilateral and multilateral aid in that its primary goal is commercial sales rather than development assistance. Nevertheless, many development projects in the wealthier developing countries would not be possible if Bank financing were not complemented by export financing. During the 1960's the Bank assumed responsibility for enlisting participation of export credit agencies on agreed minimum terms for joint operations. These arrangements involved considerable administrative burdens for the Bank. Such co-financing was restricted to the most creditworthy borrowers with large infrastructure

projects requiring major orders for heavy equipment. This joint financing system was established through a series of meetings between the World Bank and equipment-supplying countries beginning in September 1964. There was a total of seven such projects in Brazil, Colombia and Mexico; the last one was in 1970. The debates concerning this kind of co-financing attracted much attention and strongly influenced Bank thinking about co-financing in general. A short summary of this period is included in Annex 2.

39. The project and country considerations giving rise to joint or organized parallel financing with export credit agencies include:

(a) A large project in a sector which the Bank would like to support while seeking to limit its financial involvement for reasons of overall lending policy in the country concerned.

(b) A project requiring much imported capital equipment most advantageously procured through international competitive bidding.

(c) A country whose external debt position and balance of payments warrant use of external financing on export credit terms.

(d) A recipient enterprise (if it is the borrower) recognized to be well managed and financially sound.

40. The basis of joint financing with export credit agencies is that all major potential suppliers participate according to the rules of international competitive bidding. To avoid international competitive bidding, some agencies are prepared to finance larger shares under parallel arrangements. The disinclination of a potential supplier to participate also leaves that supplier free to undercut other bids by offering more favorable terms. In 1967, the United States indicated its preference to finance export credits outside of the World Bank's framework, and therefore to compete on/ terms

for export credit co-financing (refer to Annex 2). Faced with the inability to continue joint financing, the Bank assisted the large Latin American countries to manage parallel operations on their own. After adjusting to the complexities of unorganized parallel financing, and having gained experience and sophistication in the complex process of weighing terms through direct bilateral negotiations, some Latin American countries appear to favor this system. Confirmation of such preferences was indicated when in December 1972, Brazil communicated to the Bank its decision to obtain export credits required for the Itumbiara Hydroelectric project through direct bilateral negotiations. Such parallel operations are simpler for the Bank to manage. Nevertheless, international competitive bidding associated with joint financing can offer important advantages to recipient countries. The disposition of export credit agencies to increase their shares of project costs in joint operations would render this method more attractive.

41. The Bank's role in export credit co-financing has changed fundamentally since 1970. It formerly was a positive actor in assembling joint financing participants and assuring agreement among them on minimum terms. Subsequent to 1970, the Bank has worked with recipients in unorganized parallel operations to decide which project costs would be financed by the Bank and which by export credit agencies. In such projects, the borrower assumes the responsibility of enlisting the participation of export credit agencies. The Bank has been concerned that the recipient be capable of managing the unorganized parallel part of the financing and that the finance be obtained on suitable terms. The Bank has an interest in the recipient's fair and efficient management of the other part of a parallel operation even

though it is not a party to the recipient-export credit agency negotiations and agreements. This form of co-financing has in general worked well from the Bank's vantage even though difficulties for the Bank are possible if problems arise in the unorganized parallel part of the project. The Bank has kept as close as possible to recipient management of these matters and usually receives information on bidding and contract awards, which are normally made after wide international competition. Close working contact and full exchange of information are probably the best means of assuring that the "arm's length" part of an unorganized parallel project is managed fairly and competently.

42. Some recipients of unorganized parallel export credit co-financing, largely the wealthier Latin American countries, have become skilled managers of this kind of operation. The institution building which has accompanied administration of these unorganized parallel operations has been part of a more general growth in such countries' expertise in international financial management. Export credit co-financing for the more advanced Latin American countries will probably be part of the gradual process of gaining access to international capital markets and new forms of co-financing including private investment participation appear likely. Brazil is presently discussing with supplier countries an innovative co-financing scheme for the Stage III Steel Expansion Project. Briefly, the project would be financed after bidding on a single list of procurement items; financial terms might be taken into consideration in bid evaluation. The result would be financing by major supplying countries of 100 percent of the contracts won by their suppliers, with the IBRD and the IDB financing minor supplying countries and procurement in Brazil. The project might also involve

participation by private investment banks. This kind of specialization underscores the point that recipients can play extensive roles in arranging co-financing schemes.

43. The amount of export credit co-financing with the Bank increased very sharply from $270 million during FY56-68 to $1.5 billion and 95 sponsoring agency operations during FY69-73. The following table shows the distribution by co-financing country and recipient region during FY69-73:

Table 7: Distribution by Sponsor Agency Country and Recipient Region of Export Credit Co-financing FY69-73
(in U.S. $ millions)

Donor Country	L.A.C.	W. Africa	E. Africa	EMENA	Asia	Total	% of Total
United States	309.3	none	none	65.0	none	374.3	24.6
Japan	290.8	none	none	1.9	none	292.7	19.3
Germany	69.4	.1	none	none	12.1	81.6	5.4
France	17.4	1.1	none	none	40.6	59.1	3.9
Italy	40.3	none	none	8.3	none	48.6	3.2
Canada	47.4	none	none	none	none	47.4	3.1
United Kingdom	26.6	none	none	none	none	26.6	1.8
Sweden	15.6	none	none	none	none	15.6	1.0
Others	53.9	none	none	none	24.2	78.1	5.1
Unidentified[1/]	264.2	none	19.1	145.8	66.3	495.4	32.6
Total	1,134.9	1.2	19.1	221.0	143.2	1,519.4	100.0
Region's share of co-financing during FY56-68	1.7	16.3	56.7	0.8	24.5	100.0	
Region's share of co-financing during FY69-73	74.7	less than .1	1.3	14.5	9.4	100.0	

1/ Recipient countries often do not complete arrangements for export credit financing until after the Bank has appraised a project and frequently not until well after the Bank's loan has been signed. Consequently, the data on export credit agencies includes an unidentified share of 33 percent.

Source: Appendix Table VI

44. As the table indicates, the United States and Japan together provided 44 percent of export credit co-financing. Of $1.5 billion in this kind of co-financing during FY69-73, $1.1 billion was in Latin America. As official bilateral co-financing to Latin America diminished (refer to paragraph 24), export credits to complement large industrial and infrastructure projects increased. The distribution among lending sectors was as follows:1/

Table 8: Distribution of Export Credit Agency Co-financing FY69-73 by Sectors

Sector	Percentage of Total
Agriculture	Less than 1/10 of 1 percent
Industry	46.9
Basic Infrastructure	53.1
	100.0

C. Lessons Related to the Bank's Co-financing Experience

Flexibility vs. Standardization

45. The Bank's experience with co-financing underscores the value of flexibility. Project prototypes have emerged from the Bank's increasing sophistication with certain categories of projects in certain regions, and some prototypes may be useful in planning co-financing arrangements for such projects. Examples include the unorganized parallel format used for large infrastructure projects in Latin America, the joint financing

1/ This information is from Appendix Table VII.

used in projects with loan administration agreement countries, and the parallel financing with the United Nations Development Program used to provide technical assistance in association with Bank projects. Nevertheless, the ability to tailor co-financing to each project has been extremely valuable, and the Bank should not codify or standardize co-financing methodologies.

Leverage

46. The question of degree of Bank participation in a co-financing scheme to ensure "adequate leverage" for a positive bank role in successful project implementation has arisen from time to time. However, far more important than the Bank's percentage of investment in a project are the strength of the project itself, consensus on financing provisions and the schedule and means of implementation, the relationship between the Bank and both the co-financier and the borrower, and especially the volume of the lending pipeline behind the project.1/

Additionality

47. Recipients and co-financiers frequently seek assurances that co-financing be in addition to normal lending to a recipient. For example, a co-financier providing concessionary assistance for half the cost of a planned IDA-financed project might seek assurances that the IDA funds thereby released be reallocated to the recipient, thereby making the co-financier's funds "additional" to the recipient. The additionality issue arises with both Bank and Association financing but is undeniably

---

1/ There are several examples of successful projects in which the Bank's share is a small portion of total investment. Railroad and power projects in India, for example, have had less than 15 percent Bank financing of total investment. The IFC has had a number of investment participations of less than 10 percent.

more sensitive regarding IDA allocations. The World Bank has been reticent to promise additionality because of the uncertainties concerning future projects, lending programs and IDA allocations. Nevertheless, given the insistence of both co-financiers and recipients that they receive the assurance of additionality, the Bank has done so on a number of ocassions.

Administration of Co-financing

48. The many potential advantages for the Bank, recipients and partners in co-financing operations involve administrative costs to the Bank and also entail certain risks. At present, the Bank does not systematically measure and report on the amount of co-financing associated with Bank lending. In many projects the amounts and sources of co-financing have not been determined by the time the project goes to the Bank. Staff time spent arranging co-financing is normally neither measured nor rewarded commensurately with time spent on Bank lending, hence a certain amount of reticence among Bank staff to attempt difficult co-financing operations. Both project delay and disagreement with co-financing partners have occurred, but neither has become characteristic of co-financing. Bank appraisal and project administration for co-financed projects is the same as for all projects. The extent to which co-financiers forego duplicated effort ranges from complete acceptance of Bank appraisal, disbursement and supervision to duplication. The tasks performed for the benefit of co-financiers are external economies involving more work than the Bank's share of the total financing might indicate. Moreover, the efforts to arrange co-financing (often to the benefit of recipient countries) require additional staff time. These kinds of administrative and budgetary costs should be recognized as part of the Bank's effort to support development and cooperation among development institutions.

49. There are a few practical ways to integrate co-financing with the Bank's lending procedures and to realize co-financing opportunities. One is to consider in each country and sector the potential external economies and additional financing which could be realized through co-financing operations. A systematic reference to the scope for future co-financing opportunities could be included in annual Country Program Papers. Bank Resident Representatives could be asked to enhance efforts to promote and coordinate co-financing opportunities in the field. It has been decided to create a central coordinating office under the Vice President, Finance to further co-financing opportunities with OPEC countries. Such an office could become a locus of knowledge and advice concerning this multifaceted and at times complex subject.

50. An important means of improving the administration of co-financing would be to strengthen cooperation through loan administration agreements such as those with Norway and Sweden. Such agreements offer attractions to the Bank, to the recipient, and to the co-financier. The Bank enjoys the availability of sectoral or country expertise and additional project financing among other advantages; the recipient stands to receive untied, concessionary assistance. Experience to date confirms the success of co-financing with both NORAD and SIDA. This rather sophisticated form of co-financing has led to some creative forms of project financing, such as portfolio purchases in grant form. The administration agreements have facilitated coordination of work programs between the Bank and these agencies, thereby providing both a means of fostering exchanges of studies and experiences, and a way of avoiding duplication. Such agreements make available a range of external economies: participation in identification missions, acceptance of Bank appraisal as valid assessments, and sharing supervision responsibilities. Given the Bank's responsibi-

lities to its member nations as well as the need to protect its reputation in the international financial community, it has proven easier for NORAD and SIDA to accept the Bank's external economies in such areas as project appraisal and supervision than vice-versa. Nevertheless, the Bank has developed excellent working contacts with both agencies in many recipient countries and has received information, perspective, manpower, advice, and other forms of project support recognized as valuable by Bank staff. As mentioned earlier, the Bank is discussing a possible loan administration agreement with the Federal Republic of Germany, and other agreements may be realized in the future. There are two strong arguments supporting the suggestion that more such agreements be sought. One is that recipients have benefited from the improved coordination among donors through such agreements. One borrower has noted that the Bank's working relations with NORAD and SIDA, aided by the presence of aid missions and a Bank resident representative, have lessened administration burdens from the recipient's side. A second reason is that bilateral aid agencies can free staff from more routine (appraisal and supervision) management in favor of either budget savings or greater attention to specialization and future planning. One specific means of enhancing cooperation through loan administration agreements would be to develop a "shelf" or inventory of projects within the countries and sectors of special interest to the co-financier.

Perspectives of Borrowers and Partners in Co-financing[1/]

51. The Bank, borrowers, and co-financing partners have all approached co-financing in a rather ad hoc, pragmatic fashion. Borrowers have been more concerned about the terms of co-financing and whether it is tied or untied than about administrative procedures, as long as such procedures are efficient and as simple as possible. Most recipients, if adequately consulted, are comfortable with either joint or parallel arrangements. The most attractive co-financing for borrowers is the concessionary, untied joint financing available through the Bank's loan administration agreements with NORAD and SIDA. The ideal formula for a recipient would be the latter form with part of the Bank's share replaced by participation on grant terms. In export credit co-financing, recipients in recent years have preferred unorganized parallel arrangements which permit them to consider both terms and prices simultaneously. Nevertheless, this kind of co-financing is evolving rapidly, and the interests of recipients will probably continue to prefer forms giving them the most favorable terms.

52. The conclusion of loan administration agreements with Norway and Sweden has indicated a conscious policy commitment to co-financing as a means of achieving the aid policy objectives of these two countries. Most other bilateral partners have joined in co-financing operations where convenient rather than because of a conscious policy decision in favor of this kind of development finance. Some bilateral aid agencies have in recent years sought co-financing opportunities with the Bank when such opportunities coincided with their lending objectives.

1/ The perspectives of export credit agencies have been expressed in a series of meetings and discussions summarized in Annex 2.

53. Multilateral agencies have considered co-financing with the World Bank a potential "external economy," while the extent of complementarity has varied considerably among agencies. The UNDP has been a valuable source of finance for technical assistance for Bank projects, and UNDP resident missions have assisted both co-financed projects and many others. The two co-financing operations between the Bank and the UNFPA have reflected the difficulties for establishing working relations between the two organizations. The smaller regional development banks have tended to see the World Bank has a potential source of participation in large projects otherwise beyond their own scope of financing. The IDB and the IBRD, on the other hand, are as anxious to avoid duplication as they are interested in cooperating in co-financing large projects. All co-financing partners want to be considered equals, and those smaller than the World Bank are sensitive to being viewed as under the shadow of the Bank.

III. Co-financing with New Sources of Capital

54. The net oil exporting countries of the Middle East and Venezuela will be the major new sources of development finance in the next few years. A large part of the new aid will be bilateral,[1/] but new OPEC-sponsored institutions will also become important sources of aid.[2/] Many of the donors may prefer to develop their own aid programs before becoming Part I members of IDA. In planning their expanded aid programs, some of these countries have indicated a strong interest in developing co-financing arrangements with the World Bank. There are a number of ways in which the Bank can assist the oil exporters to expand their aid program through co-financing.

1/ Appendix Table VIII contains information on commitments and disbursements of financial assistance from oil-exporting countries to developing countries.

2/ Appendix Table IX contains information on financial assistance from oil-exporting countries to primarily OPEC multilateral development institutions.

55. Some of the Arab oil exporting countries' aid agencies and investment banks have co-financed projects with the Bank. From 1971 to the present, the Kuwait Fund has co-financed $70 million in seven projects, all in North Africa or the Middle East. The Kuwait Investment Company co-financed $60 million in an Algerian port project. The Arab Fund for Economic and Social Development (the "Arab Fund") has co-financed two projects with a total of $42 million, and the Abu Dhabi Fund, the State of Qatar, the Libyan Arab Foreign Bank have each co-financed one project. Future operations with Iran and with Saudi Arabia are possible.

56. Although the intended recipients of aid from oil exporting countries are still undertain, some direction is evident. Venezuela will primarily finance projects in Latin America. The Arab countries have several levels of priority. Their first concern will be other non-oil exporting neighbors in the Middle East. The second priority has been in North Africa extending down into Sub-Saharan Africa. The oil exporters have indicated that their assistance will extend beyond the more geographically proximate countries to other parts of Africa and Asia.

57. Co-financing with OPEC countries may be largely joint: the goals of conserving needed technical and economist-trained manpower while assuring direct co-financier/recipient working relations during the disbursement period appear to be best served by joint arrangements. As the new aid administrations gain expertise and seek more active involvement in project appraisal, supervision and evaluation, they will have the option of either greater participation in joint adminstration or financing new parallel operations.

58. OPEC countries' preferences concerning terms, sectors and lending conditions will evolve with increased lending. Iran has made grants without preconditions to two countries, and the Kuwait Fund has charged from no interest

up to 4 percent interest in its co-financed projects. The other Arab members of OPEC are expected to co-finance projects at interest rates higher than 4 percent but lower than the current 8 percent Bank lending rate. Arab donors have indicated their preference for attaching project conditions to their loans, and to lending for basic infrastructure and industrial rather than social sector projects.

IV. Conclusions

59. Although various prototypes of co-financing have evolved with experience, the Bank has been well served by its policy of flexible application of co-financing techniques to specific project requirements. The Bank should continue to consider co-financing an adaptable and effective means to achieve a variety of development objectives. The following are some conclusions from this study.

General

60. A review of the Bank's co-financing practices and potential suggests that a considerable amount of Bank staff work is involved in making possible co-financing for Bank projects. An assessment of the Bank's performance as a development institution should not be restricted to measurement of its own lending program but should include an appreciation of the Bank's ability to mobilize additional development funds in association with Bank projects, as well as recognition of the external economies provided to other development institutions which are co-financing partners. The Bank's budget and manpower planning should explicitly take account of the wider role of the Bank as a mobilizer of development capital beyond its own lending program.

OPEC Countries

61. In the future the Bank's role as a mobilizer of capital from other sources is likely to be much more important than it has been in the past. In particular, co-financing in association with the World Bank is one of several means of accelerating the flow of finance from OPEC countries to developing countries. Joint operations would enable OPEC lenders to finance projects in sectors and with recipients of their choice, would afford direct contact with a borrower, and would require minimal diversion of OPEC economists and technical manpower from their own pressing development needs. By both logic and their preference, it appears that co-financing with OPEC countries at the early stages of aid involvement would be in the form of joint financing arrangements. Such efforts should be supported by the Bank through a shelf of projects amenable to the lending objectives of the participating co-financiers. Co-financing with OPEC countries has the possible attraction of directing a net addition of finance to developing countries. An increase in the number of co-financed operations with OPEC countries would imply increased demands upon staff time and the Bank's budget (refer to paragraph 48).

Bilateral Aid Agencies

62. The prime attraction to the Bank and to developing countries of bilateral aid agency co-financing is the possible availability of additional funds for project financing. The Bank may also benefit from a different perspective and experience in a given sector or country. The various external economies the Bank makes available to bilateral agencies should be considered worthwhile contributions to the international development community. Loan administration agreements such as those with Norway and Sweden facilitate these advantages. These agreements and any subsequent ones should be strengthened where possible, e.g., through project stockpiling, and additional agreements should be encouraged.

Multilateral Aid Agencies

63. The Bank's co-financing with multilateral aid agencies has followed a pattern of pragmatic cooperation. Despite apprehensions that these agencies might not receive full recognition for work in association with the Bank, and notwithstanding the various other forms of cooperation between the Bank and such agencies, co-financing has been generally successful. Where a recipient's development program would be served by co-financing between the Bank and another multilateral agency, efforts should be made to arrange an appropriate co-financed operation.

Export Credit Agencies

64. This branch of co-financing, closely related to the issues concerning commercial sales and international competitive bidding, has attracted intense interest from recipients and co-financiers and has evolved new forms rapidly. The Bank has followed a rather permissive policy of allowing new co-financing forms to evolve as long as ICB for its own share and the most attractive terms possible for the recipient are realized. This stance should be continued. Where appropriate, the Bank should assist recipients to develop the managerial capacity required to administer unorganized parallel operations.

65. This form of co-financing is closely related to the important question of Bank association with private investment, and with the access of the wealthier developing countries to international capital markets. The Bank is presently considering means to strengthen these links with Bank lending (an example is the proposed Stage III Steel Expansion Project in Brazil). The goal of such arrangements would be for the Bank to collect and disburse the private financing, and to supervise projects in order to attract larger amounts of private capital and at better terms than would otherwise be possible.

Participation Sales

66. The sale of protions of the Bank's portfolio is but one of several ways in which the Bank receives capital and should be discussed in the context of other alternatives. While participation sales are normally commercial transactions rather than a form of development finance, two recent rather unusual cases involving the combination of such sales with concessionary, untied aid suggest the possible wider application of this form of co-financing. OPEC countries and other organizations may find this a convenient means to channel development assistance quickly, with a minimum of bureaucratic overhead, and simultaneously attractive to the recipient.

Additionality

67. Given the uncertainties concerning project pipelines for individual countries and the availability of concessionary finance, the Bank should seek to avoid pledges of additionality in co-financing (refer to paragraph 47). When co-financing is impossible without a promise of additionality, potential constraints should be discussed candidly with both the co-financier and the recipient. With OPEC countries, the problem of additionality does not arise in the same ways as with established donor agencies already operating at their budget ceilings.

NOTE ON PREVIOUS BANK DISCUSSIONS CONCERNING CO-FINANCING

1. In April 1969, the Bank's Loan Committe reviewed a memorandum entitled "Recommended Policies on Joint Financing."1/ The Committee noted that participation by the Bank (i.e., IBRD and IDA) in co-financing projects was advantageous in that such participation could encourage an increase in the total flow of development finance, permit distribution of limited Bank Group finance (particularly IDA funds) over a larger number of projects, encourage the channelling of funds from bilateral sources into priority projects, improve the quality of projects internationally financed, increase the amount of international competitive bidding in development projects over what would otherwise take place, and provide assistance to countries having difficulty using available sources of bilateral finance. Co-financing was also seen to have possible disadvantages: it could increase the time necessary to finance a project, absorb staff time, or reduce the Bank's leverage on a particular project. The meeting concluded that co-financing raised a series of complex issues which were not amenable to reduction into a single set of rules, and that each case would have to be considered on its own merits.

2. The Pearson Committee recommended "that multilateral agencies extend the practice of joint or parallel financing of projects" in the context of seeking ways to make aid more effective and as a way for multilateral agencies to help mitigate the harmful effects of aid tying. In a December 1969 memorandum to the Executive Directors2/ concerning the Pearson Commission recommendation,

---

1/ Memorandum LC/O/69-14 of February 3, 1969.
2/ Memorandum R69-232 of December 11, 1969.

the Bank indicated its intention to maintain a "positive and flexible attitude" towards co-financing "wherever it can be carried out under conditions insuring wide international competition and without involving unduly complex procedures." Two principal difficulties had become evident in the Bank's co-financing experience. On the one hand, in order to obtain the benefits of international competitive bidding, it was necessary to obtain credit offers from all the countries likely to win orders under such a system. When only a few countries were prepared to participate, it was necessary to restrict bidding to these countries and thus lose some of the advantage of competitive bidding, Secondly, co-financing with co-lenders providing funds tied in various ways and operating under different sets of constraints as in the cases of the Colombian power and water supply[1/] and the Mexican power projects[2/] had involved extensive negotiations and detailed administration. The Bank further noted that the avoidance of "credit races" in projects involving export credits would be enhanced if participating countries could agree on minimum terms and a maximum interest rate. In conclusion, the Bank's policies were determined to be consistent with the Pearson Commission's recommendation.

3. A meeting of major capital exporting countries was held at the World Bank in July 1972 to discuss arrangements for joint or parallel financing of projects in which financing from the Bank would be combined with export credits from capital exporting countries. This meeting, chaired by the Bank, dealt with the general preference of country representatives for the Bank to organize arrangements for such co-financing, with most countries prefering joint

---

1/ Loans 536-CO and 537-CO, June 3, 1968; Loan 575-CO, December 2, 1968.
2/ Loan 436-ME, December 15, 1965; Loan 544-ME, June 28, 1968.

financing. The United States voiced firm opposition to participation in joint financing and a strong preference for "unorganized" parallel financing in which the arrangements for export credits associated with Bank-financed projects would be made by the borrower without intervention of the World Bank. In subsequent discussion, the U.S. representative did not preclude American participation in organized parallel financing to be considered on a case-by-case basis. Mr. Knapp as Chairman concluded that it did not appear possible to reach agreement at the meeting on a body of general principles regarding joint or parallel financing schemes to be organized by the Bank.

4. A memorandum entitled "Joint and Parallel Financing in Conjunction with Export Credits: Recent Experience and the Near-Term Outlook"[1] was distributed to the Executive Directors for information on September 19, 1973.

1/ Memorandum SecM73-568 of September 19, 1973.

BACKGROUND NOTE ON CO-FINANCING WITH EXPORT CREDIT AGENCIES

1. Export credit financing differs from bilateral and multilateral co-financing in that it involves competition for commercial sales. Hence, this form of co-financing evokes many of the issues related to international competitive bidding and has had its own strain of policy discussions through the years. The Bank has managed some large joint financing projects with export credit agencies in response to the need to assure adequate financing for projects requiring large amounts of external capital. The Bank played a major role in initiating, organizing, and supervising the joint financing process -- which involved arrangements for export credit agencies to provide on appropriate terms an agreed share of the financing for a common list of equipment to be procured under international competitive bidding. In several instances, the system worked well: the borrower obtained the advantages of international competitive bidding and received adequate external financing on suitable terms; the Bank played a major role in sectors in which it wished to limit its financial involvement; and the supplying countries were able to extend credit on commonly agreed terms for projects appraised and supervised by the Bank. In joint financing operations with export credit agencies, the Bank usually financed the following:

(a) The balance of the specified imports from participating countries;

(b) 100 percent of specified imports from countries not participating in the joint financing but winning contracts subsequent to international competitive bidding;

(c) 100 percent of orders costing less than a specified amount for any single item (recently $200,000) or imports from a single participating country aggregating less than a given amount;

(d) All or part of orders placed within the borrowing country as a result of international competitive bidding.

2. Joint financing with export credit agencies depended upon inclusion of all potential major suppliers and their acceptance of certain agreed minimum lending terms. Prices rather than lending terms were the basis of bidding. In 1966 after concerted competition among various export credit agencies, several countries winning major contracts for the Mexican Power Program did not participate in a proposed export credit joint financing oepration. Other interested countries expressed their unwillingness to participate in other joint financing arrangements unless all potential suppliers agreed to common ground rules. A meeting of major supplier countries was held in Paris in June 1967 to consider the Bank's joint financing proposals for forthcoming projects in Colombia and Mexico. The United States indicated its disinclination to continue future participation in joint financing. This meeting signalled that in the future the United States intended to compete on lending terms in certain cases (thereby effectively diminishing the Bank's role in managing such joint financing operations). In 1971 United States authorities indicated that they were not prepared to participate in joint financing of the Brazilian steel expansion program. The Bank advised the Brazilian Government that it would be necessary to seek bilateral financing under other arrangements. The same procedure was followed with Brazil and Mexico in respect of other steel and electric power projects in FY71 and FY72. The arrangements made in these cases to associate export credits with Bank lending were called "unorganized parallel financing." Such financing has these characteristics: (a) the Bank and the export credit agencies each finance a

different list of equipment; (b) bidding on the list of equipment earmarked for bilateral financing is open to all suppliers whose countries have agreed to provide credit, but not to suppliers in other countries; (c) the borrower assumes full responsibility for negotiating bilateral credits and awarding contracts, and especially reserves the right to consider competing credit terms in contract adjudication.

3. At a meeting in Paris in April 1972, several previous providers of export credit joint financing expressed their interest in having the Bank resume an active role in this field.[1/] At their request, the Bank convened a meeting of representatives of all the major industrialized countries for a more thorough discussion in July 1972 in Washington. The Chairman, Mr. Knapp, made clear the Bank's interest in appropriate cases to play a major role in organizing financial support from export credit agencies for Bank projects through joint or parallel financing arrangements, provided that it was requested to do so by the borrower and had the cooperation of the major capital exporting countries. The country representatives, except for the United States, indicated their support for joint financing but stated that the Bank should also seek to organize and supervise parallel financing arrangements where possible. There was general support for proposals by the French representative for organized parallel financing in the absence of the participation of a major supplier. Under these proposals, certain equipment required for a project would be earmarked for bilateral financing; the Bank

---

1/ There were two principal reasons for this meeting. Several countries wanted to restrict competition to prices and not be undercut by bids offering more favorable terms (at the time especially from the United States). Secondly, suppliers disliked the arduous "negotiating rounds" which borrowers sought to reduce bid levels.

would arrange an agreement between the borrower and participating supplying countries on a uniform set of terms for the bilateral credits. Bidding on the equipment to be financed bilaterally would be open to all suppliers in the participating countries, and the Bank would supervise contract award and project implementation. Any country not agreeing to formal participation in the scheme would nonetheless be eligible to compete for the supply of equipment if it were prepared to offer bilateral credit on terms "consistent with the average credit conditions in use under international practice."

4. The Chairman concluded at the end of this meeting that it was not possible to reach unanimous agreement on a body of general principles regarding joint or parallel financing schemes to be organized by the Bank. He further observed the difficulty of organizing joint financing without participation by a major supplier. The Chairman stated, however, that the Bank would explore the possibility of arranging organized parallel financing along the line suggested by the French representative in selected cases, provided that the prospective borrower so desired. Although the meeting led to renewed efforts to elicit interest among borrowing and supplying countries in joint or organized parallel financing with export credit agencies, no such schemes were arranged for projects in FY73.

CO-FINANCING TECHNIQUES AND ADMINISTRATION

1. Co-financing refers to any arrangements associating Bank Group funds with other sources of finance for development projects. The co-lending partner with the Bank Group could be a bilateral official aid agency, a multilateral organization, or an export credit supplier. Co-financing may include both local and foreign expenditures but does not apply to funds provided by the beneficiary government or other local sources. Traditionally, co-financing has been a means of financing capital-intensive projects, especially in the industry and basic infrastructure sectors. In recent years, agricultural and social sector projects have also attracted co-financing partners.

Joint Financing

2. "Joint financing" refers to a co-financing operation in which the Bank and one or more co-financiers each finance an agreed portion of a project's procurement costs.1/ An important distinction in joint financing is whether the co-lender's funds are tied or untied. When funds are untied, normally the Bank and the co-financier each finance a given percentage of every item purchased.2/ When funds are tied, purchases using the co-financier's share of financing are concentrated in the co-financier's country. A prerequisite to joint financing is that the arrangements for all procurement conform to the Bank practice of international competitive bidding open to all members of the Bank and Switzerland. Agreement between the Bank and the co-lender(s)

1/ In some cases of joint financing with export credit agencies, the Bank's share of the joint financing was determined after the amount of export credit agency financing had been determined.

2/ There have been cases of joint financing applied to only one category of procurement costs.

is reached in advance on the terms (or at least minimum terms) to be extended by the co-lender to the borrower. In comparing bids for financing project costs, the terms of financing are excluded for consideration.

3. In joint financing operations, the Bank normally assembles the group of participants and assumes full responsibility for supervising procurement and project execution. The Bank incorporates in its loan agreement a cross default provision giving it the right to premature the Bank loan if a default occurs on a co-lender's loan and it is prematured; the co-lender's contract frequently has similar provisions. Relations between the Bank and an aid agency can be governed by a general loan administration agreement. Each co-financier has its own relationship with the borrower, but in some cases an agreement is concluded between the Bank, the co-financier and the recipient (and the project entity, if other than the recipient) which includes such provisions as:

(a) The allocation and withdrawal of the proceeds of both the bilateral and the Bank Group loans or credits;

(b) The use of proceeds of the bilateral and Bank Group financing including how the project will be executed, and procurement;

(c) Particular covenants pertaining to the project entity, including matters related to the management of the project unit and the project's operation;

(d) Particular covenants with the borrowing country, including agreement to exchange views and information concerning the project and to consult each other about the project's progress.

Parallel Financing

4. "Parallel financing" refers to a co-financing operation in which the Bank finances the procurement of goods and services on a distinct list of goods, and the co-lender finances the procurement of another list. The separation of project financing into distinct "packages" lends itself typically to cases wherein the funds of the co-lender are tied to procurement in one specific country or in a small group of countries, i.e., countries which are not members of the Bank (other than Switzerland), and cannot be used for joint financing. In parallel financing operations, the Bank's loan agreement may or may not have cross default provisions.

5. The terms "organized" and "unorganized" are used in reference to parallel financing to describe the role played by the Bank in establishing the framework by which an entire project is financed. The terms are usually applied in reference to the participation of an export credit agency rather than a bilateral financing agency. In an organized parallel financing operation the Bank seeks to arrange the participation of co-financing partners and tries to reach agreement on minimum credit terms; financing terms are not taken into account in awarding contracts. In unorganized parallel financing the borrower manages the financial arrangements for the part of the project not covered by Bank lending; frequently financing terms are taken into account in selecting suppliers.

6. Parallel financing is a quite flexible technique. If external financing is required only for foreign-purchased equipment, the Bank could finance some equipment and the co-lenders the rest. In a large project, external financing may be needed for both foreign procurement and local costs,

including civil works. Since co-lenders' funds are seldom available for local procurement in substantial amounts, Bank funds may finance part of the foreign and part of the local procurement while co-lenders finance the remaining foreign procurement. All parallel operations have the following features:

(a) The Bank and the co-lenders finance different lists of goods (which often reflect different parts of a project);

(b) Procurement of the goods financed by the Bank is on the basis of international competitive bidding;

(c) Procurement of the portion financed by the co-lenders is on the basis of restricted bidding or bilateral negotiations;[1/]

(d) The Bank appraises the entire project and the project management entity but does not supervise bidding and award of contracts financed by co-lenders.

Administration

7. The decision to include one or more partners in a co-financing operation usually emanates from dialogue between the Bank, the recipient, and another donor, often a member of an aid coordination group for the recipient. Co-financing partners at times prefer to concentrate lending in certain sectors and take the initiative in seeking association. The Bank has frequently taken the initiative in finding supplemental financing for a costly project. At present there is no OMS on co-financing administration;[2/] management techniques have evolved by use of standard Bank procedures, by innovation, and through the accumulation of precedent.

1/ Although the Bank is not a party to such negotiations,it is interested in assuring that overall project costs are reasonable.

2/ The forthcoming Loan Officer's Handbook will include a section on co-financing.

8. In arranging co-financing, the Bank proceeds through the project cycle with the recipient country, including the partner country or agency in project planning at or prior to negotiations. In some cases, financing partners have participated in review of project identification and have assisted in the preparation of the project appraisal reports. Participation in appraisal is frequent but not required. The Bank's appraisal report is given to the other financing partners at negotiations. The negotiated legal documents define the relationship between the co-financiers and the recipient.

9. In managing disbursement, the Bank-financed portion of a parallel financing operation is administered as a normal operation. Although the Bank has less control over the part of a parallel operation which it does not finance than over a joint operation, the disbursement is much simpler. A joint financing operation involves blending percentages of contribution. There have been three principal systems. In one system (not frequently used) the Bank gives a guarantee for a provision of 100 percent of external financing, receives the joint lender's share in advance of disbursement (normally on a quarterly basis), and the Bank is the sole disbursing agency. In the second more common system, the joint lender pays its percentage directly to the borrower or to the supplier on behalf of the borrower. Such joint financing involves cabling disbursement instructions to insure that Bank and the co-finacier's percentages are paid to the intended recipient in proper proportions at the correct time. The success of this second system is largely dependent upon both the managerial strength and the reputation with commercial banks of the co-financier's disbursement agency. The Central Bank of Sweden is one institution which has managed such joint financing quite successfully. A third

disbursement system involves the recipient in determining the appropriate percentages to be disbursed by the Bank and the co-financier. This system has only been used to reimburse a recipient country, not a supplier. The recipient presented disbursement applications to both co-financiers which were paid upon receipt; the recipient then justified the proportional division of that application in the subsequent disbursement application.

Participation in IBRD Loans and IDA Credits

10. The Bank sells without recourse portions of its loans to co-financiers, mostly financial institutions. Portions of loans sold when a loan is made are called "participations" and sales of maturities after disbursements have started are referred to as "portfolio sales." Financial institutions normally purchase portions of Bank loans for commercial investment purposes, but purchases of portions of Bank loans and IDA credits have on rare occasions been used as a means to channel development assistance. Sales of portions of loans and credits can also serve one or more other purposes:

(a) To help a co-financing partner to commit funds for quick disbursement;

(b) To provide a channel for development funds with minimal administrative burden for the co-financier;

(c) To establish the credit of Bank member countries in financial markets;

(d) To reduce loan costs for borrowers by selling whenever possible part of a loan at rates less than the original lending rate;

(e) To promote private foreign investments;

(f) To increase the amount of funds available to the World Bank for lending to developing countries.

11. Normally, when negotiations for a loan have been substantially completed, the Bank invites financial institutions to participate in the loan by sending them a memorandum covering the loan's main features. A "Participation Agreement" is usually signed by the Bank and the co-financing participant when the Loan Agreement is executed. This Agreement prescribes the allotment of a portion of the loan and the participant's agreement to remit funds at some later date at the Bank's request as required for disbursement. The Agreement also provides for a commitment fee at the same rate paid by the borrower (presently 3/4 of 1 percent) and accrued from the date on which the commitment charge begins to accrue under the loan (generally 60 days after the date of the Loan Agreement) to the date on which the participant remits funds to the Bank. This commitment fee is always paid in U.S. dollars.

12. The Loan Agreement between the Bank and the borrower, the Guarantee Agreement between the government (if the borrower is an entity other than the government) and the Bank, the project appraisal report, economic reports and information on the country concerned, and other relevant papers are supplied to the participant when the Participation Agreement is executed. Against payment as requested under the Participation Agreement, the Bank issues to the participant its own Participation Certificate covering the particular maturity or maturities for which payment has been made. Semi-annual interest and reimbursement of principal at maturity are paid by the Bank, in the currency of the participation or the purchase, from funds received from the borrower. The purchases of a loan participation has no direct contact with the borrower.

13. The Bank sells maturities of its loans at yields fixed from time to time, the maximum yield permitted being the Bank's lending rate at the time of sale. The Bank does not sell an entire maturity but retains some share of all maturities sold. Some financial institutions purchase participations for long periods, but commercial banks usually buy parts of early maturities. If a sale is made at a rate lower than the interest rate, the difference is passed along to the borrower. A co-financier may determine the extent to which he wishes to subsidize or make concessional the terms paid by the borrower country by purchasing a loan below the Bank's lending rate. For example, a co-financier could purchase a portion of an 8 percent Bank loan at 3 percent interest. The borrower would then pay the Bank 3 percent interest on the amount of the participation (which the Bank would pass on to the participant), and 8 percent on the balance.

14. In the case of an IDA credit, the co-financier may be associated with a project prior to negotiations. The procedure for sale of an IDA credit is substantially the same as for Bank loans except that there is no commitment fee or interest involved -- only a service charge -- and the terms of the participation agreement are negotiated in each case.

15. Co-financing through participation has also been used in some interesting and quite exceptional cases to channel aid on a grant basis. Under a Norwegian Aid Participation Agreement, Norway purchased in December 1973 a participation of $11 million equivalent in a loan for an education project in Zambia (Loan No. 900-ZA dated June 6, 1973). Since the Bank continues normal

---

1/ On September 14, 1959, the Executive Directors adopted Resolution No. 499 which approved Report R-59-12 regarding sales of loans below par.

project implementation, this arrangement simplified project administration for both Zambia and Norway. It allowed Norway to contribute to an on-going project with early commitment and disbursements of funds in accordance with Norways's annual aid budgets. Moreover, since the original project financing had been a Bank loan of $33 million, Norway's purchase of one-third of the portfolio in grant form considerably softened the financing blend for Zambia, while simultaneously freeing the same amount for additional lending operations Norways has also purchased part of an IDA credit on a grant basis. In August 1974 Norway purchased on grant terms one-third of the $18 million Third Karachi Port Project (Credit No. 422-PAK of July 19, 1973).

16. The Bank has continued its lending program to a borrowing country with a sudden increase in exchange reserves by selling a participation in the Bank loan back to the borrower. During the latter 1960s, Thailand's reserves rose considerably to a level which raised the question of the necessity of Bank lending. The Government of Thailand wanted to continue the technical project advice and service associated with Bank lending. Consequently, for the Phasom Dam project of September 19, 1967,[1] the Bank lent Thailand $26 million (at 6 percent interest) for the project, and the Bank of Thailand purchased $16 million of the loan (also at 6 percent), making the net loan in effect $10 million.[2] Thailand accepted the responsibility and exchange risk for obtaining the currencies required for procurement after international competitive bidding. This format was repeated in the Thailand Highway project of May 23, 1968,[3]

1/ The loan was 514-TH.
2/ Part of the remaining $10 million was sold commercially as a portfolio sale.
3/ Loan 535-TH.

wherein Thailand purchased \$25 million of the \$29 million loan. Although purchasing by a borrower of a participation in its own loan has yet to be used for other countries, it is a means of maintaining lending programs to reserve surplus countries such as certain oil-exporting nations.

17. Despite purchases by government agencies of the borrowing countries and purchases by development funds, sales of loans have declined during the last ten years. The main reason for the decline has been restrictions imposed by various governments regarding foreign investments, Bank management's disinclination at certain times to sell loans from its portfolio, and more recently, the less attraction of Bank loan selling rates compared with other foreign investments. Nevertheless, through FY74, the Bank has sold \$2.5 billion of its loans. Appendix Table I shows the record of such sales.

Appendix Table I

PARTICIPATION IN AND PORTFOLIO SALES OF I.B.R.D. LOANS BY FISCAL YEAR[1/]

Fiscal Year	Participations	Percentage of Participations Sold in U.S.A.	Portfolio Sales	Percentage of Portfolio Sales in U.S.A.	Total
Prior to FY54	28,597,000	100	42,414,653	17.8	71,011,653
FY54-FY58	140,763,351	76.1	208,282,003	14.5	349,045,354
FY59-FY63	188,758,891	74.7	996,499,594	23.4	1,185,258,485
FY64-FY68	155,059,070	53.5	382,261,973	16.0	537,321,043
FY69	6,389,382	74.5	28,309,048	1.6	34,698,430
FY70	2,605,204	91.7	169,821,998	0.6	172,427,202
FY71	10,061,667	95.0	13,467,541	1.1	23,529,208
FY72	53,599,312	43.2	18,329,313	3.5	71,928,625
FY73	45,943,996	28.4	3,590,000	none	49,533,996
FY69-FY73	118,599,561	44.6	233,517,900	0.9	352,117,461
Total	631,777,873	61.0	1,862,976,123	17.5	2,494,753,996

1/ Figures are expressed in United States dollars and reflect cancellations of participations due to revaluations up to December 31, 1973.

Appendix Table II

FY69-73

CO-FINANCING WITH OFFICIAL BILATERAL AID AGENCIES BY DONOR COUNTRY AND RECIPIENT REGION

DONOR	LATIN AMERICA & CARIBBEAN US $ million	Donor Operations	Total Recipient Operations	WEST AFRICA US $ million	Donor Operations	Total Recipient Operations	EAST AFRICA US $ million	Donor Operations	Total Recipient Operations	EMENA US $ million	Donor Operations	Total Recipient Operations	Asia US $ million	Donor Operations	Total Recipient Operations	Total US $ million	Total Donor Operations	Total Recipient Operations	Percentage of Total Co-financing
United States	-	-	-	44.6	7	-	31.4	5	-	41.8	3	-	88.2	4	-	206.0	19	-	21.2
Canada	6.7	3	-	8.8	2	-	54.2	3	-	-	-	-	103.2	7	-	172.9	15	-	17.8
Sweden	-	-	-	5.0	1	-	75.1	11	-	13.3	3	-	29.8	5	-	123.2	20	-	12.7
France	-	-	-	65.8	21	-	1.8	2	-	2.4	2	-	43.0	2	-	113.0	27	-	11.6
Japan	-	-	-	-	-	-	-	-	-	-	-	-	68.4	5	-	68.4	5	-	7.0
Italy	-	-	-	1.7	1	-	-	-	-	-	-	-	40.0	1	-	41.7	2	-	4.3
United Kingdom	7.5	1	-	0.2	1	-	4.1	5	-	0.6	1	-	28.9	3	-	41.3	11	-	4.2
Germany	1.8	1	-	3.9	2	-	0.6	2	-	12.4	1	-	8.1	2	-	26.8	8	-	2.8
Kuwait	-	-	-	-	-	-	11.0	1	-	15.6	3	-	-	-	-	26.6	4	-	2.7
Australia	-	-	-	-	-	-	-	-	-	-	-	-	6.6	3	-	6.6	3	-	0.7
Norway	-	-	-	-	-	-	2.0	1	-	-	-	-	-	-	-	2.0	1	-	0.2
Others	-	-	-	-	-	-	0.6	1	-	1.9	1	-	9.5	3	-	12.0	5	-	1.2
Unidentified	-	-	-	5.9	1	-	-	-	-	-	-	-	126.4	4	-	132.3	5	-	13.6
Total	16.0	5	4	135.9	36	29	180.8	31	26	88.0	14	13	552.1	39	23	972.8	125	95	100.0

Appendix Table III

FY69-73

CO-FINANCING WITH OFFICIAL BILATERAL AID AGENCIES BY DONOR COUNTRY AND SECTOR

DONOR	AGRICULTURE US $ million	Donor Operations	Total Recipient Operations	INDUSTRY US $ million	Donor Operations	Total Recipient Operations	BASIC INFRASTRUCTURE US $ million	Donor Operations	Total Recipient Operations	SOCIAL SECTORS US $ million	Donor Operations	Total Recipient Operations	Total US $ million	Total Donor Operations	Total Recipient Operations	Percentage of Total Co-financing
United States	62.8	3	-	85.8	5	-	57.4	11	-	-	-	-	206.0	19	-	21.2
Canada	11.5	2	-	23.7	1	-	124.3	9	-	13.4	3	-	172.9	15	-	17.8
Sweden	23.9	6	-	9.8	2	-	78.9	11	-	10.6	1	-	123.2	20	-	12.7
France	70.7	14	-	-	-	-	40.6	12	-	1.7	1	-	113.0	27	-	11.6
Japan	-	-	-	15.5	2	-	52.9	3	-	-	-	-	68.4	5	-	7.0
Italy	40.0	1	-	-	-	-	1.7	1	-	-	-	-	41.7	2	-	4.3
United Kingdom	24.1	2	-	1.1	1	-	15.5	7	-	0.6	1	-	41.3	11	-	4.2
Germany	0.1	1	-	12.4	1	-	14.3	6	-	-	-	-	26.8	8	-	2.8
Kuwait	13.9	2	-	-	-	-	12.7	2	-	-	-	-	26.6	4	-	2.7
Australia	-	-	-	-	-	-	6.6	3	-	-	-	-	6.6	3	-	0.7
Norway	2.0	1	-	-	-	-	-	-	-	-	-	-	2.0	1	-	0.2
Others	-	-	-	-	-	-	12.0	5	-	-	-	-	12.0	5	-	1.2
Unidentified	-	-	-	-	-	-	132.3	5	-	-	-	-	132.3	5	-	13.6
Total	249.0	32	25	148.3	12	8	549.2	75	56	26.3	6	6	972.8	125	95	100.0

Annex Table IV

FY69-73

CO-FINANCING WITH MULTILATERAL AID AGENCIES BY AGENCY AND RECIPIENT REGION

MULTILATERAL AGENCY	LATIN AMERICA & CARIBBEAN US $ million	Donor Operations	Total Recipient Operations	WEST AFRICA US $ million	Donor Operations	Total Recipient Operations	EAST AFRICA US $ million	Donor Operations	Total Recipient Operations	EMENA US $ million	Donor Operations	Total Recipient Operations	ASIA US $ million	Donor Operations	Total Recipient Operations	Total US $ million	Total Donor Operations	Total Recipient Operations	Percentage of Total Co-financing
Inter-American Development Bank	213.2	6	-	-	-	-	-	-	-	-	-	-	-	-	-	213.2	6	-	68.6
F.E.D. - European Development Fund	-	-	-	8.3	1	-	12.5	1	-	-	-	-	-	-	-	20.8	2	-	6.7
United Nations Fund for Population Activities (UNFPA)	-	-	-	-	-	-	-	-	-	-	-	-	17.5	2	-	17.5	2	-	5.6
United Nations Development Program	2.0	2	-	2.5	5	-	5.1	4	-	3.0	3	-	4.1	3	-	16.7	17	-	5.4
European Investment Bank	-	-	-	-	-	-	-	-	-	16.1	1	-	-	-	-	16.1	1	-	5.2
Asia Development Bank	-	-	-	-	-	-	-	-	-	-	-	-	10.0	1	-	10.0	1	-	3.2
Central American Bank for Economic Integration (CABEI)	8.7	2	-	-	-	-	-	-	-	-	-	-	-	-	-	8.7	2	-	2.8
African Development Bank	-	-	-	3.9	3	-	4.0	2	-	-	-	-	-	-	-	7.9	5	-	2.5
Total	223.9	10	10	14.7	9	9	21.6	7	7	19.1	4	4	31.6	6	6	310.9	36	36	100.0

Appendix Table V

FY69-73
CO-FINANCING WITH MULTILATERAL AID AGENCIES BY DONOR AGENCY AND SECTOR

DONOR AGENCY	AGRICULTURE $m	Donor/	Recipient	INDUSTRY $m	Donor/	Recipient	BASIC INFRASTRUCTURE $m	Donor/	Recipient	SOCIAL SECTOR $m	Donor/	Recipient	TECHNICAL ASSISTANCE $m	Donor/	Recipient	Total $m	Donors/	Recipient Operations	Percent
Inter-American Development Bank	13.0	1	-	128.0	3	-	72.2	2	-	-	-	-	-	-	-	213.2	6	-	68.6
European Development Fund (F.E.D.)	8.3	1	-	-	-	-	12.5	1	-	-	-	-	-	-	-	20.8	2	-	6.7
United Nations Fund for Population Activities (UNFPA)	-	-	-	-	-	-	-	-	-	17.5	2	-	-	-	-	17.5	2	-	5.6
United Nations Development Program	0.5	1	-	0.3	1	-	13.2	12	-	0.7	2	-	2.0	1	-	16.7	17	-	5.4
European Investment Bank (E.I.B.)	-	-	-	-	-	-	16.1	1	-	-	-	-	-	-	-	16.1	1	-	5.2
Asian Development Bank	-	-	-	10.0	1	-	-	-	-	-	-	-	-	-	-	10.0	1	-	3.2
Central American Bank for Economic Integration (CABEI)	-	-	-	-	-	-	8.7	2	-	-	-	-	-	-	-	8.7	2	-	2.8
African Development Bank	-	-	-	0.5	1	-	7.4	4	-	-	-	-	-	-	-	7.9	5	-	2.5
Total	21.8	3	3	138.8	6	6	130.1	22	22	18.2	4	4	2.0	1	1	310.9	36	36	100.0

Appendix Table VI

FY69-73
CO-FINANCING WITH EXPORT CREDIT AGENCIES BY DONOR COUNTRY AND RECIPIENT REGION

DONOR	LATIN AMERICA & CARIBBEAN US $ million	Donor Operations	Total Recipient Operations	WEST AFRICA US $ million	Donor Operations	Total Recipient Operations	EAST AFRICA US $ million	Donor Operations	Total Recipient Operations	EMENA US $ million	Donor Operations	Total Recipient Operations	ASIA US $ million	Donor Operations	Total Recipient Operations	Total US $ million	Total Donor Operations	Total Recipient Operations	Percent
United States	309.3	14	-	-	-	-	-	-	-	65.0	1	-	-	-	-	374.3	15	-	24.6
Japan	290.8	9	-	-	-	-	-	-	-	1.9	1	-	-	-	-	292.7	10	-	19.3
Germany	69.4	6	-	0.1	1	-	-	-	-	-	-	-	12.1	1	-	81.6	8	-	5.4
France	17.4	5	-	1.1	1	-	-	-	-	-	-	-	40.6	3	-	59.1	9	-	3.9
Italy	40.3	3	-	-	-	-	-	-	-	8.3	1	-	-	-	-	48.6	4	-	3.2
Canada	47.4	6	-	-	-	-	-	-	-	-	-	-	-	-	-	47.4	6	-	3.1
United Kingdom	26.6	3	-	-	-	-	-	-	-	-	-	-	-	-	-	26.6	3	-	1.8
Sweden	15.6	4	-	-	-	-	-	-	-	-	-	-	-	-	-	15.6	4	-	1.0
Others	53.9	9	-	-	-	-	-	-	-	-	-	-	24.2	2	-	78.1	11	-	5.1
Unidentified	264.2	11	-	-	-	-	19.1	2	-	145.8	6	-	66.3	6	-	495.4	25	-	32.6
Total	1,134.9	70	21	1.2	2	2	19.1	2	2	221.0	9	8	143.2	12	9	1,519.4	95	42	100.0

Appendix Table VII

FY69-73
CO-FINANCING WITH EXPORT CREDIT AGENCIES BY DONOR COUNTRY AND SECTOR

DONOR	AGRICULTURE $m	Donor/	Recipient	INDUSTRY $m	Donor/	Recipient	BASIC INFRASTRUCTURE $m	Donor/	Recipient	Total $m	Donor/	Recipient	Percent
United States	-	-	-	302.3	9	-	72.0	6	-	374.3	15	-	24.6
Japan	-	-	-	267.8	5	-	24.9	5	-	292.7	10	-	19.3
Germany	0.1	1	-	54.0	3	-	27.5	4	-	81.6	8	-	5.4
France	-	-	-	-	-	-	59.1	9	-	59.1	9	-	3.9
Italy	-	-	-	8.3	1	-	40.3	3	-	48.6	4	-	3.2
Canada	-	-	-	20.0	1	-	27.4	5	-	47.4	6	-	3.1
United Kingdom	-	-	-	-	-	-	26.6	3	-	26.6	3	-	1.8
Sweden	-	-	-	-	-	-	15.6	4	-	15.6	4	-	1
Others	-	-	-	-	-	-	78.1	11	-	78.1	11	-	5.1
Unidentified	-	-	-	60.6	4	-	434.8	21	-	495.4	25	-	32.6
Total	0.1	1	1	713	23	8	806.3	71	33	1,519.4	95	42	100.0

Appendix Table VIII

Bilateral Financial Assistance From Oil-Exporting Countries to Developing Countries[1]
(in current US $m)

	Commitments		Disbursements	
	ODA[2]	Total	ODA	Total
Algeria	6.6	9.0	4.1	4.1
Bahrain	4.2	4.2	3.2	3.2
Bolivia	-	1.8	-	1.8
Iran	2,428.5	2,501.7	10.1	10.1
Iraq	356.5	366.8	9.8	10.1
Kuwait	967.2	1,419.7	939.7	1,152.4
Libya	973.5	1,171.8	363.9	363.9
Nigeria	3.8	3.8	.8	.8
Oman	2.0	2.0	2.0	2.0
Qatar	210.2	219.7	101.8	101.8
Saudi Arabia	3,023.2	3,133.4	1,528.7	1,528.7
Trinidad and Tobago	-	47.5	-	-
United Arab Emirates	1,806.1	1,892.2	531.8	546.8
Total	9,781.8	10,773.6	3,495.9	3,725.7

1/ These data cover the period 1970 to October 1974. The information is from a Programming and Budgeting report of October 10, 1974.

2/ "ODA" refers to funds lent for development purposes with a grant element of at least 25 percent. The data for the countries listed include the broad categories of "budget support,""support assistance," and "war grant."

Appendix Table IX

FINANCIAL ASSISTANCE FROM OIL-EXPORTING COUNTRIES TO PRIMARILY OPEC MULTILATERAL DEVELOPMENT INSTITUTIONS 1/
(in US $ millions)

	Contributions		Loans and Grants	
	Subscribed	Paid-in	Commitments	Disbursements
Arab Bank for Economic Development in Africa	180		224.1	
Arab Bank for Industrial and Agricultural Development in Africa				
Arab Fund for Economic and Social Development	264.03	28.3		
Arab Investment Bank	15			
Arab Technical Assistance Fund for Africa	2			
Islamic Development Bank	860	150		
Islamic Solidarity Fund	4.5			
Libya/United Arab Emirates Fund	250	50		
OPEC Fund for Developing Countries	150			
Special Arab Fund for Africa	200	—	—	—
Total	1,925.53	228.3	224.1	-

1/ These data cover the period 1970 to October 1974. The information is from Programming and Budgeting report of October 10, 1974.

FORM NO. 678
(7-73)

CONFIDENTIAL

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

POLICY REVIEW COMMITTEE

PRC/C/74-17

March 5, 1975

CO-FINANCING PRACTICES AND POTENTIAL

The attached paper on Co-financing Practices and Potential prepared by the Policy Planning and Program Review Department is distributed for information. An earlier draft was distributed at the staff level for comments (PRC/s/C/74-17 dated November 6, 1974) and the attached paper takes account of comments received.

Frank Vibert
Secretary
Policy Review Committee

Distribution:

PRC Members
Vice President - IFC
IBRD Department Directors
Regional Chief Economists
Regional Program Coordinators

CO-FINANCING PRACTICES AND POTENTIAL

Policy Planning and Program Review Department
Policy Planning Division
March 4, 1975

TABLE OF CONTENTS

Co-financing Practices and Potential

I. Introduction

1. Financing of development projects by the IBRD and IDA in association with other lenders has become an increasingly important technique for channeling capital to developing countries. This paper describes the different forms and techniques of co-financing now in use and examines the past record. Co-financing is, of course, only one of the forms of cooperation between the World Bank and other development and financing agencies.

2. The number of co-financed projects has risen from about one per year during the 1950's to about 30 projects per year in different sectors. The volume of co-financing has also become significant. During the fourteen years 1955-1968, other lenders provided $1.4 billion to developing countries in association with IBRD and IDA;1/ during the six years, FY69-74, co-financing amounted to $4.3 billion.2/ If the recent relationship between co-financing and IBRD/IDA lending were to be maintained in the FY74-78 lending program, co-financing might rise to $6-7 billion.

3. Tables 1 and 2 show the distribution of co-financing by sector and by type of participating agency during FY69-74.

1/ The data in this paper for the 1955-68 period are taken from work on co-financing prepared in response to the Pearson Commission Report, Sec M69-541 of December 12, 1969.

2/ The data for FY69-74 are from those sources of co-financing identified in Bank Appraisal and President's Reports as part of project financing. In some cases, such identification is less precise than others: public utility companies and development finance companies, for example, normally have several sources of external capital available concurrently with the Bank's financing but not included within the defined project.

Table 1: Total Co-financing by Sectors FY69-74

Sectors 1/	Official Bilateral ($m)	Multilateral ($m)	Export Credit ($m)	Total ($m)	Percentage
Agriculture	288	27	-	315	7.4
Industry	240	268	979	1,487	34.9
Basic Infrastructure	931	350	1,116	2,397	56.2
Social Sector	37	27	-	64	1.5
Technical Assistance	-	2	-	2	-
Total	1,497	674	2,095	4,265	100

1/ Industry includes industry, tourism, and selected DFC projects. Basic Infrastructure includes power, transportation, water supply and sewerage, telecommunications, and other public utilities. Social Sector includes education, population and nutrition, and urban development.

Table 2: Number of Co-financing Operations by Source, FY69-74

	Official Bilateral Aid Agencies	Multilateral Aid Agencies	Export Credit Agencies	Total
Number of Co-lending Agency Operations 1/	174	59	115	348
Number of Bank/IDA Projects	126	58	53	195

1/ Bank projects may include co-financing from more than one lender so that the total number of operations by co-financing agencies is greater than the 195 Bank/IDA projects involved during FY69-74.

4. The basic forms of co-financing are joint, parallel, and loan sales. These categories are defined as follows:

a) Joint financing: The association of IBRD or IDA funds with one or more co-lender in accordance with standard Bank procurement rules, to finance a common list of goods in a given project.

b) Parallel financing: The association of IBRD or IDA funds with one or more co-lenders to finance separate lists of goods in a given project. The goods financed by the Bank are procured according to standard Bank rules; the other goods are procured according to procedures established by the co-lender.

c) Loan sales: The sale of part of a Bank loan (or, rarely, an IDA credit) to an agency which then receives payment of principal and interest (or principal and service charge in the case of a credit) through the Bank or the Association.

5. Portions of loans sold when a loan is made are called "participations"; sales of part of a loan at later stages are called "portfolio sales." Loan sales are mainly commercial operations and they are infrequent during periods when market interest rates are higher than the Bank's lending rate. They are not discussed further in this paper but details, including the amounts of such sales through FY74, are given in Annex 2.

II. Co-financing: Forms, Sources and Experience

6. Co-financing has two main objectives: to increase the total flow of capital to developing countries, and to promote the more effective use of assistance. Often a new or expanding aid program can be committed or disbursed faster through co-financing than would be possible by the single donor acting alone. In the case of private or export credit flows, co-financing may encourage participation in lending to countries where such capital might otherwise be hesitant to enter. Additionality is always difficult to measure but even if there is none, co-financing contributes to reducing the costs and improving the efficiency of aid programs. Other lenders participate in projects for a number of reasons including the size of the project, the desire to coordinate their activities in a sector with those of the Bank, to avoid duplication of project appraisal and supervision, or to limit the manpower required to operate an aid program. Their terms range from concessionary to commercial.

A. Forms of Co-financing

7. Co-financing refers to any arrangements associating Bank/IDA funds with other sources of capital to finance a development project. The two principal types of co-financing are joint financing and parallel financing. The choice between the two depends on the nature of the project, the preferences of the co-lender and borrower, the type of equipment and the procurement procedures.

Joint Financing

8. "Joint financing" refers to a co-financing operation in which the Bank and one or more other lenders share the financing of a common list of goods and services required for the project. Normally the Bank and the co-lender each finance a given percentage of every item in proportion to the relative size of its loan. A pre-requisite to joint financing is that the arrangements for all procurement conform to the Bank practice of international competitive bidding open to all members of the Bank and Switzerland. Hence, these arrangements are greatly facilitated if the funds being provided by the co-lenders are untied. Joint financing with sources of tied aid is nevertheless possible on the basis that the co-lenders agree to finance their proportion of orders falling to suppliers in their country after ICB. Agreement between the Bank and the co-lender(s) is reached in advance on the terms (or at least minimum terms) to be extended by the co-lender to the borrower. In comparing bids for financing project costs, the terms of financing are excluded from consideration.

9. In joint financing operations, the Bank normally assembles the group of participants and assumes full responsibility for supervising procurement and project execution. The Bank incorporates in its loan agreement a cross default provision giving it the right to premature the

Bank loan if a default occurs on a co-lender's loan and it is prematured; the co-lender's contract frequently has a similar provision. Relations between the Bank and an aid agency can be governed by a general loan administration agreement. Each co-financier has its own loan contract with the borrower, but an agreement or memorandum of understanding is normally concluded between the Bank and the co-lender setting forth the terms of their cooperation.

Parallel Financing

10. "Parallel financing" refers to a co-financing operation in which the Bank finances the procurement of goods and services on a distinct list of goods, and the co-lender finances the procurement of another list. The separation of project financing into distinct "packages" is resorted to typically in cases where the funds of the co-lender are tied. The financial terms offered by co-lenders may differ, so that - unlike the case of joint financing - the financial terms may be taken into account in the award of contracts. In parallel financing operations, the Bank's loan agreement may or may not have cross default provisions.

11. The terms "organized" and "unorganized" are used in reference to parallel financing according to whether the Bank does or does not play an active part in the framework within which an entire project is financed. In an organized parallel financing operation the Bank arranges the participation of co-financing partners, seeks to reach agreement on minimum credit terms and participation in the review and award of contracts. In unorganized parallel financing the borrower manages the arrangements for the part of the project not covered by Bank lending. Since co-lenders' funds are often not available for local procurement in substantial amounts, the Bank may agree to finance part of any orders won by local suppliers and contractors.

12. Parallel financing is a flexible technique, but all parallel operations have the following features:

(a) The Bank and the co-lenders finance different lists of goods (which often reflect different parts of a project);

(b) Procurement of the goods financed by the Bank is on the basis of international competitive bidding;

(c) Procurement of the portion financed by the co-lenders is on the basis of restricted bidding or bilateral negotiations;1/

(d) The Bank appraises the entire project and the project management entity but does not supervise bidding and award of contracts financed by co-lenders.

1/ Although the Bank is not a party to such negotiations, it is interested in assuring that overall project costs are reasonable.

B. Sources of Co-financing

Co-financing With Bilateral Aid Agencies

13. The Bank's practice of selecting only high priority development projects involving careful identification, appraisal and supervision has encouraged a number of official bilateral agencies to seek association with Bank projects. A co-financing agency can use the Bank's project management from identification to supervision, participating in any step it desires according to its wishes and available manpower, except that if its financing is tied it must be responsible for managing the procurement it finances. The Bank makes available to a co-financier all technical and economic reports relevant to the project, and the co-financier can supplement this work as it sees fit thus maintaining direct contact with the recipient country during project execution.

14. Some aid agencies have concluded general loan administration agreements with the Bank as a framework for governing relations in co-financing operations. The Bank has agreements with Norway and Sweden and has recently (December 1974) concluded such an agreement with the Federal Republic of Germany.[1] Even though an operation may be undertaken in the context of such an agreement, the co-financier maintains its own aid relationship with the borrower, and the Bank concludes a loan agreement reflecting its development objectives as it does in a normal lending operation. In some cases, a tripartite agreement among the Bank, the co-financier, and the recipient is concluded. The agreement with Norway confirms Norway's intention to provide financing on an untied grant basis, to relieve debt burdens (and soften terms) by participating in joint financing[2] for projects for which IBRD/IDA financing has not yet been arranged, or by portfolio purchases of parts of loans or credits at any time subsequent to their signing. In particular cases alternative arrangements may be made. In its agreement, Sweden has noted its intention to enter into joint financing arrangements with recipient countries, also recognizing the possibility of alternative arrangements. The new agreement with Germany provides for both joint and parallel financing on concessionary terms, and joint appraisal missions. German financing is, in principle, to be untied but may be tied if an operation includes another co-lender whose funds are tied.

1/ The Basic Cooperation Agreement drafted between the Bank and Venezuela notes as an objective of cooperation the co-financing of programs and projects of a developmental nature outside Venezuela, in fields to be determined jointly by the Government and the Bank Group.

2/ Norway has identified the areas of rural development, small industries, education, population and nutrition as those in which cooperation with the Bank would be most desirable.

15. During the fourteen years, 1955 through 1968, official bilateral agencies channeled $1.05 billion to development projects in co-financing operations with the Bank/IDA. From 1969 through 1974, there were 174 bilateral operations involving about $1.5 billion in co-financing. Co-financing with bilateral aid agencies has been almost entirely parallel because of tied aid requirements, recent joint financing with loan administration countries being the exception. The following table shows the distribution of bilateral agency co-financing by source and recipient region.

Table 3: Distribution by Sponsor Agencies and Recipient Regions of Official Bilateral Co-financing FY69-74
(in U.S. $ millions)

Donor Country	L.A.C.	W. Africa	E. Africa	EMENA	Asia	Total	Percentage of Total
Germany	1.8	3.9	10.3	207.7	15.1	238.8	16.0
United States	-	44.6	40.3	41.8	93.2	219.9	14.7
Canada	6.7	16.3	56.6	-	103.2	182.8	12.2
France	-	81.6	2.0	2.4	50.0	136.0	9.1
Sweden	-	5.0	85.0	13.3	29.8	133.1	8.9
Japan	-	-	-	-	120.4	120.4	8.0
United Kingdom	8.0	0.2	23.8	1.1	35.9	69.0	4.6
Kuwait	-	-	11.0	57.8	-	68.8	4.6
Italy	-	1.7	-	-	40.0	41.7	2.8
Australia	-	-	-	-	13.6	13.6	.9
Abu Dhabi	-	-	-	10.1	-	10.1	.7
Libya	-	-	-	10.1	-	10.1	.7
Norway	-	-	3.8	-	-	3.8	.3
Qatar	-	-	-	3.4	-	3.4	.2
Others	-	-	2.3	1.9	9.5	13.7	.9
Unidentified	-	5.9	-	99.0	126.4	231.3	15.4
Total	16.5	159.2	235.1	448.6	637.1	1,496.5	100.0
Percent of total co-financing	1.1	10.6	15.7	30.0	42.6	100	

Source: Appendix Table I

16. Sixteen percent of total bilateral co-financing during FY69-74 was from Germany, heavily concentrated in the EMENA region. The United States also contributed a relatively large share of the total amounts in each region except for Latin America and the Caribbean.

17. As Appendix Table II shows, over half of the number of donor operations and more than fifty percent of the value of official bilateral co-financing were in basic infrastructure. The distribution of this form of co-financing by sectors was as follows:

Table 4: Distribution of Official Bilateral Co-financing During FY69-74 by Sectors

Sector	Percentage of Total Bilateral Co-financing
Agriculture	19.3
Industry	16.0
Basic Infrastructure	62.2
Social Sectors	2.5
Technical Assistance	-
Total	100.0

Co-financing With Multilateral Aid Agencies

18. Shared interest between the Bank and multilateral agencies has produced a wide variety of co-financed projects. Appraisal is normally joint, and supervision of progress of operations is sometimes delegated in its entirety to the Bank with a system for information exchange. Both regional development banks and international development organizations have joined in co-financing; the experiences with each are summarized below. During FY69-74, 12 of the 58 projects co-financed with multilateral agencies were joint operations, and 46 were parallel. Of $673 million in total co-financing, $247 million (37 percent) was joint financing, and $426 million (63 percent) was parallel.

Past Operations With Multilateral Agencies

19. From 1955 through 1968, multilateral agencies lent $62.5 million in co-financing with the Bank: the European Investment Bank about $30 million, Inter-American Development Bank about $15 million, and the European Development Fund about $15 million. During the six years FY69 through FY74, multilateral co-financing increased significantly to $673 million, with $362 million in FY74 alone. As Appendix Table III indicates, both regional development banks and United Nations agencies became more active this period. Fifty percent of the Bank's co-financing with multilateral agencies was with the Inter-American Development Bank. The United

Nations Development Program, although the volume of its co-financing was not large, was the partner in 25 of the 59 operations during FY69-74.

Table 5: Co-financing With Multilateral Agencies By Regions, FY69-74
(in US $ million)

Donor Agency	LAC	W. Africa	E. Africa	EMENA	Asia	Total	Percentage of Total
Inter-American Development Bank	337.4	-	-	-	-	337.4	50.1
European Investment Bank	-	1.1	-	133.6	-	134.7	20.0
Asian Development Bank	-	-	-	-	56.6	56.6	8.4
Arab Fund for Economic and Social Development	-	-	-	42.0	-	42.0	6.2
United Nations Development Program	2.0	2.5	8.0	10.2	5.0	27.7	4.1
African Development Bank	-	12.6	11.2	-	-	23.8	3.5
European Development Fund	-	8.3	12.5	-	-	20.8	3.0
United Nations Fund for Population Activities	-	-	1.2	-	17.5	18.7	2.8
Central American Bank for Economic Integration	11.0	-	-	-	-	11.0	1.6
United Nations International Children's Emergency Fund	-	-	.5	-	-	.5	-
Total	350.4	24.5	33.4	185.8	79.1	673.2	100.0
Regions's share of multilateral agency co-financing during FY69-74	52.0%	3.6%	5.0%	27.6%	11.7%	100%	

Source: Appendix Table III

20. Co-financing with multilateral agencies was largely in industry and basic infrastructure. The following table drawn from Appendix Table IV indicates the distribution of sponsor operations.

Table 6: Co-financing With Multilateral Agencies: Project Distribution by Sectors During FY69-74

Sector	Percentage of Total Multilateral Co-financing
Agriculture	4.0
Industry	39.9
Basic Infrastructure	51.9
Social Sectors	3.9
Technical Assistance	0.3
	100.0

21. The nature of the co-financing with the regional development banks has differed considerably among the regions. Since there is no a priori division of labor with the regional banks, the volume and sectoral distribution of Bank/IDA lending in each country is determined in light of expected lending from regional banks. In general, continuity is sought in one bank's association with a particular project authority. Occasionally, regional banks take over projects identified by the World Bank but not included in the Bank/IDA lending program. The IBRD often seeks regional bank co-financing in projects requiring large amounts of capital.

22. In Latin America, the extensive development activities of the IDB, USAID, and the IBRD have led to recognized intra-sectoral specialization in certain countries; such divisions have occurred, for example, in the kinds of education financed by each of the three agencies. In other areas, the presence of two large banks with both experienced staff and large capital resources occasionally has led to competition for good projects (as in the power sector) as well as to cooperation in co-financing. During FY69-74, the IDB co-financed $337 million in eight projects with the IBRD. Five of the eight projects were joint operations, accounting for 52 percent of co-financing with the IDB. In FY74, there were two parallel operations with the IDB; its share of a project in Brazil was $70 million, and in Mexico $54 million.

23. The Asian Development Bank (AsDB) joined the World Bank in three co-financed operations. There was one joint financing operation during FY69-74 with the Asian Development Bank contributing $10 million and two parallel operations, involving about $47 million. The Asian Development Bank has indicated a preference for future operations to be parallel rather than joint.

24. During FY69-74 the African Development Bank co-financed eight projects with the Bank/IDA; all were parallel operations with the

African Development Bank contributing about $24 million. Three of these operations with $16 million in co-financing were in FY74.

25. The Central American Bank for Economic Integration (CABEI) finances projects (mainly infrastructure) fostering economic integration in its region. During FY69-74, CABEI co-financed three projects with the World Bank, one joint and two parallel, contributing a total of $11 million.

26. During FY69-74, Bank/IDA had five co-financing operations with European multilateral organizations. The European Development Fund (FED) joint-financed two operations in Africa, for a total of $21 million; one of them was a grant to Somalia for a transportation project. The European Investment Bank (EIB) co-financed a parallel operation in Turkey, contributing $16.1 million to the project. During FY74, the EIB co-financed two large operations (parallel) in Turkey and a small jointly financed project in Senegal, providing a total of about $120 million for all three EIB projects.

27. During FY69-74, the United Nations Development Program (UNDP) co-financed 25 projects (all parallel) with the Bank, contributing about $23 million in grant assistance. Its funds for technical assistance have been used primarily to finance the skilled manpower locally unavailable yet required for successful project execution or to provide, as part of the project, preinvestment services for possible follow-up lending. The UNDP finances training and fellowship services within Bank projects and occasionally provides equipment or other capital costs essential to its technical assistance. Sixteen of the 25 operations during FY69-74 were in basic infrastructure projects, and the co-financing operations took place in all regions. During FY74, the number of projects co-financed with the UNDP increased to eight parallel operations involving $11 million of UNDP funds.

28. Two other United Nations agencies which have co-financed projects with the Bank during FY69-74 are the United Nations Fund for Population Activities (projects in Indonesia, Malaysia and Kenya for a total of $18.7 million) and the United Nations Capital Development Fund (a rural development project in Tanzania with a $1.5 million grant).

Co-financing With Export Credit Agencies

29. Although the purpose of export credit financing is to promote commercial sales rather than to provide development assistance, such financing can provide an important supplement to Bank lending in the higher income developing countries.

30. The project and country considerations giving rise to joint or organized parallel financing with export credit agencies include:

(a) A large project in a sector which the Bank would like to support while seeking to limit its financial involvement for reasons of overall lending policy in the country concerned;

(b) A project requiring much imported capital equipment of the type normally financed by export credit agencies;

(c) A country whose external debt position and balance of payments warrant use of external financing on export credit terms;

(d) A recipient enterprise (if it is the borrower) recognized to be well managed and financially sound.

31. Since 1964, when such operations started there have been important changes in techniques. At the outset such co-financing was on a joint basis, but as the capacity of the borrowers expanded the prevalent form changed to unorganized parallel financing. Some of the credit agencies also develop a preference for independent financing. Consequently, the Bank's role has changed from one of actively organizing joint financing participants and assuring agreement among them on minimum acceptable terms to working with recipients in unorganized parallel operations to decide which project costs would be financed by the Bank and which by export credit agencies. Although in such projects the borrower assumes the responsibility of enlisting the participation of export credit agencies the Bank is interested in assuring that the terms of such agencies are suitable and that the recipient is capable of managing the unorganized parallel part of the financing. This form of co-financing has in general worked well, and the Bank keeps itself informed about financing for and progress of other parts of the project in order to detect any problems in time.

32. Some recipients of unorganized parallel export credit co-financing, largely the wealthier Latin American countries, have become skilled managers of this kind of operation, commensurately with their more general growth in expertise in international financial management. Export credit co-financing for the more advanced Latin American countries will probably grow with their increasing access to international capital markets, and new forms of co-financing including private investment participation appear likely.

33. The amount of export credit co-financing with the Bank increased very sharply from $270 million during 1955-68 to $2.1 billion in FY69-74. The following table shows the distribution by co-financing country and recipient region during FY69-74.

Table 7: Distribution by Sponsor Agency Country and Recipient Region of Export Credit Co-financing FY69-74
(in U.S. $ millions)

Donor Country	L.A.C.	W. Africa	E. Africa	EMENA	Asia	Total	Percent of Total
United States	309.3	-	-	65.0	-	374.3	17.9
Japan	324.9	-	-	1.9	-	326.8	15.6
Germany	91.3	0.1	-	35.4	12.1	138.9	6.6
France	20.9	3.8	-	-	40.6	65.3	3.1
United Kingdom	54.1	-	2.0	-	-	56.1	2.7
Italy	40.8	0.3	-	8.3	-	49.4	2.4
Canada	47.4	-	-	-	-	47.4	2.2
Belgium	15.9	-	-	5.4	12.1	33.4	1.6
Austria	26.2	-	-	-	-	26.2	1.3
Spain	16.9	-	1.5	-	-	18.4	.9
Sweden	17.8	-	-	-	-	17.8	0.8
Abu Dhabi	-	-	-	-	11.0	11.0	.5
Soviet Union	-	-	-	5.1	-	5.1	.2
Others	29.2	-	-	0.3	12.1	41.6	2.0
Unidentified 1/	553.4	-	19.1	244.8	66.3	883.6	42.2
Total	1,548.1	4.2	22.6	366.2	154.2	2,095.3	100.0
Percent of total co-financing	73.9	.2	1.1	17.5	7.3	100.0	

1/ Recipient countries often do not complete arrangements for export credit financing until after the Bank has appraised a project and frequently not until well after the Bank's loan has been signed. Consequently, the data on export credit agencies includes an unidentified share of 42.2 percent, most of which is unorganized parallel financing.

Source: Appendix Table V

34. Of the identified sources, the United States and Japan were the most important, and most of this co-financing was for projects in Latin America. As official bilateral co-financing to Latin America diminished, export credits to large industrial and infrastructure projects in that region increased. The co-financing with export credit agencies was concentrated in two sectors: 47 percent was in industry and 53 percent was in basic infrastructure.

C. Lessons From the Bank's Co-financing Experience

35. The Bank's practice of tailoring co-financing arrangements to the circumstances of each project on a case-by-case basis has afforded

considerable flexibility in devising arrangements suited to both co-financing partners and the recipient country. It would seem desirable to maintain this flexible approach in making future co-financing arrangements.

36. Bank experience in co-financing indicates that the proportion of its own contribution to total project costs is less important in ensuring successful project completion than the soundness of the project itself, overall Bank relations with the borrower, clear agreement on financing provisions, and the schedule and means of implementation with both the co-lender and the borrower.1/

37. To ensure the successful implementation of projects, the Bank has so far taken the "lead" in the administration of jointly financed projects, thus assuming primary responsibility for project appraisal and supervision, chairing the negotiations and drafting the joint financing agreements, and receiving disbursement requests for approval and apportionment or payment. Financing partners agree to follow Bank procurement procedures. The Bank is empowered generally to act on behalf of itself and its financing partner on all matters relating to the administration of the joint financing agreement, seeking concurrence before taking action which would fall outside the normal course of administration. While the Bank's position of leader in jointly financed projects has been generally welcomed or indeed sought by the other co-financing partners, there may be cases in the future where the Bank would be willing to participate in a project without taking the lead.

38. Not only the Bank but also the borrowers and co-financing partners have approached co-financing in a fairly pragmatic fashion. Borrowers have been more concerned about the terms of co-financing and whether it is tied or untied than about administrative procedures, as long as such procedures are efficient and as simple as possible. Most bilateral partners have joined in co-financing operations as a matter of convenience in particular cases, but the co-operative agreements with Germany, Norway and Sweden are based on conscious policies by these countries to promote co-financing as a means of achieving aid policy objectives. The experience thus far suggests that the co-operative agreements are of mutual benefit. Such agreements make possible significant economies for the agencies concerned, ranging from participation in identification missions and acceptance of Bank appraisals as valid assessments, to Bank leadership in the supervision of projects. The Bank has developed excellent working contacts with these agencies in many recipient countries and has received information, perspective, manpower, advice, and other valuable forms of project support.

1/ There are several examples of successful projects in which the Bank's share is a small portion of total investment. Railroad and power projects in India, for example, have had less than 15 percent Bank financing of total investment.

39. The tasks performed for the benefit of the co-lenders normally involve more work for the Bank than the Bank's share of the total financing might indicate. At present, the Bank does not systematically report on the amount of co-financing associated with Bank lending or make special budget provisions, and has absorbed the costs of additional staff time necessary to align procedures with a co-financier if such costs appeared to benefit the recipient.

III. Conclusions

40. An assessment of the Bank's role as a development institution should include an appreciation of the Bank's wider role as a mobilizer of additional capital for development in association with Bank operations, its contributions to the efficiency of aid administration, and the effectiveness of assistance provided. Co-financing has proven an adaptable and effective instrument for accomplishing these broader objectives of the Bank.

41. In future, the Bank's role in mobilizing capital from other sources is likely to grow. A larger number of operations can be expected from the traditional donors. Co-financing is furthermore one of several means of accelerating the flow of assistance from the oil exporting countries. For the new sources of development assistance, co-financing offers a way of quickly disbursing aid commitments without diverting scarce administrative and technical expertise.

42. In planning their expanded aid programs, some of the oil exporting countries have indicated a strong interest in developing co-financing arrangements with the World Bank. In co-financing operations so far, the Kuwait Fund has provided $100 million in eight projects, all in North Africa or the Middle East. The Kuwait Investment Company co-financed $60 million in an Algerian port project. The Arab Fund for Economic and Social Development (the "Arab Fund") has co-financed two projects providing a total of $42 million, and the Abu Dhabi Fund, the State of Qatar, and the Libyan Arab Foreign Bank have each co-financed one project.

43. The Bank's experience to date has shown that co-financing is an effective means for interchange and mutual support between the various development agencies and can provide equally important benefits to the recipient country. Accordingly, an increasing number of Bank/IDA operations in the future are likely to involve co-financing arrangements.

NOTE ON PREVIOUS BANK DISCUSSIONS CONCERNING CO-FINANCING

1. In April 1969, the Bank's Loan Committee reviewed a memorandum entitled "Recommended Policies on Joint Financing."1/ The Committee noted that participation by the Bank (i.e., IBRD and IDA) in co-financed projects had several possible advantages; such participation could: encourage increases in the total flow of development finance, permit distribution of limited Bank Group finance (particularly IDA funds) over a larger number of projects, encourage the channelling of funds from bilateral sources into priority projects, improve the quality of projects internationally financed, increased the amount of international competitive bidding in development projects over what would otherwise take place, and provide assistance to countries having difficulty using available sources of bilateral finance. Co-financing was also seen to have possible disadvantages: it could increase the time necessary to finance a project, absorb staff time, or reduce the Bank's leverage on a particular project. The meeting concluded that co-financing raised a series of complex issues which were not amenable to reduction into a single set of rules, and that each case would have to be considered on its own merits.

2. The Pearson Committee recommended "that multilateral agencies extend the practice of joint or parallel financing of projects" in the context of seeking ways to make aid more effective and as a way for multilateral agencies to help mitigate the harmful effects of aid tying. In a December 1969 memorandum to the Executive Directors2/ concerning the Pearson Commission recommendation, the President indicated his intention to maintain a "positive and flexible attitude" towards co-financing "wherever it can be carried out under conditions ensuring wide international competition and without involving unduly complex procedures." Two principal difficulties had become evident in the Bank's experience in co-financing with export credit agencies. On the one hand, in order to obtain the benefits of international competitive bidding, it was necessary to obtain credit offers from all the countries likely to win orders under such a system. If only a few countries had been prepared to participate, it would have been necessary to restrict bidding to these countries and thus lose some of the advantage of competitive bidding. Secondly, co-financing with other lenders providing funds tied in various ways and operating under different sets of constraints as in the cases of the

---

1/ Memorandum LC/O/69-14 of February 3, 1969.

2/ Memorandum R69-232 of December 11, 1969.

Colombian power and supply[1] and the Mexican power projects[2] had involved extensive negotiations and detailed administration. The Bank further noted that the avoidance of "credit races" in projects involving export credits would be enhanced if participating countries could agree on minimum terms and a maximum interest rate. In conclusion, the Bank's policies were determined to be consistent with the Pearson Commission's recommendation.

3. A meeting of major capital exporting countries was held at the World Bank in July 1972 to discuss arrangements for joint or parallel financing of projects in which financing from the Bank would be combined with export credits from capital exporting countries. This meeting, chaired by the Bank, dealt with the general preference of country representatives for the Bank to organize arrangements for such co-financing. Most countries preferred joint financing. The United States voiced firm opposition to participation in joint financing and a strong preference for "unorganized" parallel financing in which the arrangements for export credits associated with Bank-financed projects would be made by the borrower without intervention of the World Bank. In subsequent discussion, the U.S. representative did not preclude American participation in organized parallel financing to be considered on a case-by-case basis. The Chairman concluded that it did not appear possible to reach agreement at the meeting on a body of general principles regarding joint or parallel financing schemes to be organized by the Bank.

4. A memorandum entitled "Joint and Parallel Financing in Conjunction with Export Credits: Recent Experience and the Near-Term Outlook"[3] was distributed to the Executive Directors for information on September 19, 1973.

1/ Loans 536-CO and 537-CO, June 3, 1968; Loan 575-CO, December 2, 1968.

2/ Loan 436-ME, December 15, 1965; Loan 544-ME, June 28, 1968.

3/ Memorandum SecM73-568 of September 19, 1973.

SALES OF PORTIONS OF IBRD LOANS OR IDA CREDITS

1. While not strictly a co-financing technique, the sale of portions of Bank loans or IDA credits raises additional capital for development. The Bank sells without recourse portions of its loans, mostly to financial institutions. Portions of loans sold when a loan is made are called "participations," and sales of maturities later on are referred to as "portfolio sales." Financial institutions normally purchase portions of Bank loans for commercial investment purposes, but in doing so they, in effect, provide additional capital for development. Sales of portions of loans and credits can serve one or more other purposes:

(a) To increase the amount of funds available to the World Bank for lending to developing countries;

(b) To provide a channel for development funds with minimal administrative burden for the purchaser;

(c) To establish the credit of Bank member countries in financial markets and to promote private foreign portfolio investments;

(d) To reduce loan costs for borrowers by selling whenever possible part of a loan at rates less than the original lending rate;

(e) To enable co-lenders to commit and disburse funds for Bank-appraised projects faster than would be possible by identifying and appraising a project on its own.

2. Normally, when negotiations for a loan have been substantially completed, the Bank invites financial institutions to participate in the loan by sending them a memorandum describing the loan's main features. A "Participation Agreement" is usually signed by the Bank and the co-financing participant when the Loan Agreement is executed. This Agreement prescribes the allotment of a portion of the loan and the participant's agreement to remit funds at some later date at the Bank's request as required for disbursement. The Agreement also provides for a commitment fee at the same rate paid by the borrower (presently 3/4 of 1 percent) and accrued from the date on which the commitment charge begins to accrue under the loan (generally 60 days after the date of the Loan Agreement) to the date on which the participant remits funds to the Bank. This commitment fee is always paid in U.S. dollars.

3. The Loan Agreement between the Bank and the borrower, the Guarantee Agreement between the government (if the borrower is an entity other than the government) and the Bank, the project appraisal report, economic reports and information on the country concerned, and other relevant papers are supplied to the participant when the Participation Agreement is executed. Against payment as requested under the Participation Agreement, the Bank issues to the participant its own Participation Certificate covering the particular maturity or maturities for which payment has been made. Semi-annual interest and reimbursement of principal at maturity are paid by the Bank, in the currency of the participation or the purchase, from funds received from the borrower. The purchaser of a loan pariticipation has no direct contact with the borrower.

4. The Bank sells maturities of its loans at yields fixed from time to time, the maximum yield permitted being the Bank's lending rate at the time of sale. The Bank does not sell an entire maturity but retains some share of all maturities sold. Some financial institutions purchase participations for long periods, but commercial banks usually buy parts of early maturities. If a sale is made at a rate lower than the interest rate, the difference is passed along to the borrower. Such sales have been infrequent in recent years.

5. The procedure for sale of an IDA credit is substantially the same as for Bank loans except that there is no commitment fee or interest involved -- only a service charge -- and the terms of the participation agreement are negotiated in each case.

6. Co-financing through participation has also been used in some interesting and quite exceptional cases to channel aid on a grant basis. Under a Norwegian Aid Participation Agreement, Norway purchased in December 1973 a participation of $11 million equivalent in a loan for an education project in Zambia (Loan No. 900-ZA dated June 6, 1973), and then converted them into a grant by waiving repayment. Since the Bank continues normal project implementation, this arrangement simplified project administration for both Zambia and Norway. It allowed Norway to contribute to an ongoing project with early commitment and disbursements of funds in accordance with Norway's annual aid budgets. Moreover, since the original project financing had been a Bank loan of $33 million, Norway's purchase of one-third of the portfolio considerably softened the financing blend for Zambia, while simultaneously freeing the same amount for additional lending operations. In August 1974 Norway also purchased and converted into a grant one-third of the $18 million Third Karachi Port Project originally financed by IDA (Credit No. 422-PAK of July 19, 1973).

7. The Bank has continued its lending program to a borrowing country with a sudden increase in exchange reserves by making arrangements for the borrowing country to take a large part in the loan. During the latter 1960s, Thailand's reserves rose considerably to a level which raised the question of the need for Bank lending. The Government of Thailand wanted to continue the technical project advice and discipline associated with Bank lending. Consequently, for the Phasom Dam project of September 19, 1967,1/ the Bank lent Thailand $26 million (at 6 percent interest) for the project, and the Bank of Thailand purchased $16 million of the loan (also at 6 percent), making the net loan in effect $10 million.2/ This format was repeated in the Thailand Highway project of May 23, 1968,3/ wherein Thailand purchased $25 million of the $29 million loan. Purchasing by a borrower of a participation in its own loan is a means of maintaining lending programs to reserve surplus countries countries such as certain oil-exporting nations.

8. As the table below shows, the Bank sold $2.5 billion of its loans through FY74 although sales of loans have declined during the last ten years. Among the reasons for the decline have been the lesser attraction of Bank loan selling rates compared with other alternative investments and the decline of sales in the US market, which can be attributed, in part, to regulations imposed in the 1960's restricting US commercial bank purchases of non-resident obligations.

1/ The loan was 514-TH.

2/ Part of the remaining $10 million was sold commercially to financial institutions.

3/ Loan 535-TH.

PARTICIPATION IN AND PORTFOLIO SALES OF IBRD LOANS BY FISCAL YEAR1/

Fiscal Year	Participations	Portfolio Sales	Total
Prior to FY54	28,597,000	42,414,653	71,011,653
FY54-FY58	140,763,351	208,282,003	349,045,354
FY59-FY63	188,758,891	996,499,594	1,185,258,485
FY64-FY68	155,059,070	382,261,973	537,321,043
FY69	6,389,382	28,309,048	34,698,430
FY70	2,605,204	169,821,998 2/	172,427,202
FY71	10,061,667	13,467,541	23,529,208
FY72	53,599,312	18,329,313	71,928,625
FY73	45,943,996	3,590,000	49,533,996
FY74	15,500,169	None	15,500,169
FY69-74	134,099,730	233,517,900	367,617,630
Total	647,278,042	1,862,976,123	2,510,254,165

1/ Figures are expressed in United States dollars and reflect adjustments up to June 30, 1974.

2/ Of this amount, $162,161,000 was purchased by Japan.

Appendix Table I

FY69-74

CO-FINANCING WITH OFFICIAL BILATERAL AID AGENCIES BY DONOR COUNTRY AND RECIPIENT REGION

	Germany	U. S.	Canada	France	Sweden	Japan	Kuwait	U. K.	Italy	Australia	Abu Dhabi	Libya	Norway	Qatar	Others	Unidentified	Total
LATIN AMERICA & CARIBBEAN																	
US $million	1.8	-	6.7	-	-	-	-	-	-	-	-	-	-	-	-	-	16.5 1/
Donor Operations	1.0	-	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	6(5)
WEST AFRICA																	
US $million	3.9	44.6	16.3	81.6	5.0	-	-	-	1.7	-	-	-	-	-	-	5.9	159.2 1/
Donor Operations	2.0	7.0	3.0	27.0	1.0	-	-	-	1.0	-	-	-	-	-	-	1.0	43(36)
EAST AFRICA																	
US $million	10.3	40.3	56.6	2.0	85.0	-	11.0	-	-	-	-	-	3.8	-	2.3	-	235.1 1/
Donor Operations	5.0	8.0	4.0	3.0	13.0	-	1.0	-	-	-	-	-	2.0	-	5.0	-	52(37)
EMENA																	
US $million	207.7	41.8	-	2.4	13.3	-	57.8	-	-	-	10.1	10.1	-	3.4	1.9	99.0	448.6 1/
Donor Operations	6.0	3.0	-	2.0	3.0	-	6.0	-	-	-	1.0	1.0	-	1.0	1.0	1.0	27(22)
ASIA																	
US $million	15.1		103.2	50.0	29.8	120.4	-	13.6	40.0	13.6	-	-	-	-	9.5	126.4	637.1 1/
Donor Operations	3.0		7.0	3.0	5.0	7.0	-	4.0	1.0	4.0	-	-	-	-	3.0	4.0	46(26)
TOTAL																	
US $million	238.8	219.9	182.8	136.0	133.1	120.4	68.8	13.6	41.7	13.6	10.1	10.1	3.8	3.4	13.7	231.3	1496.5 1/
Donor Operations	17.0	23.0	17.0	35.0	22.0	7.0	7.0	4.0	2.0	4.0	1.0	1.0	2.0	1.0	9.0	6.0	174(126)
% of Co-financing	16.0	14.7	12.2	9.1	8.9	8.0	4.6	.9	2.8	.9	.7	.7	.3	.2	.9	15.4	100.0

1/ Figure in parentheses indicates number of projects. Since several co-lenders can participate in one project, the number of donor operations can exceed the number of projects.

Appendix Table II

FY69-74

CO-FINANCING WITH OFFICIAL BILATERAL AID AGENCIES BY DONOR COUNTRY AND SECTOR

	Germany	U. S.	Canada	France	Sweden	Japan	Kuwait	U. K.	Italy	Australia	Abu Dhabi	Libya	Norway	Quatar	Others	Unidentified	Total
AGRICULTURE																	
US $million	.1	76.0	13.9	83.7	23.9	-	13.9	34.6	40.0	-	-	-	2.0	.1	.1	-	288.20 1/
Donor Operations	1.0	6.0	3.0	19.0	6.0	-	2.0	5.0	1.0	-	-	-	1.0	1.0	1.0	-	45(33)
INDUSTRY																	
US $million	55.2	85.8	23.7	1.0	9.8	15.5	23.7	1.6	-	-	10.1	10.1	-	3.4	-	-	239.90 1/
Donor Operations	3.0	5.0	1.0	1.0	2.0	2.0	1.0	2.0	-	-	1	1.0	-	1.0	-	-	20(13)
BASIC INFRASTRUCTURE																	
US $million	182.1	57.4	131.8	49.6	83.4	104.9	30.7	31.7	1.7	13.6	-	-	-	-	13.0	231.3	931.2 1/
Donor Operations	11.0	11.0	10.0	14.0	12.0	5.0	3.0	11.0	1.0	4.0	-	-	-	-	7.0	6.0	95(70)
SOCIAL SECTORS																	
US $million	1.4	.7	13.4	1.7	16.0	-	-	1.1	-	-	-	-	1.8	-	.6	-	36.7 1/
Donor Operations	2.0	1.0	3.0	1.0	2.0	-	-	2.0	-	-	-	-	1.0	-	1.0	-	13(9)
TECHNICAL ASSISTANCE																	
US $million	-	-	-	-	-	-	.5	-	-	-	-	-	-	-	-	-	.5 1/
Donor Operations	-	-	-	-	-	-	1.0	-	-	-	-	-	-	-	-	-	1(1)
TOTAL																	
US $million	238.8	219.9	182.8	136.0	133.1	120.4	68.8	69.0	41.7	13.6	10.1	10.1	3.8	3.4	13.7	231.3	1496.5 1/
Donor Operations	17.0	23.0	17.0	35.0	22.0	7.0	7.0	20.0	2.0	4.0	1.0	1.0	2.0	1.0	9.0	6.0	164(126)
% of co-financing	16.0	14.7	12.2	9.1	8.9	8.0	4.6	4.6	2.8	.9	.7	.7	.2	.2	.9	15.5	100

1/ Figure in parentheses indicates number of projects. Since several co-lenders can participate in one project, the number of donor operations may exceed the number of projects.

APPENDIX TABLE III

FY 69-74
CO-FINANCING WITH MULTILATERAL AID AGENCIES BY AGENCY AND RECIPIENT REGION

	Inter-American Development Bank	European Investment Bank	Asian Development Bank	Arab Fund for Economic and Social Development	United Nations Development Program	African Development Bank	European Development Fund	United Nations Fund for Population Activities	Central American Bank for Economic Integration	United Nations International Children's Emergency Fund	TOTAL
Latin America & Caribbean											
U.S. $ million	337.4	-	-	-	2.0	-	-	-	11.0	-	350.4
Donor operations	8.0	-	-	-	2.0	-	-	-	3.0	-	13(13)
West Africa											
U.S. $ million	-	1.1	-	-	2.5	12.6	8.3	-	-	-	24.5
Donor operations	-	1.0	-	-	5.0	5.0	1.0	-	-	-	12(12)
East Africa											
U.S. $ million	-	-	-	-	8.0	11.2	12.5	1.2	-	0.5	33.4
Donor operations	-	-	-	-	8.0	3.0	1.0	1.0	-	1.0	14(13)1/
EMENA											
U.S. $ million	-	133.6	-	42.0	10.2	-	-	-	-	-	185.8
Donor operations	-	3.0	-	2.0	6.0	-	-	-	-	-	11(11)
Asia											
U.S. $ million	-	-	56.6	-	5.0	-	-	17.5	-	-	79.1
Donor operations	-	-	3.0	-	4.0	-	-	2.0	-	-	9(9)
Total											
U.S. $ million	337.4	134.7	56.6	42.0	27.7	23.8	20.8	18.7	11.0	0.5	673.2
Donor operations	8.0	4.0	3.0	2.0	25.0	8.0	2.0	3.0	3.0	1.0	59(58)1/
% of co-financing	50.1	20.1	8.4	6.2	4.1	3.5	3.1	2.8	1.6	0.1	100.0

1/ Figure in parentheses indicates number of projects. Since several co-lenders can participate in one project, the number of donor operations can exceed the number of projects.

APPENDIX TABLE IV

FY 69-74
CO-FINANCING WITH MULTILATERAL AID AGENCIES BY DONOR AGENCY AND SECTOR

	Inter-American Development Bank	European Investment Bank	Asian Development Bank	Arab Fund for Economic and Social Development	United Nations Development Program	African Development Bank	European Development Fund	United Nations Fund for Population Activities	Central American Bank for Economic Integration	United Nations International Children's Emergency Fund	TOTAL
Agriculture											
U.S. $ million	13.0	-	-	-	1.0	3.9	8.3	-	-	0.5	26.7
Donor operations	1.0	-	-	-	2.0	1.0	1.0	-	-	1.0	6.0(5)1/
Industry											
U.S. $ million	182.0	26.6	37.0	22.0	0.3	0.5	-	-	-	-	268.4
Donor operations	4.0	2.0	2.0	1.0	1.0	1.0	-	-	-	-	11.0(11)
Basic Infrastructure											
U.S. $ million	142.4	108.1	19.6	20.0	16.5	19.4	12.5	-	11.0	-	349.5
Donor operations	3.0	2.0	1.0	1.0	16.0	6.0	1.0	-	3.0	-	33.0(33)
Social Sector											
U.S. $ million	-	-	-	-	7.9	-	-	18.7	-	-	26.6
Donor operations	-	-	-	-	5.0	-	-	3.0	-	-	8.0(8)
Technical Assistance											
U.S. $ million	-	-	-	-	2.0	-	-	-	-	-	2.0
Donor operations	-	-	-	-	1.0	-	-	-	-	-	1.0(1)
Total											
U.S. $ million	337.4	134.7	56.6	42.0	27.7	23.8	20.8	18.7	11.0	0.5	673.2
Donor operations	8.0	4.0	3.0	2.0	25.0	8.0	2.0	3.0	3.0	1.0	59.0(58)1/
% of co-financing	50.1	20.1	8.4	6.2	4.1	3.5	3.1	2.8	1.6	0.1	100.0

1/ Figure in parentheses indicates number of projects. Since several co-lenders can participate in one project, the number of donor operations can exceed the number of projects.

APPENDIX TABLE V

FY 69-74

CO-FINANCING WITH EXPORT CREDIT AGENCIES BY DONOR COUNTRY AND RECIPIENT REGION

	United States	Japan	Germany	France	Canada	Italy	United Kingdom	Sweden	Abu Dhabi	Spain	Belgium	Soviet Union	Others	Unidentified	TOTAL
Latin America & Caribbean															
U.S. $ million	309.3	290.8	69.4	17.9	47.4	40.3	27.1	17.8	-	6.8	1.3	-	53.9	666.1	1548.1
Donor operations	14.0	9.0	6.0	6.0	6.0	3.0	4.0	5.0	-	1.0	1.0	-	9.0	14.0	78.0(26) 1/
West Africa															
U.S. $ million	-	-	0.1	3.8	-	0.3	-	-	-	-	-	-	-	-	4.2
Donor operations	-	-	1.0	2.0	-	1.0	-	-	-	-	-	-	-	-	4.0(3) 1/
East Africa															
U.S. $ million	-	-	-	-	-	-	2.0	-	-	1.5	-	-	-	19.1	22.6
Donor operations	-	-	-	-	-	-	1.0	-	-	1.0	-	-	-	2.0	4.0(3) 1/
EMENA															
U.S. $ million	65.0	1.9	35.4	-	-	8.3	-	-	-	-	5.4	5.1	0.3	244.8	366.2
Donor operations	1.0	1.0	2.0	-	-	1.0	-	-	-	-	1.0	2.0	1.0	7.0	16.0(11) 1/
Asia															
U.S. $ million	-	-	12.1	40.6	-	-	-	-	11.0	-	-	-	24.2	66.3	154.2
Donor operations	-	-	1.0	3.0	-	-	-	-	1.0	-	-	-	2.0	6.0	13.0(10) 1/
Total															
U.S. $ million	374.3	292.7	117.0	62.3	47.4	48.9	29.1	17.8	11.0	8.3	6.7	5.1	78.4	996.3	2095.3
Donor operations	15.0	10.0	10.0	11.0	6.0	5.0	5.0	5.0	1.0	2.0	2.0	2.0	1.2	29.0	115.0(53) 1/
% of co-financing	17.9	14.0	5.6	3.0	2.3	2.3	1.4	0.8	0.5	0.4	0.3	0.2	3.7	47.6	100.0

1/ Figure in parentheses indicates number of projects. Since several co-lenders can participate in one project, the number of donor operations can exceed the number of projects.

APPENDIX TABLE VI

FY 69-74

CO-FINANCING WITH EXPORT CREDIT AGENCIES BY DONOR COUNTRY AND SECTOR

	United States	Japan	Germany	France	Canada	Italy	United Kingdom	Sweden	Abu Dhabi	Spain	Belgium	Soviet Union	Others	Unidentified	TOTAL
Agriculture															
U.S. $ million	-	-	0.1	-	-	-	-	-	-	-	-	-	-	-	.1
Donor operations	-	-	1.0	-	-	-	-	-	-	-	-	-	-	-	1.0(1)
Industry															
U.S. $ million	302.3	267.8	54.0	-	20.0	8.3	-	-	11.0	-	-	0.9	0.3	314.6	979.2
Donor operations	9.0	5.0	3.0	-	1.0	1.0	-	-	1.0	-	-	1.0	1.0	5.0	27.0(11)[1]
Basic Infrastructure															
U.S. $ million	72.0	24.9	62.9	62.3	27.4	40.6	29.1	17.8	-	8.3	6.7	4.2	78.1	681.7	1116.0
Donor operations	6.0	5.0	6.0	11.0	5.0	4.0	5.0	5.0	-	2.0	2.0	1.0	11.0	24.0	87.0(41)[1]
Total															
U.S. $ million	374.3	292.7	117.0	62.3	47.4	48.9	29.1	17.8	11.0	8.3	6.7	5.1	78.4	996.3	2095.3
Donor operations	15.0	10.0	10.0	11.0	6.0	5.0	5.0	5.0	1.0	2.0	2.0	2.0	12.0	29.0	115.0(53)[1]
% of co-financing	17.9	14.0	5.6	3.0	2.3	2.3	1.4	0.8	0.5	0.4	0.3	0.2	3.7	47.6	100.0

[1] Figure in parentheses indictes number of projects. Since several co-lenders can participate in one project, the number of donor operations can exceed the number of projects.