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POLICY REVIEW COMMITTEE

November 18, 1974

PRC/s/C/74-19

PROJECT COST SHARING

The note on Bank Group 'Project Cost Sharing,' prepared by the Policy Planning and Program Review Department, is distributed for information. Comments in writing should be sent to Mr. Bension Varon, Room D-444, by close of business, Monday, December 2, 1974.

Frank Vibert  
Secretary  
Policy Review Committee

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Chief Economists  
Program Coordinators

PROJECT COST SHARING

Policy Planning & Program Review Department

November 15, 1974

## PROJECT COST SHARING

### 1. Introduction

1. The policy on cost sharing is in OM 1.22 on "Foreign Exchange Loans for Local Expenditures," dated June 1, 1971, which states that "generally the poorer the country the greater is the proportion of the cost of the project which the Bank is prepared to finance". This note reviews the IBRD/IDA experience with regard to the share of project costs financed in FY70-74 in light of this policy, describes how the policy is evolving, and examines the general considerations underlying the Bank's approach in determining what proportion of project cost to finance. During the period reviewed the proportion of total project cost financed in individual countries has ranged from 18 percent to 100 percent.

### II. General Considerations

2. Generally, the Bank does not finance the entire cost of a project. To help ensure the success of a project it is thought desirable that there be a significant financial involvement in the project by the country itself. Conversely, if the Bank is to have a meaningful influence on the project, it cannot finance too low a proportion of project costs.

3. The Articles of Agreement require that Bank loans be for the purpose of providing borrowers with the foreign currency needed to carry out projects, and financing of local expenditure is allowed only in "exceptional circumstances" (Article 4, Section 3). This has meant that project cost sharing has tended to follow the breakdown between foreign exchange and local costs. However, whether the Bank should in individual cases finance all or only a portion of foreign exchange costs, or whether the circumstances exist which would justify the financing of local as well as foreign costs, is determined by country considerations. The latter include, principally, the borrower's

domestic resource mobilization capabilities and external capital inflow requirements, the portion of the needed resource transfer which the Bank seeks to provide, and the specific development objectives and project content of the country lending program. Where the desired resource transfer is smaller than the foreign exchange content of the projects with which the Bank wishes to become involved (or where resource transfer per se is not the main consideration), a country case may exist for financing only a portion of foreign exchange costs. Conversely, where the Bank's resource transfer objectives exceed the foreign exchange cost of suitable projects, the exceptional circumstances required to justify Bank financing of local currency expenditures may exist.

4. As noted in the only reference to cost sharing in the Operational Manual, the income level of a country in particular is an important determinant of the appropriate level of project-cost financing. It is in the poorest countries that domestic resource mobilization poses the greatest difficulty and where the country may be able to make relatively little financial contribution to the project -- even if, within its resource constraints, its budgetary and savings performance is good. It is the poorest countries, reliant on concessionary assistance, which similarly can be expected to have the most difficulty in finding sufficient external assistance on appropriate terms. Thus, it is in these countries that the Bank would normally finance the highest proportion of the total project costs.

5. At the other end of the spectrum, for those countries furthest ahead in the development process, the proportion of project costs financed is likely to be as low as is consistent with making a meaningful contribution to the project. The domestic resource possibilities of these countries are

relatively better and they are able to produce domestically a larger proportion of the project goods. These countries can also be expected to be better able to borrow on market terms and have access to private sources of external capital.

6. Also relevant in determining what proportion of project costs to finance are considerations relating to the objectives which the Bank wishes to achieve in individual countries in terms of both the size and the composition of its lending program, as well as its impact. Where influencing the development program, institution building or technical assistance are the main objectives, the Bank may choose to spread its lending over a wide range of projects by financing a relatively smaller proportion of a larger number of projects.

7. The income criterion poses a dilemma for IDA. Since IDA operates only in the poorest countries, it would be logical for it to finance a rather larger share of project costs than the IBRD. However, limited IDA resources impose a constraint on its ability to finance a large proportion of project costs in every case. In addition, in those countries where a pipeline of good projects does exist and where there are prospects of associating IDA resources with the resources of co-financing partners, it may be desirable to spread IDA resources over a large number of projects even though it entails a smaller share of project costs being financed in each case.

8. A final consideration is the amount of local cost the Bank is prepared to finance. Substantial local expenditure financing tends to arise in two quite different types of situation: one extreme is the very poor countries where the Bank covers a large proportion of total costs and hence a large amount of local expenditures because of the country's poor resource position; at the other

extreme are the most industrialized and generally higher-income developing countries, where the Bank may finance only say 40-50 percent of total costs but where the import content of projects is low and the Bank again finances a large amount of local costs.

9. Clearly, the Bank has to exhibit great flexibility in applying the above considerations to country-specific or project-specific cases in order to safeguard against letting a formula approach get in the way of assisting as effectively as possible in the development of countries.

### III. The Data

10. The basis of the analysis that follows is all loans and credits approved in FY70-74 with the following adjustments to the data presented in appraisal reports:

- (a) Since project cost sharing is not applicable to program loans, loans where the project is defined as a tranche of an on-going investment program, technical assistance loans, sector loans, and agricultural and industrial (DFC) credit loans, these have been excluded.
- (b) Since the focus is on how the project costs are shared between the Bank and the borrower, co-financing was deleted. Co-financing by other investors contributes, on the average, only 10 percent of total project costs, but its incidence can vary from project to project.
- (c) Interest during construction, if capitalized, is included in the total project cost and in the Bank's share.
- (d) Taxes and duties are a cost to the project agency (if it is not a government), although from the point of view of the country as a whole,



they are simply transfer payments. They should be included in computing total project costs, but the Bank's share of project costs should be calculated excluding taxes and duties. No adjustment on these items has been made in this note since the data available did not permit identifying how they have been treated in individual projects. The lack of this adjustment to the data may therefore lead to an understating of the extent to which the Bank finances project costs particularly in the poorest countries and the least developed where the Bank's proportion is high and may reach 90-100 percent after taxes and duties have been excluded.

- (e) Finally, the scope of projects, as defined for the purpose of a Bank loan agreement, can vary quite widely. One of the criteria is usually how much of the borrower's investment program the Bank wishes to influence with its lending, and this judgment obviously affects the calculation of total project costs and the share of the Bank.

11. The loans/credits on which the review was based, accounted for roughly 71 percent of IBRD/IDA lending in FY70-74. Cost sharing ratios were analyzed after excluding co-financing from total (gross) project costs. (These adjustments and their effects are explained in greater detail in Annex 1.)

#### IV. Recent Experience

12. The major findings of the statistical review are summarized below and illustrated in Annex Tables 1-4:

- The IBRD/IDA financed about 47 percent of 'net project costs' (gross project cost minus co-financing). (Annex Table 1.) IDA, despite the constraints on its resources, financed a larger proportion of

project cost (49 percent) than the IBRD (43 percent), in accordance with the greater concentration of its lending in the poorest countries. (Annex Table 1.)

- IBRD/IDA financed over 90 percent of foreign exchange costs (net of co-financing) and about 9 percent of local costs. (Annex Table 1.) This is in line with the Bank Group's basic role of financing generally import costs<sup>1/</sup>.
- The share of project cost financed is clearly related to country income, being 38 percent for the higher-income developing countries, 52<sup>1</sup> percent for the poorest countries, and 70 percent for the UN-designated 'least developed'<sup>2/</sup>. (Annex Table 2.)
- Individual country-by-country observations also reveal variations in cost sharing ratios according to income groups, with some exceptions attributable to the weight of one or two large projects with special circumstances. Twenty-five countries with 'high cost sharing' ratios of 70 percent or more had a median income of \$120; 19 countries where the proportion of cost sharing was 18-45 percent had a median per capita income of \$740. (Annex Table 3.)
- While the share of local costs in either total project costs or in Bank loans and credits did vary by sector, being significantly higher in population and education, the proportion

<sup>1/</sup> The proportion of local cost financing in IBRD/IDA lending in the same period was 10.8 percent. Whereas total project cost was divided between foreign exchange cost and local cost on a roughly 50:50 basis, the ratio of foreign exchange cost to local cost in the amount provided externally, by either the Bank or other foreign investors, was in the order of 9:1.

<sup>2/</sup> The figures for the Bank's share of project costs have been calculated without making allowance for taxes and duties associated with the projects. As quoted in para.10(d) this leads to an understatement of the IBRD/IDA share in the poorest countries.

of project cost financed did not reveal a strong pattern by sector because of the more dominant role of country considerations (Annex Table 4). Averages for sectors concealed wide deviations within each sector on country grounds, as evidenced by the wider differences in cost sharing by countries (18 percent to 100 percent) than by sectors (35 percent to 66 percent).

A survey of the projects directed to the poorest sectors of societies -- particularly programs designed to reach the rural poor -- in FY70-73 showed that these tended to have a higher proportion of cost sharing than other projects as well as significantly greater local cost components. (Annex Table 4.)

#### V. Conclusions

13. Cost sharing is based on both project and country considerations, with the level of income a key consideration. In a number of cases -- especially the poorest countries of Africa -- the Bank has recognized the necessity of financing a high proportion of project costs. The continuing emphasis on assisting the poor countries and on sectors and projects designed to benefit the poorest segments of societies implies that the proportion of project costs financed may increase in the future. Existing policies have not inhibited the financing of a high proportion of project costs, whenever appropriate, and they are unlikely to pose difficulty in the future.

Table 1.

COST SHARING, IBRD AND IDA, FY70-74<sup>1/</sup>

Year	GROSS PROJECT COST			CO-FINANCING			PROJECT COST <sup>2/</sup> LESS CO-FINANCING			AMOUNT OF LOAN/CREDIT			IBRD/IDA SHARE OF NET PROJECT COST		
	Local Currency	Foreign Exchange	Total	Local Currency	Foreign Exchange	Total	Local Currency	Foreign Exchange	Total	For Local Currency	For Foreign Exchange	Total	Local % of L.C.	Foreign % of F.E.	Total % of Total
<b>IBRD</b>															
FY70	1093.6	1313.0	2406.6	26.7	237.9	264.6	1066.9	1075.1	2142.0	111.4	928.0	1039.4	10.4	86.3	48.5
FY71	1530.0	1708.4	3238.4	17.8	190.8	208.6	1512.2	1517.6	3029.8	129.6	1309.8	1439.4	8.6	86.3	47.5
FY72	2375.1	2117.7	4492.8	109.4	624.9	734.3	2265.7	1492.8	3758.5	123.2	1312.9	1437.1	5.4	88.0	38.2
FY73	2658.8	1823.3	4482.1	84.1	212.2	296.3	2574.7	1611.1	4185.8	236.5	1476.5	1713.0	9.2	91.7	40.9
FY74	2879.5	3500.6	6380.1	12.6	734.5	747.1	2866.9	2766.1	5633.0	144.2	2313.4	2457.6	5.0	83.6	43.6
Total	10537.0	10463.0	21000.0	250.6	2000.3	2250.9	10286.4	8462.7	18749.1	744.9	7341.6	8086.5	7.2	86.8	43.1
<b>IDA</b>															
FY70	436.2	430.6	866.8	7.4	67.2	74.6	428.8	363.4	792.2	65.8	301.8	367.6	15.3	83.0	46.4
FY71	232.1	298.3	530.4	2.7	6.3	9.0	229.4	292.0	521.4	42.1	275.6	317.7	18.4	94.4	60.9
FY72	640.8	753.5	1394.3	24.4	107.0	131.4	616.4	646.5	1262.9	125.4	553.4	678.8	20.3	85.6	53.8
FY73	931.7	1007.0	1938.7	10.4	117.6	128.0	921.3	889.4	1810.7	90.9	782.5	873.4	9.9	85.7	47.1
FY74	811.8	786.5	1598.3	18.2	120.5	138.7	793.6	666.0	1459.6	114.4	542.7	657.1	14.4	81.3	45.0
Total	3052.6	3275.9	6328.5	63.1	418.6	481.7	2989.5	2857.3	5846.8	438.6	2436.0	2874.6	14.7	85.3	49.2
<b>IBRD and IDA</b>															
FY70	1486.4	1662.8	3149.2	34.1	305.1	339.2	1452.3	1357.7	2810.0	177.2	1229.8	1407.0	12.2	90.6	50.1
FY71	1739.9	1973.5	3713.4	20.1	196.1	216.2	1719.8	1777.4	3497.2	171.7	1585.4	1757.1	10.0	89.2	50.2
FY72	2929.6	2737.0	5666.6	131.9	730.2	862.1	2797.7	2036.8	4834.5	248.6	1867.3	2115.9	8.9	91.7	43.8
FY73	3327.8	2638.2	5966.0	94.4	323.5	417.9	3233.4	2314.7	5548.1	327.4	2239.0	2566.4	10.1	96.7	46.3
FY74	3538.0	4122.6	7660.6	30.8	854.1	884.9	3507.2	3268.5	6775.7	298.6	2836.1	3134.7	7.4	87.4	46.0
Total <sup>2/</sup>	13021.7	13154.1	26175.8	311.3	2399.0	2710.3	12710.4	10755.1	23465.5	1183.5	9777.6	10961.1	9.3	90.9	46.7

1/ Excludes DFC, program, equipment, agricultural credit and technical assistance loans and credits.  
See Tables A and B attached to Annex 1 for a list of the equipment loans and agricultural credits excluded.

2/ Joint IBRD/IDA operations are counted only once.

Source: Project Appraisal Reports

Policy Planning and Program Review Department  
Policy Planning Division  
November 7, 1974

Table 2. COST SHARING AND LOCAL COST FINANCING, GROUPED BY COUNTRIES

	Net Project Costs (1)	Loan/Credit Amount		Proportion Financed* (2)÷(1)	Share of Local Cost (3)÷(2)
		Total (2)	Local Cost (3)		
<u>Poorest Countries</u>					
		--(\$ million) --			
Least developed	1,105.8	769.7	126.6	69.6	16.5
Other below \$200 p.a.	3,901.5	2,226.7	278.6	57.1	12.5
\$201-375	<u>7,493.5</u>	<u>3,471.8</u>	<u>174.2</u>	<u>46.3</u>	<u>5.0</u>
Total - up to \$375	<u>12,500.8</u>	<u>6,468.2</u>	<u>579.4</u>	<u>51.7</u>	<u>9.0</u>
<u>Middle Income</u>					
\$376-500	5,700.5	2,326.6	378.7	40.8	16.3
\$501-850	<u>3,209.7</u>	<u>1,383.6</u>	<u>180.7</u>	<u>43.1</u>	<u>13.1</u>
Total - Middle Income	<u>8,910.2</u>	<u>3,710.2</u>	<u>559.4</u>	<u>41.6</u>	<u>15.1</u>
<u>High Income - \$851+</u>	<u>2,054.5</u>	<u>782.7</u>	<u>44.7</u>	<u>38.1</u>	<u>5.7</u>
TOTAL - All countries	<u>23,465.5</u>	<u>10,961.1</u>	<u>1,183.5</u>	<u>46.7</u>	<u>10.8</u>

\*The figures for the Bank's share of project costs have been calculated without making allowance for taxes and duties associated with the projects. As quoted in para. 10(d), this leads to an understatement of the IBRD/IDA share in the poorest countries.

Source: Project Appraisal Reports

Table 3. COUNTRIES WITH HIGHEST AND LOWEST PROPORTION  
OF PROJECT COST FINANCED, FY 1970-1974

HIGHEST (Ranked in Descending Order)			LOWEST (Ranked in Ascending Order)		
Country	1971		Country	1971	
	Per Annum Income (\$)	Cost Sharing (%)		Per Annum Income (\$)	Cost Sharing (%)
*Guinea	90	100.0	New Zealand	2,470	18.1
*Somalia	70	96.5	Finland	2,550	21.1
*Botswana	160	88.8	Egypt	220	27.9
*Burundi	60	88.5	Brazil	460	29.4
*Rwanda	60	88.5	Venezuela	1,060	29.9
*Chad	80	87.0	Romania	740	29.9
Eq. Guinea	210	86.9	Argentina	1,230	31.3
Gambia	140	85.2	Turkey	340	31.6
*Yemen A.R.	90	83.9	Iceland	2,480	32.2
Bolivia	190	83.2	Israel	2,190	36.0
Yemen P.D.R.	120	82.6	Uruguay	750	37.8
*Upper Volta	70	80.8	Algeria	360	38.2
Dahomey	100	79.9	Dominican Rep.	430	40.1
Mauritania	170	79.8	Ecuador	310	40.2
Malawi	90	77.0	Singapore	1,200	40.4
*Niger	100	77.0	Mexico	700	40.4
C.A.R.	150	75.9	Spain	1,100	42.3
*Haiti	120	75.1	Yugoslavia	730	43.7
Guatemala	390	74.9	Thailand	210	45.6
Nicaragua	450	74.8			
Zambia	380	73.9			
*Mali	70	71.2			
Senegal	250	71.2			
Cameroon	200	71.2			
*Lesotho	100	70.0			

\*Least developed countries.

Source: Project Appraisal Reports

Table 4. LOCAL COST FINANCING AND COST SHARING, BY SECTOR, FY70-74

	Share of Local Cost in <u>Net Project Cost</u> %	Share of Local Cost in Loan/Credit <u>Amount</u> %	Proportion of <u>Net Project Cost Financed</u> %
Population	67.5	49.8	65.6
Agriculture	62.2	21.1	45.9
Water supply	59.1	15.2	45.2
Education	51.4	11.9	54.5
Transportation	48.1	7.2	49.7
Power	50.1	3.6	46.0
Industry	57.0	4.3	34.9
Telecommunications	46.2	0.4	49.9
Others	58.2	19.3	51.2
Total	<u>54.2</u>	<u>10.8</u>	<u>46.7</u>
<u>Projects Benefitting Mainly Low Income Groups<sup>1/</sup></u>			
Rural Development	58.3	23.1	56.2
Smallholder credit	76.3	59.6	57.0
Other smallholder agriculture	64.7	27.5	49.0
Rural population	71.3	56.3	65.5
Rural electrification	41.6	-	54.4
Feeder roads	31.7	4.4	70.6
Education and training	46.1	12.9	62.0
Small scale industry	38.4	5.7	62.5
Sites and services	48.7	22.5	66.5
Total, above	<u>63.7</u>	<u>32.2</u>	<u>53.9</u>

<sup>1/</sup> Based on the sample in Review of IBRD/IDA Program, FY74-78, R73-295, December 28, 1973. The data are for FY70-73.

Source: Project Appraisal Reports

Note on the Statistics

The statistical review of the FY70-74 experience, summarized in Section IV, is based on data obtained and adjusted as follows:

1. All figures on cost sharing were based on estimates at the time of appraisal and came from project appraisal reports. Although there are no strong reasons to expect cost sharing to differ with a set pattern at the disbursement stage from the estimates at the time of appraisal, the proportion of local cost financed may be understated in appraisal reports. A full examination of the disbursement pattern was not attempted because of the normal lag between appraisal and disbursement, which would have meant dealing with data too distant to be meaningful for the present. However, a comparison with the disbursement pattern was made for a sample of 77 projects approved in FY68-74 and fully disbursed as of June 30, 1974. The results were as follows:

	<u>Loan/Credit Amount</u>		<u>Difference</u>
	<u>Approved</u> <sup>a/</sup>	<u>Disbursed</u> <sup>b/</sup> (\$ Million)	
Total	914	910	4
Foreign expenditure	883	703	-180
Local cost	31	165	+134
Undetermined	-	42	+42

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a/ Source: Appraisal Reports

b/ Source: Controller's Department Tabulations

In the sample in question, disbursements for local cost (i.e., to local suppliers as opposed to foreign suppliers) exceeded the local cost estimates of the appraisal reports by \$134 million and accounted for 18 percent of total disbursements. Significantly,



nearly 90 percent of the excess occurred in projects in countries with well developed manufacturing sectors -- 80 percent in three countries, namely Mexico, Finland and Spain. However, a more complete and detailed comparison with disbursements is needed to generalize the finding that the local cost component tends to be underestimated in countries with a strong manufacturing sector.

2. Co-financing was excluded in the calculation of all cost sharing estimates. The cost sharing figures refer, therefore, to the share of the loan/credit amount in net project cost (gross project cost minus co-financing) and are a measure of how the project cost not covered by other foreign investors was shared between the Bank and the country. The figures below illustrate the method of calculation and the effect of excluding co-financing on cost sharing:

	<u>IBRD/IDA</u>	<u>IBRD</u> (\$ Million)	<u>IDA</u>
Gross project cost	26,176	21,000	6,329
Co-financing (-)	2,710	2,251	482
Net project cost	23,466	18,749	5,847
Loan/credit amount	10,962	8,087	2,875
<u>Loan/credit as % of:</u>			
Gross project cost	41.9	38.5	45.4
Net project cost	46.7	43.1	49.2

Source: Table 1

3. All projects in the non-applicable categories listed in paragraph 10(a) of text were excluded. (Whereas, excluding loans to DFCs, program loans and technical assistance loans posed no difficulty, identifying the candidates for excluding so-called 'equipment loans' and the relevant agricultural credits involved some judgment.) The review has been based on 71 percent of IBRD/IDA lending in

FY70-74 which is relevant to the analysis and was arrived at as follows:

	<u>\$ Million</u>	<u>Percent</u>
Total IBRD/IDA lending	15,358	100.0
Loans/credits excluded:	4,396	28.6
DFCs	1,365	8.9
Program	849	5.5
'Equipment'	1,581	10.3
Technical Assistance	33	0.2
Agricultural Credits	568	3.7
Balance	<u>10,962</u>	<u>71.4</u>

Table A. EQUIPMENT LOANS AND CREDITS EXCLUDED - FY70-FY74

\$ million

COUNTRY	PROJECT	FISCAL YEAR	AMOUNT OF LOAN/CREDIT			GROSS PROJECT COST		
			L.C.	F.E.	Total	L.C.	F.E.	Total
<u>IBRD</u>								
Korea	RW III*	1970	-	40.0	40.0	72.1	83.7	155.8
Yugoslavia	Industry III	1970	-	18.5	18.5	81.1	43.5	124.6
Mexico	Power III	1970	-	125.0	125.0	211.0	280.0	491.0
Argentina	Power-SEGBA III	1970	-	60.0	60.0	167.4	80.0	247.4
Brazil	HW II	1970	46.9	53.1	100.0	202.0	53.1	255.1
Spain	RW III	1971	-	90.0	90.0	415.0	104.0	519.0
Venezuela	Telecom II	1971	-	35.0	35.0	167.4	132.9	300.3
Mexico	Power XI	1972	-	125.0	125.0	718.0	650.0	1368.0
Mexico	RW II	1972	-	75.0	75.0	90.0	113.0	203.0
Korea	RW IV		-	40.0	40.0	108.3	156.5	264.8
Yugoslavia	Industry	1974	-	18.5	18.5	63.0	24.6	87.6
Yugoslavia	Industry	1974	-	15.0	15.0	49.8	19.2	69.0
Brazil	Itumbiara	1974	-	125.0	125.0	373.7	219.5	593.2
	Hydroelectric							
Brazil	P. Alfonso	1974	19.3	61.7	81.0	398.4	294.2	692.6
	Hydroelectric							
Mexico	Las Truchas Steel	1974	<u>37.0</u>	<u>33.0</u>	<u>70.0</u>	<u>337.4</u>	<u>341.1</u>	<u>678.5</u>
Total IBRD			103.2	914.8	1018.0	3454.6	2595.3	6049.9
<u>IDA</u>								
Korea	RW III*	1970	-	15.0	15.0	72.1	83.7	155.8
India	RW X	1970	-	55.0	55.0	613.5	95.4	708.9
India	Power	1971	39.0	36.0	75.0	563.0	187.0	750.0
	Transmission II							
India	Telecom IV	1971	-	78.0	78.0	484.0	168.0	652.0
India	RW XI	1972	-	75.0	75.0	914.0	170.0	1084.0
India	Power	1973	37.5	47.5	85.0	575.0	47.5	622.5
	Transmission III							
India	Telecom V	1973	-	80.0	80.0	415.7	118.4	534.1
India	RW XII	1974	-	80.0	80.0	557.0	97.9	654.0
Bangladesh	Telecom II	1974	-	20.0	20.0	57.4	30.0	87.4
Total IDA			76.5	486.5	563.0	4251.7	997.0	5248.7
GRAND TOTAL: IBRD & IDA			<u>179.7</u>	<u>1401.3</u>	<u>1581.0</u>	<u>7706.3</u> <sup>1/</sup>	<u>3592.3</u> <sup>1/</sup>	<u>11298.6</u> <sup>1/</sup>

<sup>1/</sup> Gross project costs of joint IBRD/IDA projects are counted only once.

\* Joint IBRD/IDA Project.

Table B. AGRICULTURAL CREDITS EXCLUDED - FY70-FY74

\$ million

COUNTRY	FISCAL YEAR	AMOUNT OF LOAN/CREDIT			GROSS PROJECT COST		
		L.C.	F.E.	Total	L.C.	F.E.	Total
<u>IBRD</u>							
Iran	1970	-	6.5	6.5	7.1	8.9	16.0
Israel	1971	-	20.0	20.0	28.8	20.0	48.8
Jamaica	1971	-	3.7	3.7	4.3	3.7	8.0
Iran	1972	-	14.0	14.0	19.5	15.6	35.1
Morocco*	1972	-	24.0	24.0	35.0	34.0	69.0
Tunisia*	1972	-	5.0	5.0	7.0	8.0	15.0
Costa Rica	1972	-	9.0	9.0	7.5	9.0	16.5
Peru	1974	6.0	19.0	25.0	22.7	19.0	41.7
Nicaragua	1974	-	8.5	8.5	7.3	8.5	15.8
Venezuela	1974	-	22.0	22.0	28.4	22.0	50.4
Israel	1974	-	35.0	35.0	49.0	35.0	84.0
Jamaica	1974	-	5.5	5.5	5.3	5.5	10.8
Philippines	1974	-	22.0	22.0	22.0	22.0	44.0
Total IBRD		6.0	194.2	200.2	243.9	211.2	455.1
<u>IDA</u>							
Niger	1970	0.2	0.4	0.6	0.4	0.4	0.8
India	1970	27.3	7.7	35.0	59.3	7.7	67.0
India	1970	0.5	27.0	27.5	12.5	27.5	40.0
Afghanistan	1970	0.2	4.8	5.0	2.4	4.8	7.2
India	1971	17.3	7.1	24.4	37.9	7.1	45.0
India	1971	22.1	12.9	35.0	49.4	12.9	62.3
India	1971	3.8	21.2	25.0	23.3	21.2	44.5
Korea	1972	7.4	3.1	10.5	15.1	3.1	18.2
India	1972	20.8	9.2	30.0	42.7	9.2	51.9
India	1972	20.0	20.0	40.0	50.4	20.0	70.4
Morocco*	1972	-	10.0	10.0	35.0	34.0	69.0
Tunisia*	1972	-	3.0	3.0	7.0	8.0	15.0
Kenya	1973	2.0	4.0	6.0	5.2	4.0	9.2
Senegal	1973	2.7	5.5	8.2	6.0	5.5	11.5
Papua, N.G.	1973	-	5.0	5.0	4.8	5.0	9.8
India	1973	30.1	2.9	33.0	57.4	2.9	60.3
India	1973	34.5	3.5	38.0	69.0	3.5	72.5
India	1974	28.8	3.2	32.0	56.8	3.2	60.0
Total IDA		217.7	150.5	368.2	534.6	180.0	714.6
GRAND TOTAL: IBRD & IDA		<u>223.7</u>	<u>344.7</u>	<u>568.4</u>	<u>778.5</u> <sup>1/</sup>	<u>391.2</u> <sup>1/</sup>	<u>1169.7</u> <sup>1/</sup>

<sup>1/</sup> Gross project costs of joint IBRD/IDA projects are counted only once.

\* Joint IBRD/IDA projects.

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## POLICY REVIEW COMMITTEE

PRC/C/74-19

January 28, 1975

### PROJECT COST SHARING

The attached paper on Project Cost Sharing 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/74-19 dated November 18, 1974) and the attached paper takes account of comments received.

Frank Vibert  
Secretary  
Policy Review Committee

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Regional Chief Economists  
Regional Program Coordinators

PROJECT COST SHARING

Policy Planning and Program Review Department

January 17, 1975

## PROJECT COST SHARING

### I. Introduction

1. This note reviews the IBRD/IDA experience with regard to the share of project costs financed in FY70-74 and examines the general considerations underlying the Bank's approach in determining what proportion of project cost to finance. During the period reviewed, the proportion of total project cost financed by the IBRD and IDA has averaged 47 percent but has ranged from 18 percent to 97 percent in individual countries. (The basis for the estimates is explained in Section III.)

### II. General Considerations

2. Generally, the Bank does not finance the entire cost of a project. To help ensure the success of a project it is thought desirable that there be a significant financial involvement in the project by the country itself. Conversely, if the Bank is to have a meaningful influence on the project, and -- through its lending -- on the country, it cannot finance too low a proportion of project costs.

3. The Articles of Agreement provide that Bank loans furnish borrowers with the currencies of members other than that of the member country in which the project is located, and financing of local expenditure is allowed only in "exceptional circumstances" (Article IV, Section 3). It follows

that project cost sharing between the Bank and its borrowers has tended to follow the breakdown between foreign exchange and local costs.<sup>1/</sup> Whether the Bank should in individual cases finance all or only a portion of foreign exchange costs, or whether the circumstances exist which would justify the financing of local as well as foreign costs, is determined by country considerations. The latter include, principally, the borrower's domestic resource mobilization capabilities and external capital inflow requirements, the portion of the needed resource transfer which the Bank seeks to provide, and the specific development objectives and project content of the country lending program. Where the desired resource transfer is smaller than the foreign exchange content of the projects which the Bank wishes to assist (or where resource transfer per se is not the main consideration), it is appropriate for the Bank to finance only a portion of foreign exchange costs. Conversely, where the Bank's resource transfer objectives exceed the foreign exchange cost of suitable projects, the exceptional circumstances required to justify Bank financing of local currency expenditures may exist.

4. In the Operational Policy Memorandum on "Foreign Exchange Loans for Local Expenditure"<sup>2/</sup> it is stated that "generally the poorer the country, the greater is the proportion of the cost of the project which the Bank is prepared to finance." It is in the poorest countries that domestic resource

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<sup>1/</sup> However, estimating the foreign exchange/local cost breakdown accurately at the time of appraisal poses a number of difficulties. For example, the degree to which the outcome of international competitive bidding can be foreseen or indirect foreign exchange costs can be taken into account varies from project to project, as explained in the accompanying Note on Statistics (Annex I).

<sup>2/</sup> OM 1.22 dated June 1, 1971.



mobilization poses the greatest difficulty and where the country may be able to make relatively little financial contribution to the project -- even if, within its resource constraints, its budgetary and savings performance is good. It is the poorest countries, reliant on concessionary assistance, which similarly can be expected to have the most difficulty in finding sufficient external assistance on appropriate terms. Thus, it is in these countries that the Bank normally finances the highest proportion of the total project costs.

5. At the other end of the spectrum, for those countries furthest ahead in the development process, the proportion of project costs financed is likely to be considerably lower. The domestic resource possibilities of these countries are relatively better and many of them can be expected to have access to private sources of external capital, including market borrowings. These countries are also usually able to produce domestically a larger proportion of the project goods. These considerations argue for financing a lower proportion of project costs in these cases, relative to poorer countries.

6. Also relevant in determining what proportion of project costs to finance are considerations relating to the objectives which the Bank wishes to achieve in individual countries in terms of both the size and the composition of its lending program, as well as its impact. Where influencing the development program, institution building or technical assistance in a number of sectors are important objectives, the Bank may choose to spread its lending over a wide range of projects in relation to the total funds it considers

appropriate to lend to that country, thus reducing the share of costs it would otherwise be willing to finance in any particular project.

7. Since IDA operates only in the poorest countries, it has tended to finance a rather larger share of project costs than the IBERD. However, limited IDA resources sometimes impose a constraint on its ability to finance as large a proportion of project costs as would be justified. Where a pipeline of good projects exists or where there are prospects of associating IDA resources with the resources of co-financing partners, it may be desirable to spread IDA resources over a large number of projects even though it entails a smaller share of project costs being financed in each case.

8. A final consideration is the amount of local cost the Bank is prepared to finance. Substantial local expenditure financing tends to arise in two quite different types of situations: one extreme is the very poor countries where the Bank covers a large proportion of total costs and hence a potentially large amount of local expenditures because of the country's poor resource position; at the other extreme are the most industrialized and generally higher-income developing countries, where the Bank may finance only, say, 40-50 percent of total costs, but because the import content of projects is low, the Bank nevertheless finances a large amount of local costs.

9. Clearly, the Bank has to exhibit great flexibility in applying the above considerations to country-specific or project-specific cases in order to safeguard against letting a formula approach get in the way of assisting as effectively as possible in the development of countries.

### III. The Data

10. The basis of the analysis that follows is all loans and credits approved in FY70-74 with the following adjustments to the data presented in appraisal reports:

- (a) Since project cost sharing is not applicable to program loans, loans where the project is defined as a tranche of an on-going investment program, technical assistance loans, sector loans, and agricultural and industrial (DFC) credit loans, these have been excluded.
- (b) Since the focus is on how the project costs are shared between the Bank and the borrower, co-financing was excluded from the calculation. Co-financing by other investors contributes, on the average, 10 percent of total project costs, but its incidence can vary from project to project.
- (c) Interest during construction, if capitalized and financed from the loan, is included in the total project cost and in the Bank's share.
- (d) Taxes and duties are a cost to the project agency (if it is not a government), although from the point of view of the country as a whole, they are simply transfer payments. They should be included in computing total project costs, but the Bank's share of project costs should be calculated excluding taxes and duties. No adjustment on these items has been made in this note since the data available did not permit identifying how they have been treated in individual projects. The lack of this adjustment to the data may therefore lead to an understating of the extent to which the

Bank finances project costs, particularly in the poorest countries and the least developed where the Bank's proportion is high and may reach 90-100 percent after taxes and duties have been excluded.

- (e) Finally, the scope of projects, as defined for the purpose of a Bank loan agreement, can vary quite widely. One of the criteria is usually how much of the borrower's investment program the Bank wishes to influence with its lending, and this judgment obviously affects the calculation of total project costs and the share of the Bank.

11. The loans/credits on which the review was based, accounted for roughly 71 percent of IBRD/IDA lending in FY70-74. Cost sharing ratios were analyzed after excluding co-financing from total (gross) project costs. (These adjustments and their effects are explained in greater detail in Annex 1.)

#### IV. Recent Experience

12. The major findings of the statistical review are summarized below and illustrated in Annex Tables 1-4:

- The IBRD/IDA financed about 47 percent of 'net project costs' (gross project cost minus co-financing). (Annex Table 1.)
- IDA, despite the constraints on its resources, financed a larger proportion of project cost (49 percent) than the IBRD (43 percent), in accordance with the greater concentration of its lending in the poorest countries. (Annex Table 1.)

- IBRD/IDA financed over 90 percent of foreign exchange costs (net of co-financing) and about 9 percent of local costs. (Annex Table 1.) This is in line with the Bank Group's basic role of financing generally import costs.<sup>1/</sup>
- The share of project cost financed is clearly related to country income, being 38 percent for the higher-income developing countries, 52 percent for the poorest countries, and 70 percent for the UN-designated 'least developed'.<sup>2/</sup> (Annex Table 2.)
- Individual country-by-country observations also reveal variations in cost sharing ratios according to income groups, with some exceptions attributable to the weight of one or two large projects with special circumstances. Twenty-four countries with 'high cost sharing' ratios of 70 percent or more had a median income of \$120; 19 countries where the proportion of cost sharing was 18-45 percent had a median per capita income of \$740. (Annex Table 3.)
- While the share of local costs in either total project costs or in Bank loans and credits did vary by sector, being significantly higher in population and agriculture, the proportion of project cost financed did not reveal a strong pattern by sector because of the more dominant role of country considerations (Annex Table 4).  
Averages for sectors concealed wide deviations within each sector

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<sup>1/</sup> The proportion of local cost financing in IBRD/IDA lending in the same period was 10.8 percent. Whereas total project cost was divided between foreign exchange cost and local cost on a roughly 50:50 basis, the ratio of foreign exchange cost to local cost in the amount provided externally, by either the Bank or other foreign investors, was of the order of 9:1.

<sup>2/</sup> The figures for the Bank's share of project costs have been calculated without making allowance for taxes and duties associated with the projects. As quoted in paragraph 10(d), this leads to an understatement of the IBRD/IDA share, especially in the poorest countries.

on country grounds, as evidenced by the wider differences in cost sharing by countries (18 percent to 97 percent) than by sectors (35 percent to 66 percent).

- A survey of the projects directed to the poorest sectors of societies -- particularly programs designed to reach the rural poor -- in FY70-73 showed that these tended to have a higher proportion of cost sharing than other projects as well as significantly greater local cost components. (Annex Table 4.)

#### V. Conclusions

13. The Bank has typically financed the foreign exchange costs of projects. In financing a smaller or a larger proportion of project costs than the foreign exchange element, the key consideration has been the level of income of the country. In a number of cases -- especially the poorest countries of Africa -- the Bank has recognized the necessity of financing a very high proportion of project costs. The continuing emphasis on assisting the poor countries and on sectors and projects designed to benefit the poorest segments of societies implies that the proportion of project costs financed may increase in the future. The variations in cost sharing among countries suggest that existing policies have provided appropriate flexibility and have not inhibited the financing of a high proportion of project costs, whenever appropriate, and they are unlikely to pose difficulty in the future.

Table 1.

COST SHARING, IBRD AND IDA, FY70-74<sup>1/</sup>

Year	GROSS PROJECT COST			CO-FINANCING			PROJECT COST <sup>2/</sup>			AMOUNT OF LOAN/CREDIT			IBRD/IDA SHARE OF NET PROJECT COST		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	For Local	For Foreign	Total	Local %	Foreign %	Total %
	Currency	Exchange		Currency	Exchange		Currency	Exchange		Currency	Exchange		of L.C.	of F.E.	of Total
<b>IBRD</b>															
FY70	1093.6	1313.0	2406.6	26.7	237.9	264.6	1066.9	1075.1	2142.0	111.4	928.0	1039.4	10.4	86.3	48.5
FY71	1530.0	1708.4	3238.4	17.8	190.8	208.6	1511.2	1517.6	3028.8	129.6	1309.8	1439.4	8.6	86.3	47.3
FY72	2375.1	2117.7	4492.8	109.4	626.9	736.3	2255.7	1492.8	3758.5	123.2	1313.9	1437.1	5.4	88.0	38.2
FY73	2658.8	1823.3	4482.1	84.1	212.2	296.3	2574.7	1611.1	4185.8	236.5	1476.5	1713.0	9.2	91.7	40.9
FY74	2879.5	3500.6	6380.1	12.6	734.5	747.1	2866.9	2766.1	5633.0	144.2	2313.4	2457.6	5.0	83.6	43.6
Total	10537.0	10463.0	21000.0	250.6	2000.3	2250.9	10286.4	8462.7	18749.1	744.9	7341.6	8086.5	7.2	86.8	43.1
<b>IDA</b>															
FY70	436.2	430.6	866.8	7.4	67.2	74.6	428.8	363.4	792.2	65.8	301.8	367.6	15.3	83.0	46.4
FY71	232.1	298.3	530.4	2.7	6.3	9.0	229.4	292.0	521.4	42.1	275.6	317.7	18.4	94.4	60.9
FY72	640.8	751.5	1392.3	24.4	107.0	131.4	616.4	646.5	1262.9	125.4	553.4	678.8	20.3	85.6	53.8
FY73	911.7	1007.0	1918.7	10.4	117.6	128.0	921.3	889.4	1810.7	90.9	762.5	853.4	9.9	85.7	47.1
FY74	811.8	786.5	1598.3	18.2	120.5	138.7	793.6	666.0	1459.6	114.4	562.7	677.1	14.4	81.5	45.0
Total	3052.6	3275.9	6328.5	63.1	418.6	481.7	2989.5	2857.3	5846.8	438.6	2436.0	2874.6	14.7	85.3	49.2
<b>IBRD and IDA</b>															
FY70	1486.4	1662.8	3149.2	34.1	305.1	339.2	1495.3	1438.7	2810.0	177.2	1229.8	1407.0	12.2	90.6	50.1
FY71	1759.9	1973.5	3733.4	20.1	196.1	216.2	1719.8	1777.4	3497.2	171.7	1585.4	1757.1	10.0	89.2	50.2
FY72	2929.6	2757.0	5686.6	131.9	720.7	852.1	2797.7	2036.8	4834.5	248.6	1867.3	2115.9	8.9	91.7	43.8
FY73	3327.8	2638.2	5966.0	94.4	323.5	417.9	3233.4	2314.7	5548.1	327.4	2239.0	2566.4	10.1	96.7	46.3
FY74	3538.0	4122.8	7660.8	30.8	854.1	884.9	3507.2	3268.5	6775.7	258.6	2856.1	3114.7	7.4	87.4	46.0
Total <sup>2/</sup>	13021.7	13154.1	26175.8	311.3	2399.0	2710.3	12710.4	10755.1	23465.5	1183.5	9777.6	10961.1	9.3	90.9	48.7

<sup>1/</sup> Excludes DFC, program, equipment, agricultural credit and technical assistance loans and credits.  
See Tables A and B attached to Annex I for a list of the equipment loans and agricultural credits excluded.

<sup>2/</sup> Joint IBRD/IDA operations are counted only once.

Source: Project Appraisal Reports

Policy Planning and Program Review Department  
Policy Planning Division  
November 7, 1974

Table 2. COST SHARING AND LOCAL COST FINANCING, GROUPED BY COUNTRIES

	Net	Loan/Credit Amount		Proportion	Share of
	Project Costs (1)	Total (2)	Local Cost (3)	Financed* (2)÷(1)	Local Cost (3)÷(2)
	( - - - -	\$ million	- - - - )		
<u>Poorest Countries</u>					
Least developed	1,105.8	769.7	126.6	69.6	16.5
Other below \$200 p.a. \$201-375	3,901.5	2,226.7	278.6	57.1	12.5
	<u>7,493.5</u>	<u>3,471.8</u>	<u>174.2</u>	<u>46.3</u>	<u>5.0</u>
Total - up to \$375	<u>12,500.8</u>	<u>6,468.2</u>	<u>579.4</u>	<u>51.7</u>	<u>9.0</u>
<u>Middle Income</u>					
\$376-500	5,700.5	2,326.6	378.7	40.8	16.3
\$501-850	<u>3,209.7</u>	<u>1,383.6</u>	<u>180.7</u>	<u>43.1</u>	<u>13.1</u>
Total - Middle Income	<u>8,910.2</u>	<u>3,710.2</u>	<u>559.4</u>	<u>41.6</u>	<u>15.1</u>
<u>High Income - \$851+</u>	<u>2,054.5</u>	<u>782.7</u>	<u>44.7</u>	<u>38.1</u>	<u>5.7</u>
TOTAL - All Countries	<u>23,465.5</u>	<u>10,961.1</u>	<u>1,183.5</u>	<u>46.7</u>	<u>10.8</u>

\*The figures for the Bank's share of project costs have been calculated without making adjustment for taxes and duties associated with the projects, since the data available did not permit identifying how they have been treated in individual projects. As noted in paragraph 10(d), this may lead to an understatement of the extent to which IBRD/IDA finance project costs in the poorest countries.

Source: Project Appraisal Reports



Table 3. COUNTRIES WITH HIGHEST AND LOWEST PROPORTION  
OF PROJECT COST FINANCED, FY 1970-1974

HIGHEST (Ranked in Descending Order)			LOWEST (Ranked in Ascending Order)		
Country	1971		Country	1971	
	Per Annum Income (\$)	Cost Sharing (%)		Per Annum Income (\$)	Cost Sharing (%)
*Somalia	70	96.5	New Zealand	2,470	18.1
*Botswana	160	88.8	Finland	2,550	21.1
*Burundi	60	88.5	Egypt	220	27.9
*Rwanda	60	88.5	Brazil	460	29.4
*Chad	80	87.0	Venezuela	1,060	29.9
Eq. Guinea	210	86.9	Romania	740	29.9
Gambia	140	85.2	Argentina	1,230	31.3
*Yemen A.R.	90	83.9	Turkey	340	31.6
Bolivia	190	83.2	Iceland	2,480	32.2
Yemen P.D.R.	120	82.6	Israel	2,190	36.0
*Upper Volta	70	80.8	Uruguay	750	37.8
Dahomey	100	79.9	Algeria	360	38.2
Mauritania	170	79.8	Dominican Rep.	430	40.1
Malawi	90	77.0	Ecuador	310	40.2
*Niger	100	77.0	Singapore	1,200	40.4
C.A.R.	150	75.9	Mexico	700	40.4
*Haiti	120	75.1	Spain	1,100	42.3
Guatemala	390	74.9	Yugoslavia	730	43.7
Nicaragua	450	74.8	Thailand	210	45.6
Zambia	380	73.9			
*Mali	70	71.2			
Senegal	250	71.2			
Cameroon	200	71.2			
*Lesotho	100	70.0			

\*Least developed countries.

Source: Project Appraisal Reports

Table 4. LOCAL COST FINANCING AND COST SHARING, BY SECTOR, FY70-74

	Share of Local Cost in <u>Net Project Cost</u> %	Share of Local Cost in Loan/Credit <u>Amount</u> %	Proportion of <u>Net Project Cost</u> <u>Financed</u> %
Population	67.5	49.8	65.6
Agriculture	62.2	21.1	45.9 <sup>1/</sup>
Water supply	59.1	15.2	45.2
Education	51.4	11.9	54.5
Transportation	48.1	7.2	49.7
Power	50.1	3.6	46.0
Industry	57.0	4.3	34.9
Telecommunications	46.2	0.4	49.9
Others	58.2	19.3	51.2
Total	<u>54.2</u>	<u>10.8</u>	<u>46.7</u>
<u>Projects Benefitting Mainly</u> <u>Low Income Groups<sup>2/</sup></u>			
Rural Development	58.3	23.1	56.2
Smallholder credit	76.3	59.6	57.0
Other smallholder agriculture	64.7	27.5	49.0
Rural population	71.3	56.3	65.5
Rural electrification	41.6	-	54.4
Feeder roads	31.7	4.4	70.6
Education and training	46.1	12.9	62.0
Small scale industry	38.4	5.7	62.5
Sites and services	48.7	22.5	66.5
Total, above	<u>63.7</u>	<u>32.2</u>	<u>53.9</u>

<sup>1/</sup> Excluding agricultural credit operations.

<sup>2/</sup> Based on the sample in Review of IBRD/IDA Program, FY74-78, R73-295, December 28, 1973. The data are for FY70-73.

Source: Project Appraisal Reports

NOTE ON THE STATISTICS

The statistical review of the FY70-74 experience, summarized in Section IV, is based on data obtained and adjusted as follows:

1. All figures on cost sharing were based on estimates at the time of appraisal and came from project appraisal reports. A full examination of the disbursement pattern was not attempted because of the normal lag between appraisal and disbursement, which would have meant dealing with data too distant to be meaningful for the present. Furthermore, the available disbursement data on foreign exchange/local cost breakdown are not strictly comparable to those in appraisal reports. For example, the foreign exchange/local cost breakdown in appraisal reports is estimated on the basis of the best possible judgment at the time of appraisal on the outcome of international competitive bidding and, in some instances, may understate the local cost component of the project. On the other hand, whereas appraisal reports include estimates of the foreign exchange component of locally procured goods and treat these as foreign expenditures, disbursement data provide only a breakdown by supplier, foreign or domestic, to which payment is made, with an "undetermined" category; therefore, taking local disbursements as a proxy for local expenditures may overstate the true local cost component. Despite these limitations, a comparison with the disbursement pattern was made for a sample of 77 projects approved in FY68-74 and fully disbursed as of June 30, 1974. The results were as follows:

	<u>Loan/Credit Amount</u>		
	<u>Approved</u> <sup>a/</sup>	<u>Disbursed</u> <sup>b/</sup> (\$ Million)	<u>Difference</u>
Total	914	910	4
Foreign expenditure	883	703	-180
Local cost	31	165	+134
Undetermined	-	42	+42

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a/ Source: Appraisal Reports

b/ Source: Controller's Department Tabulations

In the sample in question, disbursements for local cost (i.e., to local suppliers as opposed to foreign suppliers) exceeded the local cost estimates of the appraisal reports by \$134 million and accounted for 18 percent of total disbursements. Nearly 90 percent of the excess occurred in projects in countries with well developed manufacturing sectors. However, a more complete and detailed comparison with disbursements is needed to draw firm conclusions.

2. Co-financing was excluded in the calculation of all cost sharing estimates. The cost sharing figures refer, therefore, to the share of the loan/credit amount in net project cost (gross project cost minus co-financing) and are a measure of how the project cost not covered by other foreign investors was shared between the Bank and the country. The figures below illustrate the method of calculation and the effect of excluding co-financing on cost sharing:

	<u>IBRD/IDA</u>	<u>IBRD</u> (\$ Million)	<u>IDA</u>
Gross project cost	26,176	21,000	6,329
Co-financing (-)	2,710	2,251	482
Net project cost	23,466	18,749	5,847
Loan/credit amount	10,962	8,087	2,875
<u>Loan/credit as % of:</u>			
Gross project cost	41.9	38.5	45.4
Net project cost	46.7	43.1	49.2

Source: Table 1

3. All projects in the non-applicable categories listed in paragraph 10(a) of text were excluded. (Whereas, the exclusion of loans to DFCs, program loans and technical assistance loans posed no difficulty, identifying the candidates for excluding so-called 'equipment loans' and the relevant agricultural credits involved some judgment.) The review has been based on 71 percent of IBRD/IDA lending in FY70-74 which is relevant to the analysis and was arrived at as follows:

	<u>\$ Million</u>	<u>Percent</u>
Total IBRD/IDA lending	<u>15,358</u>	<u>100.0</u>
Loans/credits excluded:	4,396	28.6
DFCs	1,365	8.9
Program	849	5.5
'Equipment'	1,581	10.3
Technical Assistance	33	0.2
Agricultural Credits	568	3.7
Balance	<u>10,962</u>	<u>71.4</u>

Table A. EQUIPMENT LOANS AND CREDITS EXCLUDED - FY70-FY74

\$ million

COUNTRY	PROJECT	FISCAL YEAR	AMOUNT OF LOAN/CREDIT			GROSS PROJECT COST		
			L.C.	F.E.	Total	L.C.	F.E.	Total
<u>IBRD</u>								
Korea	RW III*	1970	-	40.0	40.0	72.1	83.7	155.8
Yugoslavia	Industry III	1970	-	18.5	18.5	81.1	43.5	124.6
Mexico	Power III	1970	-	125.0	125.0	211.0	280.0	491.0
Argentina	Power-SEGBA III	1970	-	60.0	60.0	167.4	80.0	247.4
Brazil	HW II	1970	46.9	53.1	100.0	202.0	53.1	255.1
Spain	RW III	1971	-	90.0	90.0	415.0	104.0	519.0
Venezuela	Telecom II	1971	-	35.0	35.0	167.4	132.9	300.3
Mexico	Power XI	1972	-	125.0	125.0	718.0	650.0	1368.0
Mexico	RW II	1972	-	75.0	75.0	90.0	113.0	203.0
Korea	RW IV		-	40.0	40.0	108.3	156.5	264.8
Yugoslavia	Industry	1974	-	18.5	18.5	63.0	24.6	87.6
Yugoslavia	Industry	1974	-	15.0	15.0	49.8	19.2	69.0
Brazil	Itumbiara	1974	-	125.0	125.0	373.7	219.5	593.2
	Hydroelectric							
Brazil	P. Alfonso	1974	19.3	61.7	81.0	398.4	294.2	692.6
	Hydroelectric							
Mexico	Las Truchas Steel	1974	<u>37.0</u>	<u>33.0</u>	<u>70.0</u>	<u>337.4</u>	<u>341.1</u>	<u>678.5</u>
Total IBRD			103.2	914.8	1018.0	3454.6	2595.3	6049.9
<u>IDA</u>								
Korea	RW III*	1970	-	15.0	15.0	72.1	83.7	155.8
India	RW X	1970	-	55.0	55.0	613.5	95.4	708.9
India	Power	1971	39.0	36.0	75.0	563.0	187.0	750.0
	Transmission II							
India	Telecom IV	1971	-	78.0	78.0	484.0	168.0	652.0
India	RW XI	1972	-	75.0	75.0	914.0	170.0	1084.0
India	Power	1973	37.5	47.5	85.0	575.0	47.5	622.5
	Transmission III							
India	Telecom V	1973	-	80.0	80.0	415.7	118.4	534.1
India	RW XII	1974	-	80.0	80.0	557.0	97.9	654.0
Bangladesh	Telecom II	1974	-	20.0	20.0	57.4	30.0	87.4
Total IDA			76.5	486.5	563.0	4251.7	997.0	5248.7
GRAND TOTAL: IBRD & IDA			<u>179.7</u>	<u>1401.3</u>	<u>1581.0</u>	<u>7706.3</u> <sup>1/</sup>	<u>3592.3</u> <sup>1/</sup>	<u>11298.6</u> <sup>1/</sup>

<sup>1/</sup> Gross project costs of joint IBRD/IDA projects are counted only once.

\* Joint IBRD/IDA Project.

Table B. AGRICULTURAL CREDITS EXCLUDED - FY70-FY74

\$ million

COUNTRY	FISCAL YEAR	AMOUNT OF LOAN/CREDIT			GROSS PROJECT COST		
		L.C.	F.E.	Total	L.C.	F.E.	Total
<u>IBRD</u>							
Iran	1970	-	6.5	6.5	7.1	8.9	16.0
Israel	1971	-	20.0	20.0	28.8	20.0	48.8
Jamaica	1971	-	3.7	3.7	4.3	3.7	8.0
Iran	1972	-	14.0	14.0	19.5	15.6	35.1
Morocco*	1972	-	24.0	24.0	35.0	34.0	69.0
Tunisia*	1972	-	5.0	5.0	7.0	8.0	15.0
Costa Rica	1972	-	9.0	9.0	7.5	9.0	16.5
Peru	1974	6.0	19.0	25.0	22.7	19.0	41.7
Nicaragua	1974	-	8.5	8.5	7.3	8.5	15.8
Venezuela	1974	-	22.0	22.0	28.4	22.0	50.4
Israel	1974	-	35.0	35.0	49.0	35.0	84.0
Jamaica	1974	-	5.5	5.5	5.3	5.5	10.8
Philippines	1974	-	22.0	22.0	22.0	22.0	44.0
Total IBRD		6.0	194.2	200.2	243.9	211.2	455.1
<u>IDA</u>							
Niger	1970	0.2	0.4	0.6	0.4	0.4	0.8
India	1970	27.3	7.7	35.0	59.3	7.7	67.0
India	1970	0.5	27.0	27.5	12.5	27.5	40.0
Afghanistan	1970	0.2	4.8	5.0	2.4	4.8	7.2
India	1971	17.3	7.1	24.4	37.9	7.1	45.0
India	1971	22.1	12.9	35.0	49.4	12.9	62.3
India	1971	3.8	21.2	25.0	23.3	21.2	44.5
Korea	1972	7.4	3.1	10.5	15.1	3.1	18.2
India	1972	20.8	9.2	30.0	42.7	9.2	51.9
India	1972	20.0	20.0	40.0	50.4	20.0	70.4
Morocco*	1972	-	10.0	10.0	35.0	34.0	69.0
Tunisia*	1972	-	3.0	3.0	7.0	8.0	15.0
Kenya	1973	2.0	4.0	6.0	5.2	4.0	9.2
Senegal	1973	2.7	5.5	8.2	6.0	5.5	11.5
Papua, N.G.	1973	-	5.0	5.0	4.8	5.0	9.8
India	1973	30.1	2.9	33.0	57.4	2.9	60.3
India	1973	34.5	3.5	38.0	69.0	3.5	72.5
India	1974	28.8	3.2	32.0	56.8	3.2	60.0
Total IDA		217.7	150.5	368.2	534.6	180.0	714.6
GRAND TOTAL: IBRD & IDA		<u>223.7</u>	<u>344.7</u>	<u>568.4</u>	<u>778.5</u> <sup>1/</sup>	<u>391.2</u> <sup>1/</sup>	<u>1169.7</u> <sup>1/</sup>

<sup>1/</sup> Gross project costs of joint IBRD/IDA projects are counted only once.

\* Joint IBRD/IDA projects.