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WORLD BANK PORT REFORM TOOL KIT
Financial Implications of Port Reform, Part II,
Principles of Financial Modelling, Engineering and Analysis

Financial credits with a multilateral "umbrella"

(A-Loan and B-Loan)

Multilateral organisations, such as the World Bank Group through the International Bank of Reconstruction and Development (IBRD) or regional development banks (EBRD, ADB, IDB), are also involved in these types of transactions alongside commercial banks and export credit organisations. This is referred to as co-financing.

Most of the time this co-financing is carried out in the form of so-called "parallel" financing, in other words the project is split into **separate lots**, each covered by a World Bank loan, or a commercial debt granted by a bank or a buyer credit covered by an export credit agency. It is important to underline the fact that these co-financing methods, relating to separate lots, must not be confused with the technique of "joint financing" which combines several sources of finance in a single lot, according to a percentage agreed to in advance.

In practice, the involvement of a multilateral agency in this type of set-up leads to the financial credit being structured at two levels (or in two segments).

- An **A-Loan** granted by the multilateral organisation itself
- A **B-Loan** underwritten by commercial banks under the multilateral umbrella

The World Bank, through the IFC can be involved in three ways in A-loans:

- **Direct financing** of the last instalments of the loan granted by the commercial banks usually translating into a 10 to 25% participation. This is undoubtedly the most common form of intervention.
- **Provision of a guarantee** relating to the last instalments, in return for a guarantee fee.
- **Conditional participation** of the World Bank in variable rate credits, if the final charge corresponding to payment of interest exceeds the repayment ability as originally assessed.

As far as B-Loans are concerned, the notion of "multilateral umbrella" does not mean that the multilateral organisation gives the commercial banks any kind of guarantee on this credit. It simply means that the banks will feel reassured. The host States are unlikely to take detrimental measures against the project, because of the presence of a multilateral organisation in the financing structure.