

OP-402 TC Taxonomy and Forms of Financing

Effective: May 2013

1. TAXONOMY

- 1.1 **Operational Support (OS)** products contribute to the preparation, execution or evaluation of a loan or guarantee (financial product or grant). For a TC to be considered Operational Support, it needs to be linked to a loan, guarantee or grant product (in pipeline or under execution) or to a financial product for which funds have been fully committed or disbursed in the case of support for ex-post evaluations. This implies that OS TCs predominately originate in response to a client request to support the design or execution of a given financial product (even when initially identified by project teams). However, the Bank may also identify complementary TC activities to a financial product.
- 1.2 **Client Support (CS)** products are not linked to an existing financial product. The most salient characteristic of CS TCs is that they are originated and requested by the borrowing member country or private sector client. They cover demand-driven stand-alone products that provide either (i) the capacity to offer a quick response to a client need, such as intraregional cooperation (e.g. CT-intra); or (ii) medium or long-term assistance for policy development and sector knowledge, or outreach and dissemination, capacity building and training, and community development projects **1/**, which, for the scope of this taxonomy, are limited to those that are provided on a non-fee, non-reimbursable basis **2/**. Feasibility and other upstream project studies are also included in this category.
- 1.3 **Research and Dissemination (RD)** includes all knowledge products and dissemination activities originated by the Bank **3/**. It basically comprises stand-alone products and activities aimed at deepening the Bank's or clients' knowledge or capacity on a given topic, or to draw on knowledge that is readily available, including outreach and dissemination activities originating at the Bank. RD products are key to support the countries and clients and ultimately serve operational purposes as they support an understanding of key sectors and the development challenges and gaps faced by each country. As such, they inform the policy dialogue and programming process with countries, as well as with the private sector, and ultimately help focus the Bank's strategic framework with a country, and in a given sector.

2. FORMS OF FINANCING

A. Non-reimbursable Financing

- 2.1 All borrowing member countries of the Bank would be eligible to receive Non-reimbursable Technical Cooperation (NRTC).

B. Contingent Recovery Financing

- 2.2 The Bank may finance contingent recovery TC operations for the preparation of non-sovereign guarantee loan proposals. If the resulting loan proposal is financed by the Bank, the operation becomes non reimbursable. However, if the resulting loan proposal is financed by another lending institution, the NRTC operation becomes reimbursable. In such cases, TC funds are included in the cost of the loan financed by the other lending institution, with the beneficiaries assuming an obligation to reimburse the Bank.

C. Reimbursable Financing

- 2.3 The Bank may finance reimbursable TC, usually as part of a loan. Reimbursable TC operations will be governed by the provisions pertaining to loan operations.

3. COUNTERPART

- 3.1 In non-reimbursable and contingent reimbursable TC operations, the beneficiary commits itself to partially finance the operation's direct and indirect expenses with a contribution whose amount and type is established during negotiation of the operation and which in most cases will consist of local costs. In reimbursable technical cooperation, the Bank may finance up to 100% of the costs of the operation if so allowed by the Bank's country financing parameters (CFPs) for loans to that country.

4. SOURCES OF FUNDS

- 4.1 NRTC operations can be financed with resources from the Ordinary Capital (OC), funds under administration and other DTF resources designated for NRTC. Administrative funds may be used to finance non-reimbursable TC executed by Bank staff. Reimbursable TC may be financed with the same types of resources used for financing loans, which vary by country, as well as any other funding source that explicitly permits the use of this modality.

Note:

1/ Community development projects are demand driven projects that provide direct assistance to the poorest and most vulnerable groups in partnership with NGOs, Civil Society Organizations or local governments. They are designed to have a direct impact (benefits) on the community, be innovative and have a vision for replicability and scale-up. They aim to make benefits sustainable by building the organizational capacity to deliver them (capacity building).

2/ Except funds provided under the contingent recovery modality.

3/ Research and Dissemination products that are financed with administrative budget constitute Economic and Sector Work (ESW). The scope of this document excludes ESW.