Bonds for Sustainable Development
What is the World Bank?

- International organization **owned by 189 countries** – owners are clients.
- **Purpose:** end **extreme poverty** and **promote shared prosperity** in a sustainable manner. These “twin goals” are aligned with the Global Goals.
- World’s largest source of development finance and expertise for 70 years.
  - USD 170 billion loans outstanding in about 80 countries.
  - 12,000 staff in 136 offices – including Washington, D.C. headquarters
- Largest shareholders: US, Japan, China, Germany, UK and France.
- International Bank for Reconstruction and Development (IBRD, called “World Bank”) is rated **AAA/Aaa** based on its capital, reserves and prudent financial policies and issues World Bank bonds to finance projects.
## The World Bank Group

<table>
<thead>
<tr>
<th>IBRD</th>
<th>IDA</th>
<th>IFC</th>
<th>MIGA</th>
<th>ICSID</th>
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</thead>
<tbody>
<tr>
<td><strong>International Bank for Reconstruction and Development</strong>&lt;br&gt; Lends to governments of middle-income and creditworthy low-income countries.&lt;br&gt; Issuer of World Bank (IBRD) Bonds</td>
<td><strong>International Development Association</strong>&lt;br&gt; Provides interest-free loans—called credits—and grants to governments of the poorest countries.&lt;br&gt; Funds raised from donors</td>
<td><strong>International Finance Corporation</strong>&lt;br&gt; Promotes development by financing private sector enterprises in developing countries.&lt;br&gt; Issuer of IFC Bonds</td>
<td><strong>Multilateral Investment Guarantee Agency</strong>&lt;br&gt; Promotes foreign direct investment into developing countries by offering political risk insurance (guarantees) to investors and lenders.</td>
<td><strong>International Centre for the Settlement of Investment Disputes</strong>&lt;br&gt; Provides international facilities for conciliation and arbitration of investment disputes.</td>
</tr>
</tbody>
</table>

- IBRD, IDA and IFC are all three rated AAA/Aaa. They share the same overall development goals, but are legally separate entities. Each entity has its own risk profile and capital structure.
- IBRD and IFC have both issued bonds in the capital markets.
The World Bank

History

IBRD was created in 1944 to rebuild Europe after World War II and has been referred to as “World Bank” almost as soon as it was established.

- **Not an “aid agency”**: IBRD is designed to be financially self-sustaining and earn income to support its development activities.
- **First loans**: to France and other European countries for reconstruction; loans to Japan and other creditworthy countries followed.
- **Poverty focus since 1960s**: IBRD lending for middle-income and other creditworthy members (market-based rates); International Development Association (IDA) for other countries (concessional financing).
The U.S. and the World Bank

- United States’ membership incorporated into U.S. law through “Bretton Woods Agreements Act” of 1944 (22 U.S.C. 286 et seq.).

- U.S. is the largest shareholder (about 17.58% of total subscription – gives the U.S. veto power over amendments to the Articles of Agreement).

- Since 2004, more than 3,000 U.S. firms have been awarded contracts for World Bank-financed projects.

- Around 2,600 U.S. citizens work at the World Bank.

- The U.S. Executive Director (ED) represents the U.S. on the Board (25 EDs).

- U.S. investors represent an increasing share in the World Bank’s funding program.
Why Invest with the World Bank?

Track Record
- Issuing debt since 1947; triple-A rating for almost 70 years.

Safety
- Strong balance sheet as result of prudent financial policies.
- Funds only extended to sovereigns and for sovereign-guaranteed projects.
- Loans have always been repaid; no loan write off or capital call.
- Diversified 189 sovereign shareholders & recognized preferred creditor status.

Products
- Demand-driven funding; offer a wide range of instruments to fulfill various needs of diverse investor groups.

Development Mandate
- Provides financial solutions for sustainable and socially equitable economic development to end poverty increase income equality
- All bonds fund the World Bank’s sustainable programs aimed at achieving a positive social and environmental impact.
Funding Strategy

Meet Investors’ Needs

— Wide range of products from AAA/Aaa issuer – various structures, size, liquidity, maturities (up to 50 years) and currencies (bonds in over 56 currencies).
— Customize products to meet investor preferences – also for more risk (e.g. cat bonds).
— 0% Basel II and III risk weighting minimizes capital requirements.
— Liquid bonds are considered level 1 HQLA (high quality liquid assets).

High Execution Standards

— Broad sponsorship from underwriters with solid primary placement with a diversified investor base.
— Strong aftermarket spread performance for liquid bonds.
World Bank Funding
Volume and Products

Funding volumes have grown to respond to increased loan demand from clients. Current program around US$ 50-60 billion.

Annual Issuance
By fiscal year in US$ billions

Benchmark / Global Bonds
— AUD, CAD, EUR, GBP, NZD, USD, ZAR

Other Plain Vanilla Notes
— Local / Non-Core Currencies

Structured Notes
— Callable and puttable
— Floors or collars
— Equity linked
— Commodity linked
— Weather and Natural Hedges

Note: World Bank fiscal years begin on July 1st and end on June 30th
The World Bank has issued over 56 different currencies since 1947.

Most funding in US$
World Bank Buyback Program

- World Bank buys back its own bonds through dealers.
- Program designed to offer backstop liquidity to investors.
- Repurchased notes are not resold.
- Operational for over two decades, including during the 2008-2009 financial crisis.
- Average volumes of approximately US$1-2 billion a year for last few years.
- Confidential execution as requested.
World Bank Debt Products

- All World Bank bonds are social bonds and support the Sustainable Development Goals.
- The social purpose of the World Bank and its policies make World Bank bonds attractive for ESG/SRI investors.
- Investors support various sectors: agriculture, education, energy, finance/trade/industry, governance, health and social services, transportation, water/sanitation and themes: gender, environment.
World Bank Projects

Colombia: Sustainable Urban Transport

1.3 million passengers benefit from cleaner / safer transport

Time saved – approx. 40 min.

Video (“National Urban Transport Program”): https://www.youtube.com/watch?v=1K9O_gKB1V8
World Bank Projects

Mexico: Efficient Lighting & Appliances

- 1.03 million tons of CO₂ reduced
- Equal to CO₂ emissions of 217,000 cars annually
- 2,000 GWh of energy saved

Video: https://www.youtube.com/watch?feature=player_embedded&v=_cLgcYCQUPI
World Bank Investor Video
Sustainable Development Bond & Project Video
Summary

- World Bank’s purpose is to end extreme poverty and promote shared prosperity – these goals are aligned with the 17 Sustainable Development Goals.
- World Bank bonds are sustainable investment opportunities that fund its development activities.
- IBRD’s AAA/Aaa rating is based on its strong balance sheet and capital, its conservative financial policies and risk management, as well as the support from 189 member countries.
- The World Bank offers investors a broad range of products, including tailor-made notes.
For Discussion

What happens if a member country does not repay its loans to the World Bank?

How do the most recent World Bank US$ global bonds compare to USTs?
What happens if a member country does not repay its loan to the World Bank?

World Bank has never written off a loan

- **Increased incentive to repay** - borrowing clients are also shareholders.
- **Preferred creditor status** - borrowing clients prioritize financial obligations to the World Bank - recognized by rating agencies and financial market participants.
- **Policy of freezing additional lending** if payments not on time.

### Box 5: “Treatment of Overdue Payment,” IBRD Information Statement

<table>
<thead>
<tr>
<th>Overdue Period</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdue by 30 days</td>
<td><strong>All payments due</strong></td>
</tr>
<tr>
<td>Overdue by 45 days</td>
<td><strong>Disbursements on all loans are suspended</strong></td>
</tr>
<tr>
<td>Overdue by 60 days</td>
<td><strong>Nonaccrual status</strong></td>
</tr>
<tr>
<td>Overdue more than 6 months</td>
<td><strong>No new loans to that borrower</strong></td>
</tr>
</tbody>
</table>

*Where the borrower is the member country, no new loans to the member country, or to any other borrower in the country, will be presented to the Board for approval, nor will any previously approved loan be signed, until the borrower will be signed or approved. In either case, the borrower will lose its eligibility for any waiver of interest charges in effect at that time for loans signed before May 16, 2007, and those loans signed between May 16, 2007, and September 27, 2007, if the borrowers elected not to convert the terms of their loans to the pricing terms effective September 27, 2007. For loans with the pricing terms applicable from May 16, 2007, an overdue interest penalty will be charged at a rate of 50 basis points on the overdue principal. In addition, if an overdue amount remains unpaid for a period of 30 days, then the borrower will pay a higher interest rate (LIBOR + fixed spread) plus 50 basis points on the overdue principal amount until the overdue amount is fully paid.*

*In addition to the provisions cited above for payments overdue by 30 days, to avoid proceeding further on the notification process leading to suspension of disbursements, the country or borrower or guarantor and all borrowers, that payments overdue by 30 days or more affect total of the number of days since they have fallen due. Where the borrower is not the member country, no new loans to, or guaranteed by, the member country, will be signed or approved. Additionally, all borrowers in the country will lose eligibility for any waivers of interest in effect at the time.*

*All loans made to or guaranteed by a member of IBRD are placed in nonaccrual status. To the extent that the overdue amount will include interest and other charges not yet paid on loans outstanding are deducted from the income for the current period. To the extent that these payments are received, they are included in income. At the time of arrears clearance, a decision is made on the restoration of accrual status on a case-by-case basis; in certain cases, this decision may be deferred until after a suitable period of payment performance has passed.*
The World Bank raised US$4 billion with an oversubscribed transaction that offered investors 3-year US$ benchmark bond at **23.05bps over the 1.625% UST due March 15, 2020**. The order book was over USD 5.6 billion with 88 orders.

**Summary Terms and Conditions**

<table>
<thead>
<tr>
<th>Issuer Rating:</th>
<th>Aaa/AAA</th>
</tr>
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<tbody>
<tr>
<td>Tranche:</td>
<td>3-year</td>
</tr>
<tr>
<td>Total Amount:</td>
<td>US$4 billion</td>
</tr>
<tr>
<td>Settlement Date:</td>
<td>3/21/2017</td>
</tr>
<tr>
<td>Maturity Date:</td>
<td>4/21/2020</td>
</tr>
<tr>
<td>Coupon:</td>
<td>1.875% per annum</td>
</tr>
<tr>
<td>Coupon Payment Dates:</td>
<td>Paid semi-annually on April 21 and October 21 of each year</td>
</tr>
<tr>
<td>Issue Price:</td>
<td>99.913%</td>
</tr>
<tr>
<td>Issue Yield:</td>
<td>1.904%</td>
</tr>
<tr>
<td>Joint Lead Managers:</td>
<td>BNP Paribas, Deutsche Bank, Morgan Stanley, and RBC Capital Markets</td>
</tr>
<tr>
<td>Senior Co-lead managers:</td>
<td>Bank of Montreal, Castle Oak, Incapital, Wells Fargo</td>
</tr>
<tr>
<td>Co-lead managers:</td>
<td>Bank of America Merrill Lynch, Barclays, Citi, Credit Agricole, First Tennessee (FTN), Goldman Sachs, HSBC, Jefferies, JP Morgan, Nomura, Mitsubishi, Mizuho, TD Securities, Tokai Tokyo</td>
</tr>
</tbody>
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**USD 4 billion 3-year USD Benchmark**

<table>
<thead>
<tr>
<th>Distribution by Geography</th>
<th>Distribution by Investor Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>Asset Managers / Pension / Insurance 27%</td>
</tr>
<tr>
<td>Middle East &amp; Africa</td>
<td>Asset Managers / Pension / Insurance 27%</td>
</tr>
<tr>
<td>Europe</td>
<td>Central Banks / Official Institutions 44%</td>
</tr>
<tr>
<td>Asia</td>
<td>Bank Treasuries / Banks / Corporates 29%</td>
</tr>
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</table>

**How do the most recent World Bank US$ global bonds compare to USTs?**

Annex

Project Stories
Outline
Project Examples

By Sector
- Agriculture
- Education
- Energy
- Finance, Trade, and Industry
- Governance
- Health and Social Services
- Transportation
- Water and Sanitation

By Theme
- Gender
- Environment
Extensive Project Information Online

- Project Stories on the Investor Website
- Videos – www.youtube.com/worldbanktreasury
Armenia

Education Improvement Project Improvement

Description

**Purpose:** To improve readiness of children entering primary education, improve quality of higher education, and improve physical conditions of secondary school.

**Expected Results (include):** Target 2400 preschool enrollees, 120 community based preschools, fully integrated and operational Education Management Information System, and 4,000 staff trained on system. 10 standards revised and endorsed by government. 107 high schools with education resources.

**IBRD Financing:** $15 million

Development Challenge

While Armenia has made progress in achieving nearly universal enrollment in primary and middle school, pre-school enrollment (for children ages 3-6) is currently only 65%. In addition, improvements in quality of education have not yet led to improved student performance. Poor infrastructure in high schools is unsafe for students and hampers learning.

Project Description

This project will improve the quality of education at all levels by focusing on efficiency, equity and the development of new academic programs, especially programs targeting young children in underserved groups or regions in Armenia. It supports rehabilitation of high school facilities and provision of learning resources.

For more information:
Pakistan
Hydropower Project

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Purpose:</strong> To facilitate a sustainable expansion in Pakistan's electricity generation capacity.</td>
</tr>
<tr>
<td><strong>Expected Results (include):</strong> The hydropower project will shift Pakistan's power mix away from expensive imported fuel oil needed to run thermal plants, to cleaner, more environmentally friendly sources of power. Adding 1,410 megawatts of generating capacity to the current hydropower capacity of 3,478 megawatts.</td>
</tr>
<tr>
<td><strong>IBRD Financing:</strong> $400 million</td>
</tr>
</tbody>
</table>

**Development Challenge**
In recent years, the country’s demand for power has risen so dramatically that supply can’t keep up. Load shedding has caused widespread blackouts that reached peak levels in 2011 when power cuts occurred in homes, businesses, factories and industries for an average of eight hours daily. In summer, cuts reached 16 to 20 hours in some areas. The disruption is causing widespread protests, even violence, particularly in major cities like Karachi and populous areas like Punjab province.

**Project Description**
The Tarbela Dam, built in 1974, is one of the world’s largest dams and supplies 16% of Pakistan’s electricity. As demand for power has increased, the World Bank is helping Pakistan expand the dam’s generating capacity. The Project will strengthen the Water and Power Development Authority’s (WAPDA's) capacity to develop the country's hydropower resources. The new hydropower plant will be added to an existing water tunnel at the northeast end of the dam.

Development Challenge
Manufacturing has long been recognized as an essential driver of economic development for most countries, as it has an important economic and employment multiplier effect. India’s manufacturing performance has not been encouraging, despite a strong potential. The manufacturing sector faces severe constraints including difficulties in accessing markets and finance, poor infrastructure, disincentives for MSMEs growth, and lack of access to technology and skills.

Project Description
The project will develop the technological and skills base of MSMEs in selected manufacturing industries through Technology Centers, which are shared facilities that enable MSMEs to access technologies, business advisory services, and skilled workers through a system of financially sustainable Technology Centers across India with a strong emphasis on Low Income States.

For more information:
Panama
Health Equity and Performance Improvement Project

**Description**

**Purpose:** Provide better health quality for mothers and their children

**Expected Results (include):**
- Provide 200,000 beneficiaries from 47 underserved rural communities access to basic health care through these mobile health units to improve mother and child health care, including pregnant women completing at least 3 prenatal.
- Provide more babies with less than 1 year of age with complete vaccination records, and have more births attended by skilled personnel.

**IBRD Financing:** $40 million

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**Development Challenge**

Panama's rural poor and indigenous communities experience much worse health outcomes than the rest of the population. For example, mortality rates for children under five years old can be as high as 2.4 higher than the national average of 19.9 deaths per 1,000 live births.

**Project Description**

In 2008, the World Bank supported Panama's Health Equity and Performance Improvement Project. The program uses mobile health teams to provide the rural poor with continuous access to a package of health services known to improve mother and child health care. The mobile health teams were contracted with the Ministry of Health using a payment scheme that provided them incentives to reach more underserved rural populations.

For more information:
Country Challenge
75% of Colombia's population currently lives in cities and most of these urban residents rely on the public transportation system. Yet, public transportation is the cause of many of these cities’ problems, including serious traffic congestion, high incidences of accidents and crime, unhealthy air, and pollutants responsible for 62% of Colombia's carbon emissions.

Project Goals.
The Colombian government and the World Bank are continuing to work together through the support to the National Urban Transit Program (NUTP). Building on the success of Transmilenio, a rapid bus system in Bogotá, the project is designed to improve transport efficiency and accessibility, reduce fuel use per kilometer, as well as pollutant emissions in five additional cities: Barranquilla, Medellin, Bucaramanga, Cartagena, and Pereira.

Description
Greater efficiency in urban mass transport

Expected Results (include):
• Shorter average travel time for low income riders.
• Less accidents and pollution (including greenhouse gases) associated with bus transport services
• More access for riders with special needs.

IBRD Financing:
• $300 million – 2nd Add Financing Integrated Mass Transit System
• $350 million – Support to the National Urban Transit Program
Description

Purpose: To promote the efficient and sustainable use of water in the Sergipe River Basin, by strengthening the State’s sector management, enhancing soil management practices and improving water quality.

Expected Results (include): Improved water resources and environmental management in the State of Sergipe. Integrated procedures and tools for environmental licensing and water rights implemented. 20% water efficiency improvements in the use of water. Agency responsible for water resources management is created or designated.

IBRD Financing: $70.28 million

Development Challenge

Brazil faces crucial water resource challenges related to scarcity, pollution in urban conurbations that do not have adequate wastewater collection and treatment services and recurrent droughts and floods. The State of Sergipe is emblematic of the water challenges facing Brazil. The State of Sergipe is currently struggling to confront these problems in the context of rising urbanization, informality, water demands and water pollution.

Project Description

This project strengthens the State's sector management, enhances soil management practices, and improves water quality. It also reinforces water for irrigation and funds activities designed to promote soil and water conservation and more efficient irrigation methods. The aim is to improve water resources and environmental management capacity by promoting more integration of policies and practices, coordination among agencies addressing planning and regulation of water resources, and project management, monitoring, evaluation, and dissemination. The interventions are also aimed at improving the quality of life for residents in municipalities and the quality of water and sustainability of the environment in these areas through the expansion of water supply and sanitation and urban drainage infrastructure.

For more information: http://www.worldbank.org/projects/P112074/sergipe-water-project?lang=en
Country Challenge
In China, millions of households rely on the agriculture sector for their livelihood. The agricultural sector, however, has had widespread negative impacts on the environment because of inadequate farming techniques involving misuse of land leading to desertification, over-use of synthetic pesticides and fertilizers without adequate environmental controls. In addition, agriculture is responsible for 50% of China’s methane emissions (a potent greenhouse gas).

Project Goals
This project supports cleaner, healthier farmyard environments, along with the reduction of greenhouse gas emissions through methane capture and combustion to generate energy, and the reduction of burning of coal and firewood.

Video: [http://www.youtube.com/watch?v=z1Obm7vmXg&feature=player_embedded](http://www.youtube.com/watch?v=z1Obm7vmXg&feature=player_embedded)
About 80% of Mexico's energy comes from fossil fuels (including imported gas). Residential electricity use is growing faster than Mexico’s GDP, or about 3.7 percent/year, and accounts for about a quarter of all electricity use. Air conditioning, home appliances, and electronics are expected to be the main growth areas.

In response, the government has initiated energy efficiency programs for the residential sector.

**Project Goals**
The project financed the *Programa Luz Sustentable* and the appliance exchange program which supported free exchange of efficient light bulbs and a loan/subsidy program for efficient appliances targeting lower income households.

**Country Challenge**
Video: [https://www.youtube.com/watch?feature=player_embedded&v=cLgcYCOUP](https://www.youtube.com/watch?feature=player_embedded&v=cLgcYCOUP)
Gabon: Fostering business development to empower women

Investment Promotion and Competitiveness Project

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<tr>
<td><strong>Purpose:</strong> To improve the investment climate and to foster enterprise development through business environment reforms and stimulating Small and Medium Enterprises (SMEs) with an emphasis on increasing women employment through skill-building and business opportunities.</td>
</tr>
<tr>
<td><strong>Expected Results (include):</strong> 25,500 Gabonese, of which half will be women, are expected to benefit from new jobs and skills by the project’s end in 2019.</td>
</tr>
<tr>
<td><strong>IBRD Financing:</strong> $18 million</td>
</tr>
</tbody>
</table>

Development Challenge
Despite strong economic growth over the past decade, the Gabon’s unemployment rate is 16 percent and female unemployment rate is 27 percent. Women are particularly affected in that they represent only 29 percent of wage and salaried workers but 63 percent of vulnerable employment, which is unpaid family workers and own-account workers. Households headed by females, which account for 20 percent, are more likely to be living below the poverty line than households headed by males.

Project Description
The project is designed to support the Government’s strategy to promote Gabon as a sound investment spot, and build new sectors in the economy. It will provide for a single, one-stop shop for businesses and a new streamlined business registry with a web-based, e-database and help improve access to financial services, particularly for women and youth, as a step towards improving their chances of opening their own small businesses. The project targets women by supporting conditions to help stimulate SMEs, such as a Women’s Business Center to support female entrepreneurs with advisory services, training, and access to business opportunities.

For more information:
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|          | http://crinfo.worldbank.org  
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| Fax:     | +1 202 477 8355  
| Email:   | debtsecurities@worldbank.org  
| Address: | 1225 Connecticut Avenue, NW  
|          | Washington, DC 20433, USA  

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<tr>
<th>Pricing Sources</th>
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| Bloomberg       | IBRD <Govt> <Go> or IBRD <Go>;  
| Discount Notes  | WBDN <Go> |
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