



**THE WORLD BANK**

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**Treasury**



# Demystifying Supranationals

**George Richardson**  
**Head of Capital Markets**  
**The World Bank Treasury**  
**1225 Connecticut Ave NW**  
**Washington, DC 20433 USA**  
<http://treasury.worldbank.org/capitalmarkets>

**November 2014**





# Are Supranationals – Eligible Investments?

Yes

Local Investors\*

State Treasurer

## Local Government Investors

Ca. 53601 (q)

Legal investments of public funds

*“United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by **the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank**, with a maximum remaining maturity of five years or less, and eligible for purchase or sale within the United States. Investments under this subdivision shall be rated “AA” or better by an NRSRO and shall not exceed 30 percent of the agency’s moneys that may be invested pursuant to this section.”*

## State Treasurer

Ca. 16430 (I)

Investment of state moneys – limitations

*“Obligations issued, assumed, or guaranteed by the **International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, or the Government Development Bank of Puerto Rico.**”*



# Washington Supranationals as Eligible Investments

## Local Government

### Investors

Ca. 53601 (q)

Legal investments of public funds

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# Supranationals as Eligible Investments

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# What are “AAA Supranationals”?



## Supranationals (or “multilaterals”) are...

...international development institutions that provide financing, advisory services, and/or other financial services to their member countries to achieve overall goal of improving living standards through sustainable economic growth.

### Summary of Key Features

- Triple-A rated: financial strength based on
  - diversified, sovereign shareholders
  - conservative risk management
  - quality loan portfolio (preferred creditor status)
  - substantial liquidity and consistent profitability
  - strong capitalization (many have unique paid-in / callable capital structure)
- 0% risk weighting with Basle II and III. Level 1 HQLA (High Quality Liquid Asset) with no haircut vs Level 2A for GSE issuers under new Federal Reserve rule effective Jan 2015
- Issuers of US\$ global benchmarks included in major USD and global indices
- Some issue other instruments of possible interest to US government and official sector investors (e.g., US\$ callables, FRNs, etc.)

# Who are “AAA Supranationals”?



\* Yellow outline highlights the AAA/Aaa supranationals that have the US as a shareholder.

# THE “Washington Supras”



- ➔ Over half of the funding program in each of the “Washington Supras” is in USD.
- ➔ All three have maintained their triple-A credit ratings.

	<b>World Bank (IBRD)</b>	<b>International Finance Corporation (IFC)</b>	<b>Inter-American Development Bank (IADB)</b>
<b>Development purpose</b>	Global source of funding to member governments	Global source of finance for private enterprise in developing countries.	Regional source of development finance for Latin America and the Caribbean.
<b>Membership</b>	Global – 188 members	Global – 184 members	Regional (Latin America and the Caribbean) - 48
<b>Year established</b>	1944	1956	1959
<b>Largest shareholder</b>	United States – 16%	United States – 24%	United States – 30%
<b>Balance Sheet</b>	USD 359 billion	USD 84.1 billion	USD 97 billion
<b>Annual Funding Program</b>	USD 40-50 billion	USD 18 billion	USD 21 billion
<b>SEC exemption*</b>	Yes	Yes	Yes, but still required to file certain information with SEC under SEC Regulation IA
<b>Act of Congress Authorizing US membership</b>	Bretton Woods Act 22 USC 286 et. Seq.	International Finance Corporation Act 22 USC 282 et. Seq.	Inter-American Development Act 22 USC 283 et. seq.
<b>Type of Lending</b>	Preferred Creditor Status (PCS) Lending to Sovereigns or Sovereign guaranteed only	Lending to or equity investment in Emerging Market private sector entities	PCS Lending to Sovereign or Sovereign guaranteed (approximately 94%) plus Lending to private sector

\* Exemptions refer to the Securities Act of 1933 and Securities Exchange Act of 1934.

# “The World Bank Group”



## IBRD

est. 1944

**International Bank  
for Reconstruction  
and Development**



Lends to governments of middle-income and creditworthy low-income countries.

**Issuer of  
World Bank  
(IBRD) Bonds**

## IDA

est. 1960

**International  
Development  
Association**



Provides interest free loans called credits and grants to governments of the poorest countries

**Funds raised  
from donors**

## IFC

est.1956

**International  
Finance  
Corporation**



Promotes development by financing private sector enterprises in developing countries.

**Issuer of  
IFC Bonds**

## MIGA

est. 1988

**Multilateral  
Investment  
Guarantee Agency**



Promotes foreign direct investment into developing countries by offering political risk insurance (guarantees) to investors and lenders.

## ICSID

est. 1966

**International Centre  
for the Settlement of  
Investment Disputes**



Provides international facilities for conciliation and arbitration of investment disputes.

IBRD and IFC both issue bonds in the capital markets. They share the same overall development goals, but are legally separate entities. Each entity has its own risk profile and capital structure.

# Why Care About Supranationals?

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- ↳ **Diversification of AAA portfolios**
- ↳ **Investment of safe haven assets**
- ↳ **Replacement for shrinking supply by GSEs**
- ↳ **Earn “social” returns, in addition to financial returns**



# GSEs – Supra Issuers

## Some basic differences



	<b>US GSE</b>	<b>Supranational</b>
<b>Mission</b>	US Residential Property	International, multi-sectoral economic development and poverty reduction
<b>Leverage</b>	N/A – Negative equity gap is bridged each quarter (when applicable) with investment from Treasury under the preferred stock purchase program	Capped by capital (in most cases to 1x leverage or less)
<b>Sponsorship</b>	US Government	Multi-government
<b>Call on Capital</b>	US Treasury	Member nations
<b>Oversight</b>	Federal Housing Finance Agency – regulator (and conservator)	Resident board with representatives from all members who approve all loans and control other activities



# IBRD / GSE holding period vs UST

- ➔ US Treasuries are more liquid than either IBRD or GSE's, however both IBRD and GSE's pay a higher yield
- ➔ Following table shows the approximate holding period required for IBRD and GSE's to be a "break-even" investment

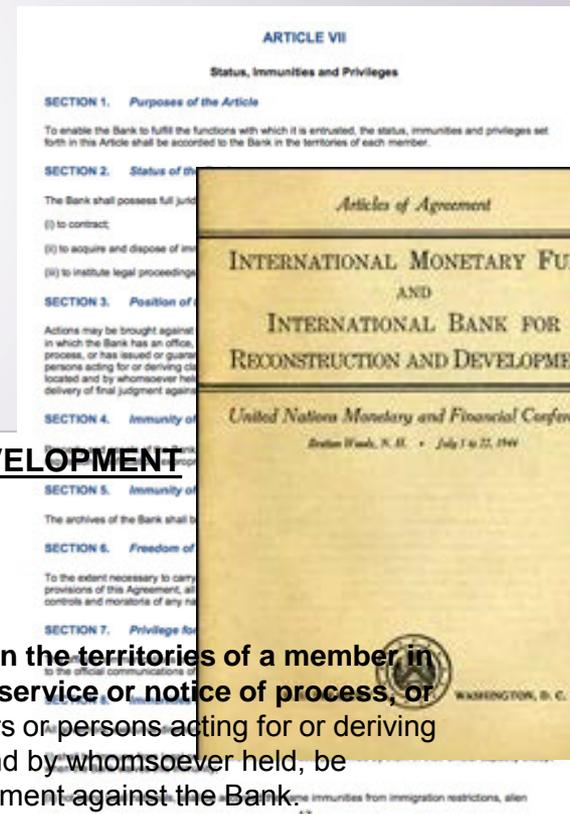
	Date	Tenor	Spread to treasury	B/O Spread (bps)	Holding period
IBRD	Jan-14	5y	18.4	2	0.65 months
	Feb-13	3y	14.8	2	0.81 months
	Jul-14	2y	12.1	2	0.99 months
FNMA	Jul-14	5y	19.5	1	0.31 months
	Aug-14	3y	17.5	1	0.34 months
FHLB	Apr-14	3y	10.5	1	0.57 months
	Aug-13	2y	7.5	1	0.80 months
FHLMC	Jan-13	5y	19.0	1	0.32 months
	Jan-14	3y	13.0	1	0.46 months

# Supranational Bonds

- ➔ **Supranationals** – in their respective articles of agreement – may be taken to court if they default on a payment to an investor.
- ➔ The principle terms of the articles are incorporated into U.S. federal law and enforceable as any other federal statute.

Inter-American Development Bank (IADB) Articles of Agreement  
Article XI, Section 3. “Judicial Proceedings”

International Finance Corporation (IFC) Articles of Agreement  
Article VI, Section 3. “Position of the Corporation with Regard to Judicial Process”



**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**  
**Articles of Agreement**  
**(As amended effective June 27, 2012)**

**SECTION 3. POSITION OF THE BANK WITH REGARD TO JUDICIAL PROCESS**

**Actions may be brought against the Bank only in a court of competent jurisdiction in the territories of a member in which the Bank has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities.** No actions shall, however, be brought by members or persons acting for or deriving claims from members. The property and assets of the Bank shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

# WHAT IS THE WORLD BANK?

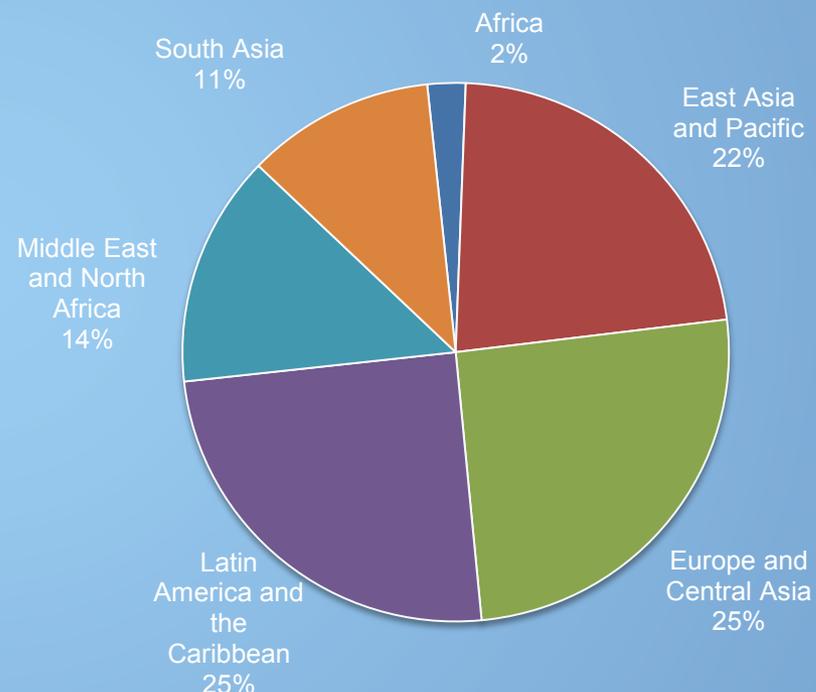
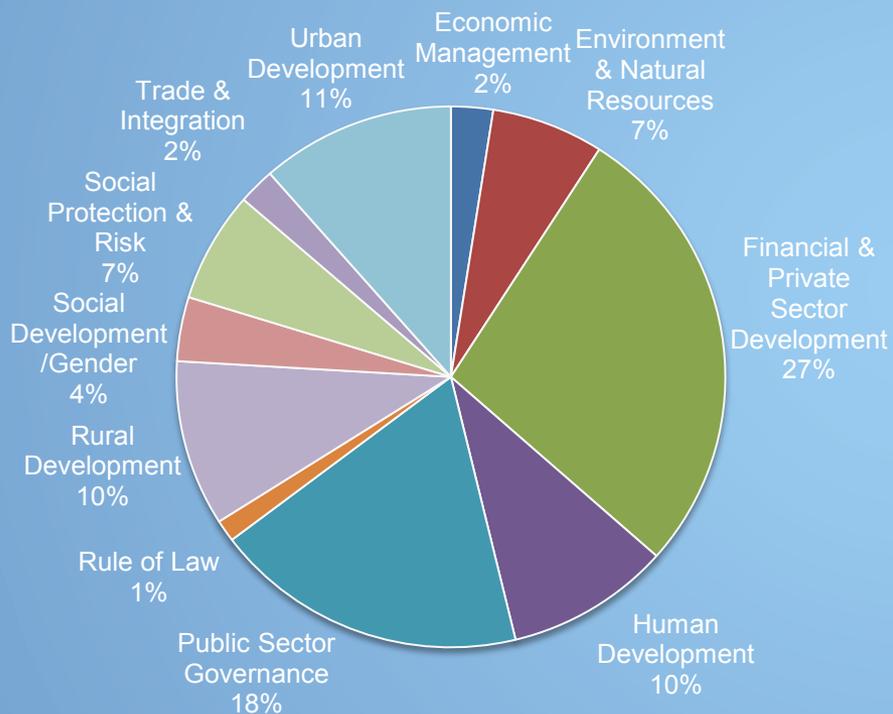


An international organization owned by 188 member countries – its owners are its clients



# What We Support

## IBRD Lending in FY 2014 (Total amount: US\$18.6 billion)



**Distribution by Theme**

**Distribution by Region**

**Note:** Distribution by Sector: Agriculture 4%, Education 6%, Energy & Mining 13%, Finance 7%, Health & Social Services 9%, Industry & Trade 6%, Info & Communication 1%, Law & Public Administration 26%, Transportation 22%, Water & Sanitation 7%

# World Bank Financial Strength



IBRD's Aaa/AAA rating is based on a solid financial structure, conservative financial policies and consistent performance, as well as support and capital backing from its shareholders.

## Strong Credit Quality

**Quality Loan Portfolio**

**Prudent Risk Management**

**Substantial Liquidity**

**Diversified Shareholder Base**

The World Bank's main headquarters are in Washington, D.C.

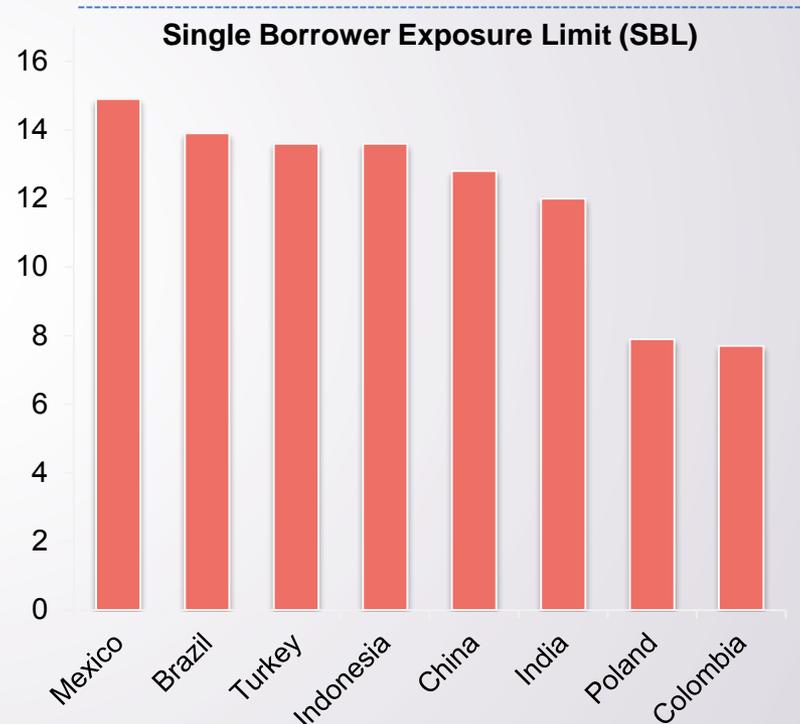
# World Bank's Strong Credit Quality

## Quality Loan Portfolio



- Borrowing nations are shareholders; increased incentive to repay.
- Overall credit quality of many borrowers has improved over last few years; all of the largest 8 borrowers have an investment grade rating.
- Recognized preferred creditor treatment; borrowing nations prioritize financial obligations to the World Bank.
- Lending is limited to sovereign or sovereign-guaranteed projects.
- Concentration limits for individual countries.
- Has never written off a loan.
- Practice is to not reschedule interest or principal payments on loans.
- Policy of freezing loan approvals and disbursements if a country fails to pay obligations on time.

### Top 8 Country Exposures for IBRD as of June 30, 2014, US\$ billions

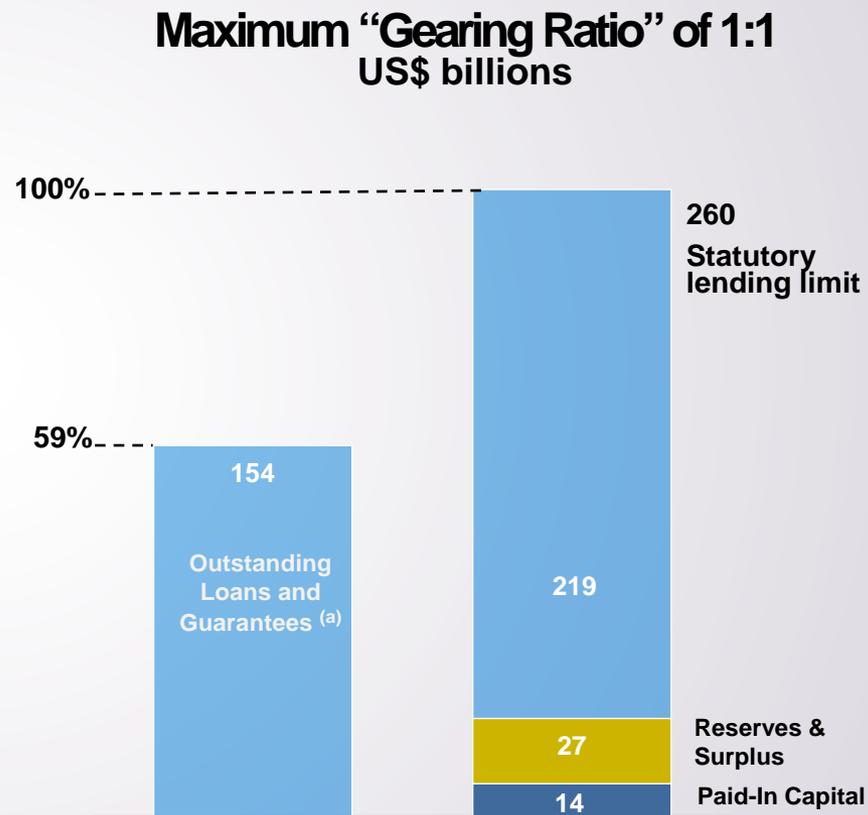


**Note:** In FY2014 the SBL was increased from US\$16.5 to US\$19 billion for China, Indonesia, Brazil, and Mexico and from US\$17.5 to US\$20 billion for India. For these countries, a surcharge of 50 basis points a year was introduced on loan exposures exceeding the previous SBL. For all other countries, the SBL remains at US\$16.5 billion.

# World Bank's Strong Credit Quality

## Prudent Risk Management

- Under IBRD's Articles of Agreement, as applied, the total outstanding amount of direct loans made by IBRD, including participation in loans and guarantees may not exceed the statutory lending limit.
- The World Bank can never lend more than subscribed capital, reserves, and surplus.
- At June 30, 2014, outstanding loans and guarantees were \$154 billion - 59% of the statutory lending limit of \$260 billion.
- Key risk management indicators such as Equity-to-Loans ratio (25.7% as of June 30, 2014), do not factor in callable capital to determine IBRD's risk-bearing capacity.



(a) Net of accumulated loan loss provisions

# Balance Sheet Structure

## Key Balance Sheet Items (as of June 30, 2014, billions US\$)



### Assets

### Liabilities & Equity

- (a) Net of accumulated loan loss provision and deferred loan income
- (b) Investments and due from banks; of this amount, the liquidity portfolio is US\$ 41.6 billion
- (c) Mostly swap payables and receivables

# World Bank's Strong Credit Quality

## Substantial Liquidity

- IBRD's Liquid investment portfolio allows flexibility in the timing of new debt issuance while meeting obligations. Portfolio is managed against strict guidelines.
- Eligible investments are highly rated fixed income securities rated AA- or better for governments and agencies, and AAA for corporates and ABS.
- Actual liquidity exceeds minimum target to provide financial flexibility.
- Minimum liquidity target: Highest six months of expected debt service plus one-half of net approved loan disbursements, as projected for the fiscal year.
- The FY 2015 prudential minimum liquidity level has been set at US\$26 billion.

### Minimum and Actual Liquid Assets as of the End of Each Fiscal Year



# World Bank's Strong Credit Quality

## Diversified Shareholder Base

### Shareholder Support

- IBRD bonds are supported by the strength of its balance sheet and support of its 188 sovereign shareholders.

### Callable Capital

- The World Bank's financial policies are designed to minimize the need for a call on capital and key management tools like the Equity-to-Loans ratio targets do not take callable capital into account. No call has ever been made on callable capital.
- Callable capital can only be called to satisfy debt holder claims. Members are responsible for the full amount of their callable capital subscription, regardless of others' ability to fulfill their obligations.

Total Subscribed Capital US\$ billions	Current Capital (as of June 30, 2014)	Capital After 5-Year Increase*
Paid-in Capital	US\$14.0	US\$16.6
Callable Capital	US\$219.0	US\$259.5
<b>Subscribed Capital</b>	<b>US\$233.0</b>	<b>US\$276.1</b>

\* To support IBRD's risk-bearing capacity after the increase in net lending since 2007, in March 2011 the Board of Governors approved an increase in capital (the first since 1988). An adjustment of shares to align countries more with their current global economic weight was also approved.

### Largest Shareholders

Percentage of total subscription as of June 30, 2014

- United States, 15.87%
- Japan, 8.57%
- China, 5.52%
- Germany, 4.79%
- France, 4.26%
- United Kingdom, 4.26%

### Capital Increase

- Subscribed capital was approved to increase by US\$87 billion over a 5-year period starting in 2011.
- As of June 30, 2014, US\$42.6 billion was subscribed, resulting in additional paid-in capital of US\$2.5 billion

# Instrumentality of the United States



- The World Bank was established by an international treaty known as its Articles of Agreement (“the Articles”).
- The Articles was incorporated into US federal law by the Bretton Woods Agreements Act – a federal statute (22 USC 286 et seq. that
  - authorized the United States’ membership and participation in the World Bank
  - recognizes its immunities and privileges
- World Bank's securities are exempted securities within the meaning of Section 3(a)(2) of the U.S. Securities Act of 1933, as amended, and Section 3(a)(12) of the U.S. Securities Exchange Act of 1934, as amended.
- The US Secretary of the Treasury sits on the World Bank’s Board of Governors, the World Bank’s highest governing body.

# Legal Status of the World Bank

- The World Bank is an international organization established by an international treaty known as the World Bank's Articles of Agreement.
- Each member country incorporates the Articles of Agreement into that country's domestic law.
- The World Bank is given certain immunities and privileges under Article VII of the Articles of Agreement. For example, the World Bank is immune from paying any tax under Section 9 of Article VII.
- However, the World Bank's immunities and privileges do not include an immunity from suit by bondholders. In fact, Section 3 of Article VII provides that actions may be brought against the World Bank in a competent court in any jurisdiction where (a) the World Bank has an office, (b) has appointed an agent for service of process or (c) has issued or guaranteed securities.
- Therefore, the Articles of Agreement of the World Bank explicitly state that legal actions may be brought against the Bank in any jurisdiction where the Bank has issued bonds, meaning that U.S. bondholders have a right of action against the World Bank in their local courts.
- Furthermore, the World Bank is exempt from certain registration and reporting requirements under the U.S. securities laws. However, the World Bank is not exempt from the anti-fraud provisions of those securities laws.
- Therefore, U.S. bondholders could sue the World Bank as a bond issuer for an alleged securities fraud in the same way that they could sue a private sector issuer of securities.

# Supranational Bonds



**Supranational USD Global bonds are always immediately available to U.S. investors regardless of where they are listed.**

- ➔ **Supranational issuers who do not have the U.S. as a shareholder** are permitted to issue into the U.S. market after filing a shelf registration statement pursuant to Schedule B to the Securities Act of 1933.\* *(Note to US investors: Can buy only Globals. Can buy Eurobonds only after they have seasoned.)*
- ➔ **Supranational issuers whose membership includes the U.S.** are SEC exempt by the federal statutes that authorizes U.S. membership and participation. *(Note to US investors: Can buy any.)*



Under the provisions of Section 15(a) of the Bretton Woods Agreements Act, as amended, Notes are exempted securities within the meaning of Section 3(a)(2) of the U.S. Securities Act of 1933, as amended, and Section 3(a)(12) of the U.S. Securities Exchange Act of 1934, as amended.

Supranational	Acts of Congress
World Bank (IBRD)	Bretton Woods Act 22 USC 286 et. Seq.
International Finance Corporation (IFC)	International Finance Corporation Act 22 USC 282 et. Seq.
Inter-American Development Bank (IADB)	Inter-American Development Act 22 USC 283 et. seq.
Asian Development Bank (ADB)	Asian Development Bank Act 22 USC 285
European Bank for Reconstruction and Development (EBRD)	European Bank for Reconstruction and Development Act 22 USC 290i
African Development Bank (AfDB)	African Development Bank Act 22 USC 290i et. Seq.

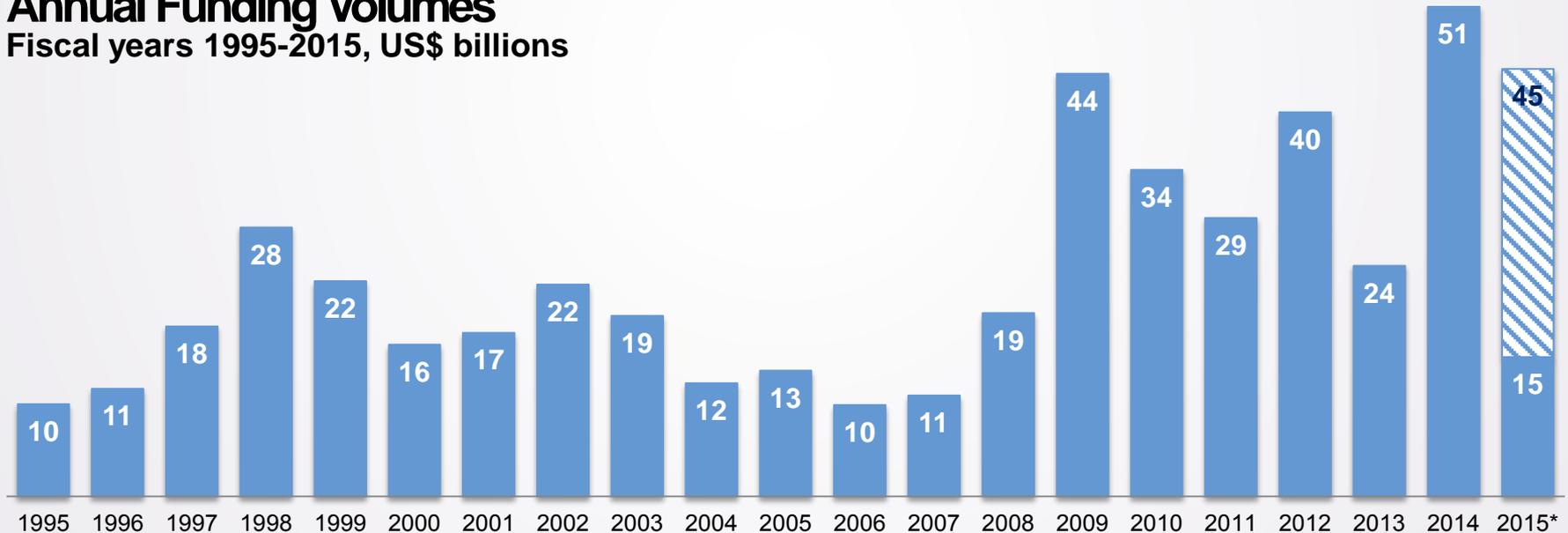
\*Schedule B to the Securities Act of 1933 states the requirements for the registration of securities by foreign governments or political subdivisions thereof, updating the shelf by incorporating by reference the latest annual report.”

# World Bank Funding Volumes



Funding volume has grown as a result of financing increased lending volumes following the global financial crises .

**Annual Funding Volumes**  
Fiscal years 1995-2015, US\$ billions



**Note:** World Bank fiscal years begin on July 1<sup>st</sup> and end on June 30<sup>th</sup>

\* YTD  
Projected

# Funding Strategy

## Meet Investors' Needs

- Offer a wide range of debt instruments from a AAA/Aaa issuer, with various characteristics including flexible structures, liquidity and maturities.
- Customize products to meet investor preferences – including to support specific purposes (e.g. green bonds) or take on additional risk (e.g. cat bonds).
- Bonds issued in over 56 different currencies.
- Maturities up to 30 years.
- A 0% Basel II and III risk weighting minimizes capital requirements.

## 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 Debt Products

# World Bank Investors



## Investors in World Bank bonds are diverse geographically and in type

- Central Banks and other official institutions
- Bank Treasuries and Corporates
- Asset managers, pensions, and insurance companies
- Sustainable investors (also known as “socially responsible” and “impact” investors)
- Wealth management, or “retail” investors



# World Bank Funding Product Mix



## Benchmark Bonds, Global Bonds:

- Australian dollars
- Canadian dollars
- Euros
- New Zealand dollars
- Norwegian krone
- Pound sterling
- South African rand
- Turkish lira
- US dollars

## Other Plain Vanilla Notes:

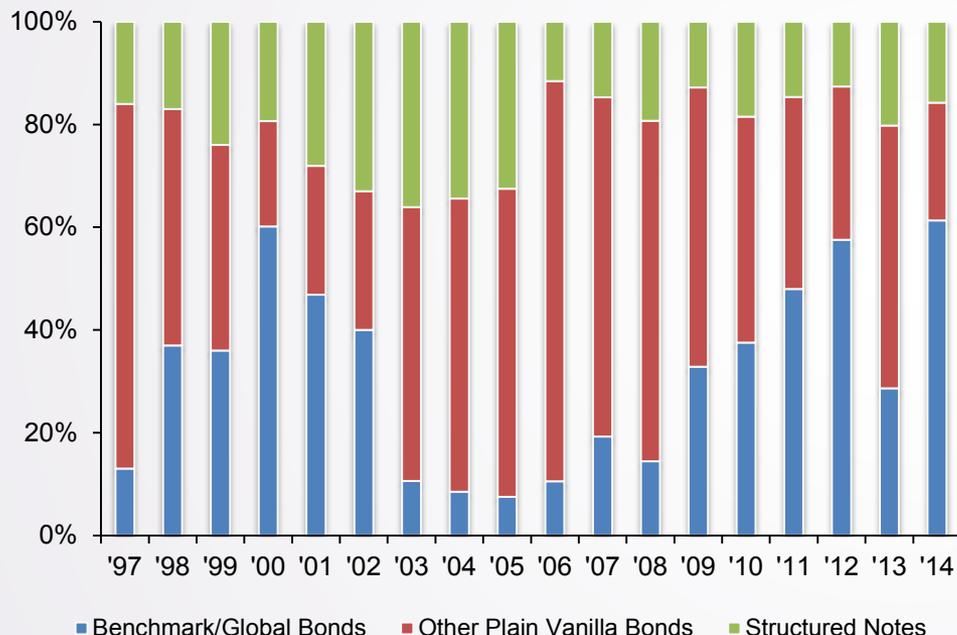
- Uridashi
- Local / Non-Core Currencies\*

## Structured Notes:

- Callable and puttable
- Floating rate with caps
- Floors or collars
- Step-up and step-down coupons
- Equity-linked Uridashis

## Issuance by Product

Per Fiscal Year (each ending June 30, 2014)

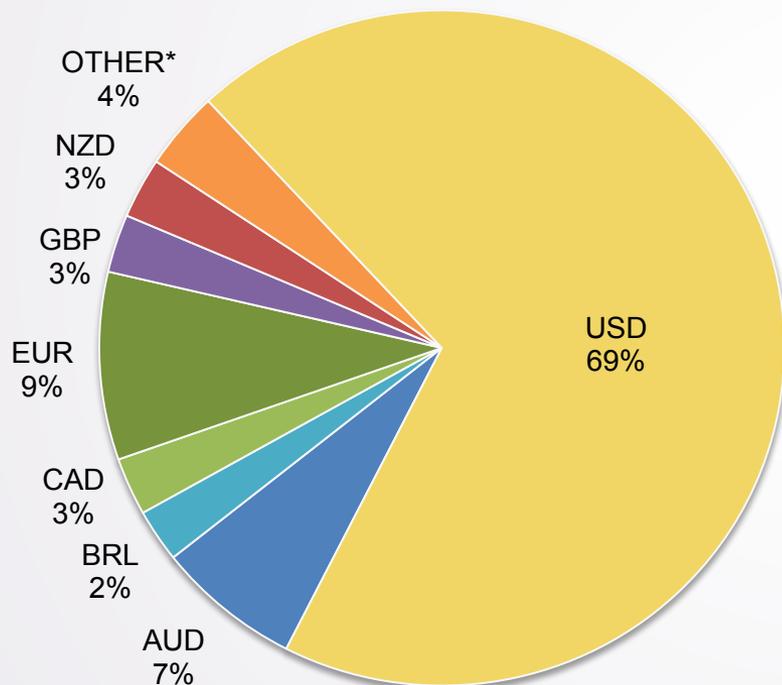


\* Non-Core Currencies issued in Australian dollar, Brazilian reais, Botswana pula, Canadian dollars, Chilean peso, Chinese renminbi, Colombian peso, Czech koruna, Ghanaian cedi, Hong Kong dollar, Hungarian forint, Indian rupee, Japanese yen, Malaysian ringgit, Mexican peso, New Romanian leu, New Turkish lira, New Zealand dollar, Nigerian naira, Norwegian krone, Philippine peso, Polish zloty, Russian ruble, Saudi riyal, Singapore dollar, Slovak koruna, South African rand, South Korean won, Swedish krona, Swiss franc, Thai baht, Turkish lira, Ugandan Shilling, Zambian kwacha

# World Bank Funding Currency Mix



## Currencies of Issuance in FY2014 (US\$51 billion total)



\* CNY, GHS, INR, JPY, KRW, MXN, NGN, PEN, PLN, RUB, SEK, TRY, UGX, ZAR, ZMW

- The World Bank has issued in 57 different currencies since 1947.
- Issued in 22 currencies in FY2014.
- Has been the first foreign issuer in many currencies: Romanian leu, Uruguayan peso, South Korean won.
- Investors benefit from currency exposure with triple-A credit risk.

# World Bank Debt Products

# Global Bond

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- The World Bank offers global bonds in a variety of currencies and maturities through strategic offerings designed to meet investor demand.
- Global bonds provide investors with liquidity and strong dealer commitment to secondary market support.
- They provide diversification among triple-A holdings and benefit from a rarity value in the marketplace.
- Global Bond characteristics:
  - Issue size is typically USD 1-4 billion, or benchmark size for each market
  - Maturities generally range between 2-10 years
  - Denominated in a variety of currencies, including Australian dollars, Canadian dollars, Euros, New Zealand dollars, South African rand, Turkish lira, and US dollars
- World Bank bonds are represented in the following major indices:
  - Barclays Capital Global Aggregate Index
  - Bank of America Merrill Lynch Global Broad Market Quasi-Govt Index
  - Citigroup World Broad Investment-Grade (WorldBIG) Bond Index
- Pricing and other bond details:
  - Bloomberg: IBRD <Govt> <Go> or IBRD <Go>

# World Bank Debt Products

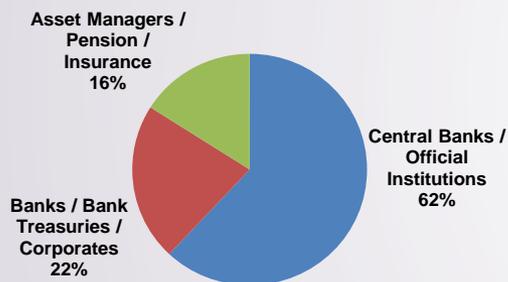
## Global Bond Example



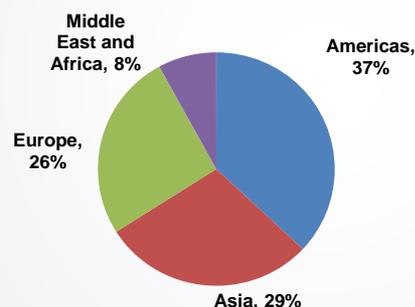
- The World Bank raised USD 4.25 billion with an oversubscribed dual-tranche transaction comprising a 2-year and a 7-year bond

### USD 2.25 billion 2-year Global Bond

#### Investor Distribution

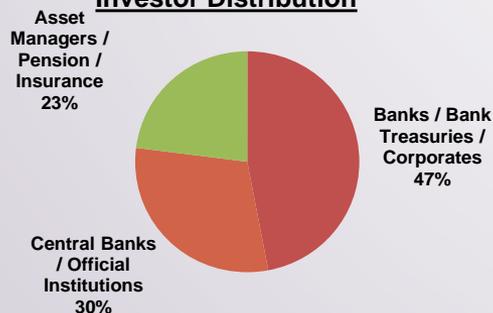


#### Geographic Distribution

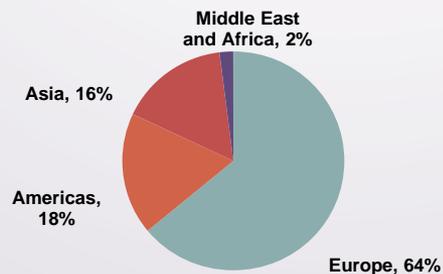


### USD 2 billion 7-year Global Bond

#### Investor Distribution



#### Geographic Distribution



## Transaction Summary

<b>Issuer</b>	World Bank (International Bank for Reconstruction and Development, IBRD)	
<b>Issuer rating</b>	Aaa/AAA	
<b>Tranche</b>	2-year	7-year
<b>Amount</b>	USD 2.25 billion	USD 2 billion
<b>Settlement date</b>	25-Jun-14	25-Jun-14
<b>Coupon</b>	0.63%	2.25%
<b>Coupon payment dates</b>	14 October and 14 April	24 June and 24 December
	(semi-annual, short first)	(semi-annual, short first)
<b>Maturity date</b>	14-Oct-16	24-Jun-21
<b>Issue price</b>	99.85%	99.39%
<b>Issue yield</b>	0.69%	2.35%
<b>Listing</b>	Luxembourg Stock Exchange	
<b>Clearing system</b>	Fedwire, Euroclear, Clearstream	
<b>Joint lead managers</b>	Barclays, J.P. Morgan, Morgan Stanley, Nomura	
<b>Senior Co lead managers</b>	BMO, DB, Castle Oak, TD	
<b>Co lead managers</b>	BofAML, BNP, Citi, CS, Daiwa, HSBC, FTN, Incapital, GS, Jefferies, Scotia Capital, SEB, RBC, Tokai Tokyo, Wells Fargo	

# World Bank Debt Products

# Non-Core Currencies

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- The World Bank offers Aaa/AAA credit quality while providing exposure to a foreign currency or interest rate.
- World Bank bonds in non-core currencies are sold through dealers.
- World Bank bonds are often the first foreign bonds denominated in emerging market currencies to be made available to overseas investors, often with features such as clearing mechanisms, listing, and governing law that are familiar to international investors and facilitate their participation.
- Significant retail demand, especially in Japan. They participate either through individual bond purchases or by investing in a multi-currency World Bank bond fund.
- *Examples :*
  - Australian dollar 750 million FRN due 2018
  - New Zealand dollar 850 million 3.625% due 2018
  - Ugandan shilling 25.9 billion 10.31% due 2018
  - Chinese renminbi 2 billion 2% due 2014

# World Bank Debt Products

# Discount Notes

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- The World Bank offers flexible and customized short-term debt instruments through its US\$ Discount Notes Program.
- Discount Notes are offered in the United States and Eurodollar markets.
- Discount Notes characteristics:
  - maturities of 360 days or less
  - aggregate face amounts of US\$50,000 and higher per maturity date
- Sold through a group of dealers consisting of:
  - Barclays Capital Inc.
  - CastleOak Securities, L.P.
  - FTN Financial Capital Markets
  - Goldman Sachs & Co.
  - Jefferies & Company, Inc.
  - J.P. Morgan Securities LLC
  - Mizuho Securities USA Inc.
  - UBS Securities LLC
- Rates for World Bank Discount Notes are posted on Bloomberg's "ADN" page under the World Bank option ("WBDN").
- Simple documentation governed by an Offering Circular.

# World Bank Debt Products

# Structured Notes



- **Capital Protection & AAA/Aaa rating**
- **Exposure to :**
  - Currencies
  - Equity indices
  - Commodities
  - Interest Rates
  - Dynamic strategies
- **Hedging Solutions :**
  - Macro imbalances in the currency and interest rates markets
  - Counter-cyclical changes in commodity prices
  - Temporal hedging of equity portfolios
- **Benefits:**
  - Name recognition, with tailor-made solutions
  - Buyback alternative/greater liquidity
  - Confidentiality
  - Standardized documentation
  - Pricing comparable to Agencies
- **Recent Examples:**
  - USD 550 million Callable Capped Floating Rate Notes due August 4, 2017
  - USD 1 billion Fixed Rate Callable Notes due October 28, 2015
  - USD 100 million Callable Step Up Note due October 09, 2019
  - USD 50 million Callable Fixed to Float Green Bonds due October 20, 2016
  - USD 100 million Non-Call 6-month Range Accrual Note due October 29, 2021

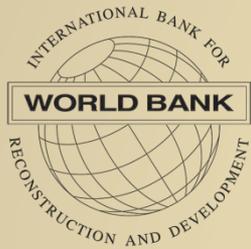
# World Bank Green Bonds

- **World Bank Green Bonds** support mitigation and adaptation (including climate resilience) projects selected by World Bank climate change and sector specialists.
- The investment product was developed in partnership with SEB for investors concerned about the impacts of climate change.
- Investors benefit from AAA/Aaa World Bank (IBRD) rating and World Bank's "due diligence" for projects.
- Investors select financial terms like currency, size and maturity.
- World Bank Green Bonds help mobilize funds from the private sector for climate-smart projects in member countries.
- World Bank Green Bonds act as catalyst for larger green bond market.
- Since the inaugural issue in 2008, USD 6.8 billion has been raised through 74 World Bank Green Bonds in 17 different currencies.\*



\*Based on issuances as of October 10, 2014

# For more information – contact us



<b>Internet</b>	<b>treasury.worldbank.org</b>
<b>Phone:</b>	<b>+1 202 477 2880</b>
<b>Fax:</b>	<b>+1 202 477 8355</b>
<b>Email:</b>	<b>debtsecurities@worldbank.org</b>
<b>Mailing Address</b>	<b>1818 H Street, NW MSN # C7-710 Washington, DC 20433, USA</b>
<b>Physical Address:</b>	<b>1225 Connecticut Avenue, NW Washington, DC 20433, USA</b>
<b>Pricing Sources</b>	
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# Annex

## Project Stories



# Colombia Secondary Education



## Antioquia Upper Secondary Education

- The Department of Antioquia in Colombia is economically only second to the Capital of Bogotá. It was once the scene of violent conflict, which is not yet over. Between 2004 and 2006, about 163,000 people became internally displaced. In 2005, 90% of children went to primary school, but less than 50% of the young people went to secondary school in 2007.
- A project managed by Antioquia's Secretary of Education and supported by a \$20 million IBRD loan increased the opportunity for youth to receive quality education and acquire skills demanded by the labor market, thus improving their potential to pursue a higher education path or a successful career.
- Through subsidies for students, grants for school and improved pedagogical methods, almost 60% of young people in the 25 poorest municipalities of Antioquia went to secondary school in 2012 and almost 73% all over the department. A little more than 82% of students of those enrolled finished school, compared to only 78% five years before. Almost 30% of the students go on to university, an increase from 23.3%.

Students in a technical education program supported by the World Bank in Antioquia, Colombia. Photo: © Charlotte Kesl / World Bank

## Project Summary

Purpose	Improve employability of young people and increase the competitiveness of the labor
Term	2012-2014
IBRD Financing	US\$20 million
Sector	Education



For more information:

<http://www.worldbank.org/en/news/feature/2013/01/18/colombia-in-Antioquia-more-are-finishing-high-school-going-on-to-university>

<http://www.worldbank.org/projects/P052608/antioquia-upper-secondary-education?lang=en>

# Indonesia Community Empowerment



## National Program for Community Empowerment in Urban Areas

- Approximately 110 million Indonesians or half of all households are poor, live on US\$21 per month, and are at risk of falling back into poverty. Inequality has risen more in cities than in rural areas.
- The \$266 million IBRD loan supports Indonesia's largest community-driven poverty reduction program and works nationwide to provide funds to poor rural and urban poor communities so they can invest in their own development priorities.
- The program works for projects defined by the community. Since inception, the government's urban poverty reduction program has financed over 31,100 km of small roads, 8,800 km of drainage, rehabilitation of 126,800 houses of the poorest, 164,800 units of solid waste and sanitation facilities, and 9,450 health facilities.

## Project Summary

Purpose	Improve local governance and socio-economic conditions for rural locations
Term	2012-2015
IBRD Financing	US\$266 million
Sector	Public Services



Women involved in community meeting discuss village reconstruction.  
Photo: Nugroho Nurdikiawan Sunjoyo / World Bank

For more information:

<http://www.worldbank.org/en/news/press-release/2012/11/20/world-bank-supports-ongoing-national-program-improve-living-conditions-indonesia-urban-poor>  
<http://www.worldbank.org/projects/P128832/national-program-community-empowerment-rural-area-pnpm-rural-2012-2014?lang=en>

## Health Equity and Performance Improvement Project

- 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 times higher than the national average of 19.9 deaths per 1,000 live births.
- 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 under-served rural populations.
- By 2013, over 200,00 beneficiaries from 47 underserved rural communities had access to basic health care through these mobile health units to improve mother and child health care, including pregnant women completing pre-natal controls by the 3rd semester. Results also included more babies with less than 1 year of age with a complete vaccination records, and more births attended by skilled personnel.

### Project Summary

Purpose	Provide better health quality for mothers and their children
Term	2008-2014
IBRD Financing	US\$40 million
Sector	Health



Photo: © Gerardo Pesantez / World Bank

## Investment Promotion and Competitiveness Project

- Despite strong economic growth over the past decade, the Gabon's unemployment rate is 16% 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. Households headed by females, which account for 20 percent, are more likely to be living below the poverty line than households headed by males.
- The Investment Promotion and Competitiveness 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.
- As many as 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.

### Project Summary

Purpose	Increase female employment through skill-building and business opportunities
Term	2014-2019
IBRD Financing	US\$18 million
Sector	Industry and Trade



Photo: © Ray Witlin/ World Bank

For more information:

<http://www.worldbank.org/projects/P129267?lang=en>

# Macedonia Skills Development



## Skills Development & Innovation Support

- The Project helps to improve the quality of technical vocational education and the transparency of funding received by public universities aiming to better serve the job market and the country's innovation capacity. It finances the development of a new university funding model, expansion of education quality assurance, training, and accreditation; and, improvement of the innovative capacity of enterprises and collaboration with research organizations.
- The project will benefit around 24,000 students and 1,500 teaching and management staff from technical vocational education and training institutions who would receive a new curriculum and practical training facilities, as well as training on management, planning, and process improvement. Students and staff of universities, research institutions, and enterprises will benefit from the implementation of quality assurance mechanisms and financing reform in higher education, and also from grants promoting R&D and innovation.

## Project Summary

Purpose	Enhance the relevance of secondary technical vocational education, and support innovation capacity
Term	2014-2019
IBRD Financing	US\$24 million
Sector	Education



Photo: © Tomislav Georgiev / World Bank

# China IBRD Eco-Farming Project



## Green Bond Criteria

### Mitigation

Renewable energy (biogas), and reduced methane emissions and carbon dioxide from burning of coal and firewood.

### Expected Results (include)

CO<sub>2</sub>eq emissions reduced by 800,000 - 1,000,000 tons per year.

### Sector: Agriculture

## Country Challenge

Agriculture is responsible for 50% of China's methane emissions. Millions of households rely on agriculture, but as currently managed, there are widespread negative impacts on the environment (desertification, over-use of synthetic pesticides and fertilizers, weak environmental controls).

## Project Goals

The Chinese Government is working with the World Bank towards more environmentally friendly and economically efficient farm production, cleaner, healthier farms, reduced burning of coal and firewood, and methane gas capture to use for heating, lighting and cooking.



Photo: © Steve Harris/ World Bank

### For more information:

<http://www.worldbank.org/projects/P096556/eco-farming-project?lang=en&tab=overview>

Video: [http://www.youtube.com/watch?v=z1Obm7vmXqg&feature=player\\_embedded](http://www.youtube.com/watch?v=z1Obm7vmXqg&feature=player_embedded)

# Mexico Efficient Lighting & Appliances Project



## Green Bond Criteria

### Mitigation

Increase the use of energy efficient technologies in the residential sector.

### Expected Results Include:

Cumulative energy savings of 5736 GWh and CO<sub>2</sub>eq emission reductions of 3,320,000 tons (cumulative).

### Sector: Energy

## Country Challenge

About 80% of Mexico's energy comes from fossil fuels, including imported gas. Electricity used by households accounts for a quarter of all electricity use in Mexico, of which air conditioning, home appliances and electronics are the main consumption sources.

## Project Goals

The Mexican Government worked with the World Bank to increase the energy efficiency of households by replacing incandescent light bulbs with 45.8 million compact fluorescent lights and 1.9 million old and inefficient refrigerators and air conditioners (paid through savings in the customers' electricity bill).



Photo: World Bank

For more information:

<http://www.worldbank.org/projects/P106424/efficient-lighting-appliances?lang=en>

# Colombia IBRD Integrated Mass Transit System



## Green Bond Criteria

### Mitigation

Transportation efficiency (lower carbon urban transport).

### Expected Results (include)

CO<sub>2</sub>eq emissions reduced by 246,560 tons per year.

**Sector: Transport**

## Country Challenge

Urban traffic congestion, accidents, crime, unhealthy air, and pollutants responsible for 62% of Colombia's carbon emissions.

## Project Goals

The Colombian Government has been working with the World Bank to improve urban transportation through several stages of *Transmilenio*. Better urban transportation systems and replacement of old with fuel efficient new buses help efficiency, safety and accessibility for the 75% of Colombia's population that lives in cities, and reduces fuel use per kilometer and pollution.



Photo: © World Bank

For more information:

<http://www.worldbank.org/projects/P114325/integrated-mass-transit-systems-second-additional-financing?lang=en>

Video: [http://www.youtube.com/watch?v=z1Obm7vmXqg&feature=player\\_embedded](http://www.youtube.com/watch?v=z1Obm7vmXqg&feature=player_embedded)

# Tunisia IBRD Water Sector Investment



## Green Bond Criteria

### Adaptation

Improved efficiency in water use and increased capacity for watershed management.

### Expected Results (include)

Rehabilitate 25,000 hectares with irrigation and drainage systems. Supply drinking water to 10,000 households.

**Sector: Water**

## Country Challenge

Severe water scarcity and stress in aquifers require improvements in irrigation schemes, more reliable water supply in rural areas, and increased capacity to plan for current and future water management challenges - including due to climate change.

## Project Goals

The Tunisian Government is working with the World Bank to make further improvements to their infrastructure and water management policies that will allow them to capture and use more of the usable water.



Photo: © Curt Carnemark/World Bank

For more information:

<http://www.worldbank.org/projects/P095847/second-water-sector-investment?lang=en&tab=overview>