Folder Title:	President Wolfensohn - Briefing Book for President's Meetings and Events - Income Dynamics - Agenda - Review of Board Draft Paper - April 27, 1998
Folder ID:	30490443
Dates:	04/22/1998 – 04/27/1998
Subfonds:	Records of President James D. Wolfensohn
Fonds:	Records of the Office of the President
ISAD Reference Code:	WB IBRD/IDA EXC-13-10
Digitized:	07/25/2025

Meeting: Income Dynamics
(Agenda: Review of Board Draft Paper)

Monday, April 27, 1998
2:30 - 3:00 p.m.
Meeting Room (MC12-755)

Insert in
Income Dynamic
Brief
2:30 - 3:00

Archive Management for the President's Office

Document Log

Reference # : Archive-02237

IR#3 (work in progress)

Edit Print

A. CLASSIFICATION

- [x] Meeting Material
- [ ] Trips
- [ ] Speeches
- [ ] Annual Meetings
- [ ] Corporate Management
- [ ] Communications with Staff
- [ ] Phone Logs
- [ ] Calendar
- [ ] Press Clippings/Photos
- [ ] JDW Transcripts
- [ ] Social Events
- [ ] Other

B. SUBJECT: MEETING: INCOME DYNAMICS (B) (N) <AGENDA: REVIEW OF BOARD DRAFT PAPER> // TIME: 2:30 - 3:00 P.M. // VENUE: MC-12-755 (MEETING ROOM) // CONTACT: LAURA @ 32347 // ATTENDEES: JDW, {SANDSTROM-not attending-leave}, EINHORN, J. WILTON, D. DANKER, N. PAUL & P.YOUROUGOU, BURAKREIS, C. JUNGR, BAIRD, LUIGI // (B) DRAFT BOARD PAPER // DUE THURSDAY, APRIL 23 // EXC: JDW // LFG (4/21)
Brief includes:
--- Note to JDW from L. Passamonti, Apr. 22
--- Note to JDW from J. Wilton: MDB Loan Charges and Selected Sovereign Borrowing Spreads
--- Note to JDW from J. Einhorn, through L. Passamonti, Apr. 27
--- Note to JDW from J. Wilton & D. Danker: Income Dynamics, Apr. 24

DATE: 04/27/98

C. VPU

Corporate
- [ ] CTR
- [ ] EXT
- [ ] LEG
- [ ] MPS
- [ ] OED
- [ ] SEC/Board
- [ ] TRE

Regional
- [ ] AFR
- [ ] EAP
- [ ] ECA
- [ ] LAC
- [ ] MNA
- [ ] SAS

Central
- [ ] CFS
- [ ] DEC
- [ ] ESD
- [x] FPD
- [ ] FPR
- [ ] HRO

Affiliates
- [ ] GEF
- [ ] ICSID
- [ ] IFC
- [ ] Inspection Panel
- [ ] Kennedy Center
- [ ] MIGA

D. EXTERNAL PARTNER

- [ ] IMF
- [ ] UN
- [ ] MDB/Other IO
- [ ] NGO
- [ ] Private Sector
- [ ] Part I
- [ ] Part II
- [ ] Other

E. COMMENTS:

File Location	Cleared By	Date:
☒ EXC ☐ IISC ☒ Archives	Luigi Passamonti, qd	04/27/98

View Update History

April 22, 1998

NOTE

Mr. James D. Wolfensohn

Subject: Net Income Dynamics - A Group Perspective

JDW:

Pricing of IBRD loans is only one aspect of the relationship middle-income borrowers have with the Bank Group.

For instance, China's past access to IDA (in amounts equal to about 10-15% of their IBRD borrowings) meant that its average borrowing cost was of the order of LIBOR **minus** 35/50 basis points.

Brazil's IFC relationship is as large as IBRD's. Following market trends, IFC loan pricing has dropped in FY98 by about 50-75 basis points from the FY97 level. *IBRD pricing goes up, IFC's goes down...* Brazil is also MIGA's largest client country with a gross exposure of some US$200 million. MIGA's recent capital increase (half of cash component provided by an IBRD grant) will allow a further expansion of its Brazilian business.

Commitments			**IBRD**		**Group**		
US$bn	Current Market Pricing	Post-crisis change	FY97	FY98	FY97	FY98	
Brazil	+385	+150	1.0	1.4	1.3	0.9	IFC
China	+130	+53	2.5	2.3	0.3	0.3	IDA
Mexico	+290	+72	1.0	1.9			
Russia	+395	+110	1.7	1.9			

Russia (MIGA's third largest client) has benefited from extensive IFC's assistance in land and SME privatization work – setting the ground rules for private sector activities.

IFC was a major force stabilizing Mexico after the 1994 tequila crisis, committing a US$1 billion loan and equity package to support local companies and banks.

In addition, the proposed change in IBRD pricing is (much) smaller than post-crisis market price adjustments (from a low of 50bp to a high of 150 bp).

Luigi Passamonti

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: April 27, 1998

TO: Mr. James D. Wolfensohn, EXC

FROM: John Wilton, Acting Vice President, FPR

EXTENSION: 80194

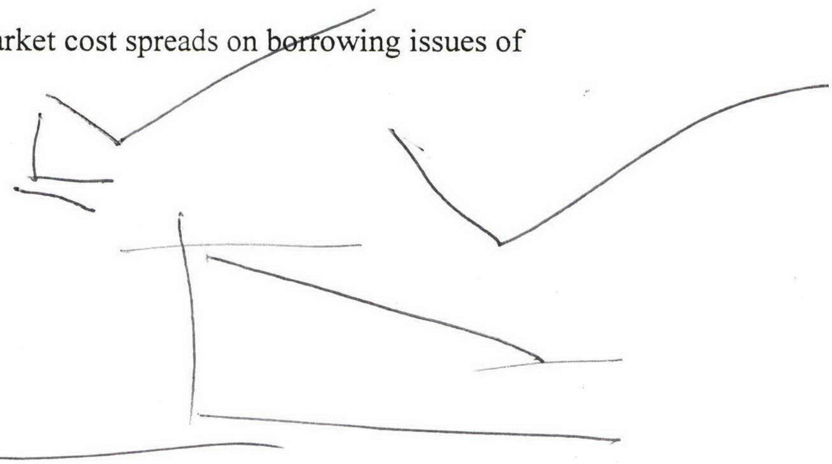
SUBJECT: **MDB Loan Charges and Selected Sovereign Borrowing Spreads**

As requested, attached please find information on comparative loan charges of multi-lateral development banks (MDBs), as well as sovereign borrowing spreads of selected borrowers.

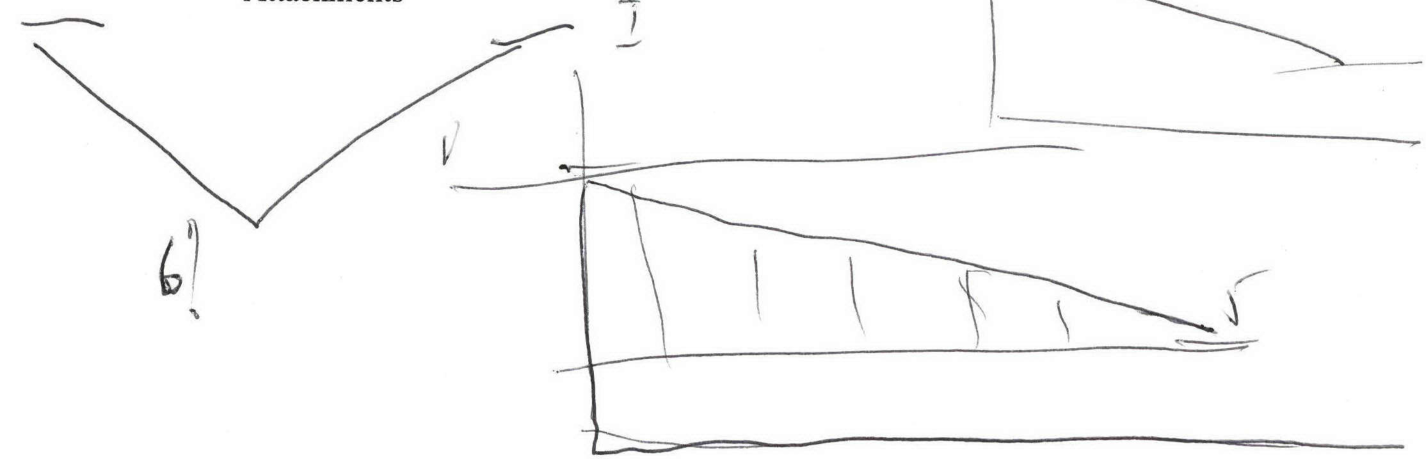
The top part of Table 1 shows the principal components of MDB loan charges, namely the loan spread, commitment fee and front-end fee. To facilitate comparison, loan charges are shown only for the LIBOR-based single currency loan product offered by each MDB. As indicated in the table, MDB practice differs with regard to the "base rate" to which the loan spreads are added to obtain the lending rate. In some cases, loan spreads are expressed relative to LIBOR, while in others they are relative to the MDB's own cost of borrowing. To provide meaningful comparison, loan charges are expressed as total loan spread equivalents relative to LIBOR in the bottom part of Table 1.

Table 2 shows recent secondary market cost spreads on borrowing issues of selected sovereign borrowers.

93



Attachments



I:\shared\jdw\mdbloancharges.doc
4/27/98 2:02 PM

Comparative MDB Loan Charges
(For LIBOR Based Single Currency Loans)
(basis points)

Loan Charges Inclusive of Waivers[1]

	IBRD	EBRD	ADB	IADB	AfDB
Spread	25	100	40	50	50
Commitment Fee	25	50	75[2]	75	100
Front-end Fee	0	100	0	100	0

Total Spread Equivalent Charges[3]

	IBRD	EBRD	ADB	IADB	AfDB
Spread	25	100	40	50	50
Commitment Fee	28	56	42	84	113
Front-end Fee	0	30	0	27	0
Sub-LIBOR Spread[4]	-20			-25	-5
Total Spread over LIBOR	33	186	82	136	158

[1] Currently only IBRD offers waivers of commitment fee and interest.

[2] The commitment fee is applicable to the following proportion of loan amount less the cumulative disbursements: 15% in the first year, 45% in the second year, 85% in the third year and 100% in the fourth year and beyond.

[3] Spread equivalent computations for commitment and front-end fees use average IBRD disbursement profile. The repayment terms are as follows: Final Maturity 17 Years; Grace Period: 4 Years; Payment Term: Equal Payment of Principal. Disbursement profiles and payment terms vary across MDBs and hence spread equivalent charges would vary based on the disbursement profile and payment terms used.

[4] Shows long-run sub-LIBOR spreads.

Secondary Market Spreads of International Bond Issues by Selected Sovereign Borrowers

Sovereign Issuer	Spread to LIBOR (b.p.)	Maturity (due date)	Currency
As of April 14, 1998			
Brazil	385	2027	USD
China	130	2027	USD
Mexico	290	2026	USD
Russia	394	2007	USD
As of April 27, 1998			
South Africa	230	Jun-17	USD
South Africa	200	Feb-06	USD
Morocco	270	Jan-09	USD
Tunisia	140	Sep-07	USD

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
President Wolfensohn - Briefing Book for President's Meetings and Events - Income Dynamics - Agenda - Review of Board Draft Paper - April 27, 1998	30490443

Document Date	Document Type
April 27, 1998	Email hard copy

Correspondents / Participants
Jessica P. Einhorn, MDFMD; Luigi Passamonti; Jim Wolfensohn

Subject / Title
Income Dynamics

Exception(s)
Corporate Administrative Matters

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
K. Brenner-Delp	July 16, 2025

Record Removal Notice

File Title President Wolfensohn - Briefing Book for President's Meetings and Events - Income Dynamics - Agenda - Review of Board Draft Paper - April 27, 1998	**Barcode No.** 30490443
Document Date April 24, 1998	**Document Type** Memorandum and attachments

Correspondents / Participants
To: James D. Wolfensohn
From: John Wilton and Deborah Danker, FPRVP

Subject / Title
Income Dynamics

Exception(s)
Corporate Administrative Matters

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
K. Brenner-Delp	July 16, 2025