Bonds for Sustainable Development

THE WORLD BANK
Treasury

INVESTOR NEWSLETTER • APRIL 2015

Sustainable Development

recognizes that growth must be both inclusive and environmentally sound to reduce poverty and build shared prosperity for today's population and to continue to meet the needs of future generations. It is efficient with resources and carefully planned to deliver both immediate and long-term benefits.

The three pillars of sustainable development – economic growth, environmental stewardship, and social inclusion – carry across all sectors of development, from cities facing rapid urbanization to agriculture, infrastructure, energy development and use, water availability, and transportation.

Photo: © Allison Kwesell / The World Bank

World Bank Bonds Support Sustainable Development

The International Bank for Reconstruction and Development (IBRD), commonly known as 'the World Bank', was founded in 1944 with the purpose of financing the reconstruction of Europe after World War II. Nowadays, the purpose of the World Bank is to **provide financing and knowledge services to the governments of middle income countries to reduce poverty and promote shared prosperity** all while ensuring social, environmental, and governance (ESG) aspects are covered.

The World Bank **supports sustainable development, focusing on poverty reduction and inclusive growth across a range of sectors** including among others: agriculture and food security; education; energy; finance, trade and industry; law and governance; healthcare and social services; transport; and water and sanitation (see page 3 for more on the sectors). World Bank projects undergo a rigorous review and approval process including early screening to identify environmental and social impacts and designing concrete mitigation actions.

The World Bank integrates **five cross cutting themes** into its activities helping its clients develop solutions: climate change; gender; jobs; public-private partnerships; and fragility, conflict and violence (see page 3 for more).

The World Bank **funds its activities by issuing bonds for sustainable development** in the international capital markets to support projects that achieve positive social, environmental and development impacts. Information on bonds for investors is available on the World Bank Treasury website: www.worldbank.org/debtsecurities.

The World Bank has been issuing debt since 1947 and has been **rated triple-A for over 50 years**. Its financial strength is based on a solid financial structure, conservative financial policies and consistent performance, as well as support and capital backing from its shareholders. For more on the World Bank's financial strength, see below.

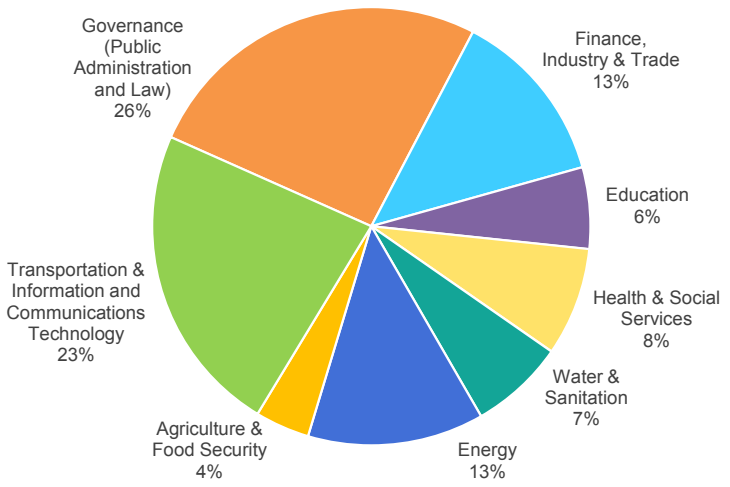
Recent World Bank Bond Issues

AUD 550 million 2.5% 5-year global bond due 03/2020
CAD 1.2 billion 1.125% 5-year global bonds due 03/2020
USD 4 billion 1.625% 7-year global bonds due 02/2022
EUR 600 million 0.5% 15-year global bond due 04/2030

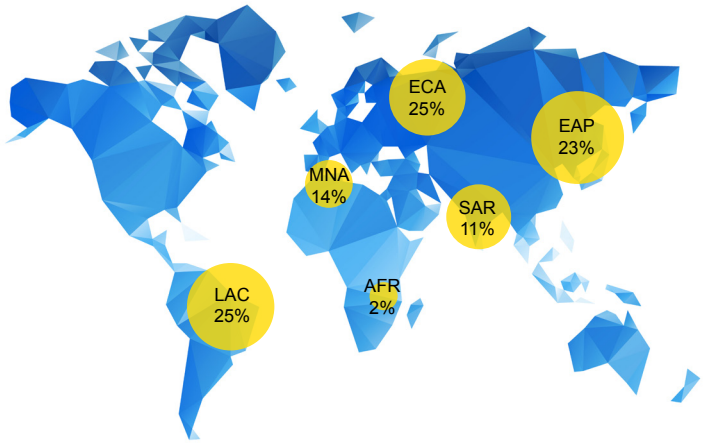
World Bank Commitments*

*FY14 Commitments, totaling US$18.6 billion

BY SECTOR



BY REGION



Africa (AFR) US$0.4 billion; East Asia & Pacific (EAP) US$4.2 billion; Europe & Central Asia (ECA) US$4.7 billion; Latin America & Caribbean (LAC) US$4.6 billion; Middle East & North Africa (MNA) US$2.5 billion; and South Asia (SAR) US$2.1 billion

Four Pillars of the World Bank's Triple-A Credit Rating

Quality Loan Portfolio

- Global diversification
- Lending only to sovereign and sovereign guaranteed projects
- Borrowing clients are also shareholders; increased incentive to repay
- Preferred creditor status recognized by rating agencies and financial market participants
- Concentration limits for individual borrowing countries
- Policy of freezing additional lending if repayments not on time

Prudent Risk Management

- Statutory lending limit: outstanding loans must be less than paid-in and callable capital plus reserves
- Equity-to-loans ratio remains above the minimum of 20% set by the Board excluding callable capital
- Policies are designed to minimize the need for a call on capital
- Foreign currency and interest rate risks managed carefully to minimize risks

Substantial Liquidity

- Prudential minimum liquidity is equal to highest six months of projected debt service over next 18 months plus half of net approved loan disbursements
- Actual liquidity exceeds minimum to increase financial flexibility
- Liquid assets conservatively managed against strict guidelines: highly rated (AA- or better) fixed income government and agencies securities and AAA corporate bonds and ABS

Strong Capital Base

- 188 sovereign members/ shareholders
- In addition to paid-in capital, shareholders have committed additional callable capital to satisfy debt holder claims
- Shareholders responsible for the full amount of their callable capital regardless of others' ability to fulfil their obligations
- Largest shareholders: USA (15.9%); Japan (8.6%); China (5.5%); Germany (4.8%); France (4.3%); and UK (4.3%)

THE WORLD BANK Treasury

SECTORS: Bringing global experience and knowledge to our clients across the sustainable development spectrum

Agriculture and Food Security:

The largest provider of development finance for agriculture globally supporting projects that end poverty and feed growing populations. Three of every four people in developing countries live in rural areas and most depend on agriculture for their livelihood.

Governance (Public Administration and Law):

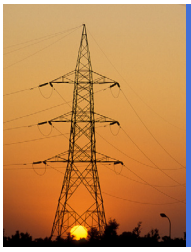
Develop innovative, integrated solutions to institutional problems with procurement, financial management, taxation, public management, regulatory policy, transparency, digital governance, law and development, anticorruption, and social accountability.

Education:

A global leader in education, especially in building evidence for a systems approach to education reforms and investments. Education is a powerful driver for development and reducing poverty and is central to the development strategies of all our clients.

Health and Social Services:

Invest to support healthy societies by improving access to quality, affordable health services, medicines and related products. We also support a combination of public and private sector solutions that can scale up and strengthen front-line and facility-based health services.



Energy:

Help clients secure affordable, reliable and sustainable energy balancing externalities by applying strict due diligence and analyses of alternatives. This includes accelerating energy efficiency gains, moderating demand for energy, and expanding renewable energy.

Transportation, Information and Communication:

Provide clients with physical and virtual infrastructure financing and policy advice to improve connectivity and competitiveness, link people to markets and social services to stimulate economic growth, increase climate resilience and reduce carbon footprint.

Finance, Industry, and Trade:

Support client efforts to develop their financial market infrastructure, boost trade and investment, improve productivity and competitiveness at the national and industry levels, and create a better environment in general for business operations.

Water and Sanitation:

Help clients provide households and businesses with potable water and proper sanitation services, while allocating and managing water sustainability including through: irrigation for agriculture; drought resilience and flood management; and conservation of quality freshwater resources and ecosystems.

CROSS CUTTING THEMES: Helping our clients integrate solutions for key sustainable development challenges into their strategic planning and projects

CLIMATE CHANGE

Help our clients adapt to or mitigate the effects of climate change, such as planning and financing low-carbon cities, developing low-carbon transportation, and investing in renewable energy.

GENDER

Work with partners and clients to advance gender equality globally, highlighting inequality and discrimination when found and leveraging our lending, expertise, and convening power to support equality.

JOBS

Play an important role tackling the dual challenges of creating millions of new jobs and increasing productivity of the informal sector workforce by providing clients with policy advice, education, and investments in projects that create jobs.

PUBLIC-PRIVATE PARTNERSHIPS (PPPs)

Support PPPs that can bring efficiency and sustainability to public services with upstream policy advice for regulatory and institutional reforms to downstream transaction support.

FRAGILITY, CONFLICT, AND VIOLENCE

Work to understand the drivers of conflict, helping to shape our response across core sectors to the unique needs of countries emerging from conflict but vulnerable to reversals.

Photos: © World Bank (Masaru Goto; Gennadiy Ratushenko; Charlotte Kesl; Maria Fleischmann; Curt Carnemark; Arne Hoel; John Hogg; Imal Hashemi)

World Bank Projects Delivering Results

A cross section of World Bank projects from around the world. For information on more projects and sectors, please see http://www.worldbank.org/en/results

KAZAKHSTAN

Strengthening institutional capacity of agencies for effective implementation of selected laws to improve the efficiency, transparency, and access to services in the justice sector (P143274)

Expected impact:

- Strengthen institutional capacity in targeted government agencies.
- Improve efficiency and transparency in certain public services in the justice sector.

IBRD Financing: US$36 million

BRAZIL

Promoting efficient and sustainable use of water by enhancing soil management practices and improving water quality (P112074)

Expected impact:

- 5,600 ton reduction in wastewater pollution.
- 235,465 ha state environment conservation areas managed.
- 20% improvement in irrigation water efficiency.
- 2 million people benefit.

IBRD Financing: US$70 million

LEBANON

Improving regional education departments and schools (P118187)

Expected impact:

- 10% increase in preschool enrollment.
- 100% of teachers enrolled in professional development to improve teaching quality.
- Build government capacity to effectively manage the education system and to make evidence-based policy decisions.

IBRD Financing: US$40 million

BOTSWANA

Increasing the coverage, efficiency and sustainability of targeted and evidence-based HIV/AIDS interventions (P102299)

Expected impact:

- Increase efficiency in HIV/AIDS program through an increased focus on prevention activities.
- Improve national coordination of prevention activities, including strengthened accountability and financial management.

IBRD Financing: US$50 million

INDONESIA

Meeting growing electricity demand and increasing access to electricity with expanded power transmission networks (P123994)

Expected impact:

- Improved quality and adequacy of power supply.
- 35-45% increase in electricity sales.
- 6.1 million KVA increase in transformer capacity in substations

IBRD Financing: US$325 million

PARAGUAY

Improving the socio-economic condition of small-scale farmers and indigenous communities in a sustainable way (P148504)

Expected impact:

- Strengthen access to markets and value chains
- Enhance community organization and self-governance
- 200,000 beneficiaries

IBRD Financing: US$100 million

Photos: © World Bank (Almas Dissyukov; Allison Kwesell; John Hogg; Maria Fleischmann; Dominic Chavez; Arne Hoel)

About the World Bank: The World Bank (International Bank for Reconstruction and Development, IBRD), rated Aaa/AAA (Moody's/S&P) operates as a global development cooperative owned by 188 member countries. The World Bank has two main goals: to end extreme poverty and promote shared prosperity. It provides its members with financing, expertise and coordination services so they can achieve equitable and sustainable economic growth in their national economies and find effective solutions to pressing regional and global economic and environmental problems.

About the World Bank Group: The World Bank Group consists of five separate legal organizations working towards a common mission to eradicate extreme poverty and promote shared prosperity. It includes International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). Both IBRD and IFC are issuers of bonds.

DISCLAIMER: This investor update has been prepared by the World Bank (International Bank for Reconstruction and Development, IBRD) for information purposes only, and the IBRD makes no representation, warranty, or assurance of any kind, express or implied, as to the accuracy or completeness of any of the information contained herein. This newsletter may include information relating to certain IBRD securities. Any such information is provided only for general informational purposes and does not constitute an offer to sell or a solicitation of an offer to buy any IBRD securities. The securities mentioned herein may not be eligible for sale in certain jurisdictions or to certain persons.

THE WORLD BANK
Treasury

Email: debtsecurities@worldbank.org
Tel: +1 (202) 477 2880
Web: http://treasury.worldbank.org/capitalmarkets/
Address: Investor Relations, Capital Markets Department
1818 H Street NW, Washington, DC 20433, USA

Published in April 2015