



**THE WORLD BANK**

Treasury

# Sustainable Impact Investments



**THE WORLD BANK TREASURY**  
**1225 CONNECTICUT AVE NW, WASHINGTON, DC 20433 USA**  
<http://treasury.worldbank.org/capitalmarkets>

# Overview

- 1** What is the World Bank?
- 2** Why Invest with the World Bank?
- 3** What Investment Products does the World Bank Offer?

# What is The World Bank?

- ▶ An international organization **owned by 188 member countries** – its owners are its clients. Purpose is to **end extreme poverty and promote shared prosperity** in a sustainable manner
- ▶ The **largest shareholders are: US, Japan, China, Germany, UK and France**
- ▶ International Bank for Reconstruction and Development (IBRD) is rated **AAA/Aaa** based on its capital, reserves and prudent financial policies
- ▶ About **USD 150 billion** in loans outstanding in over 35 countries



# 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.

# 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.

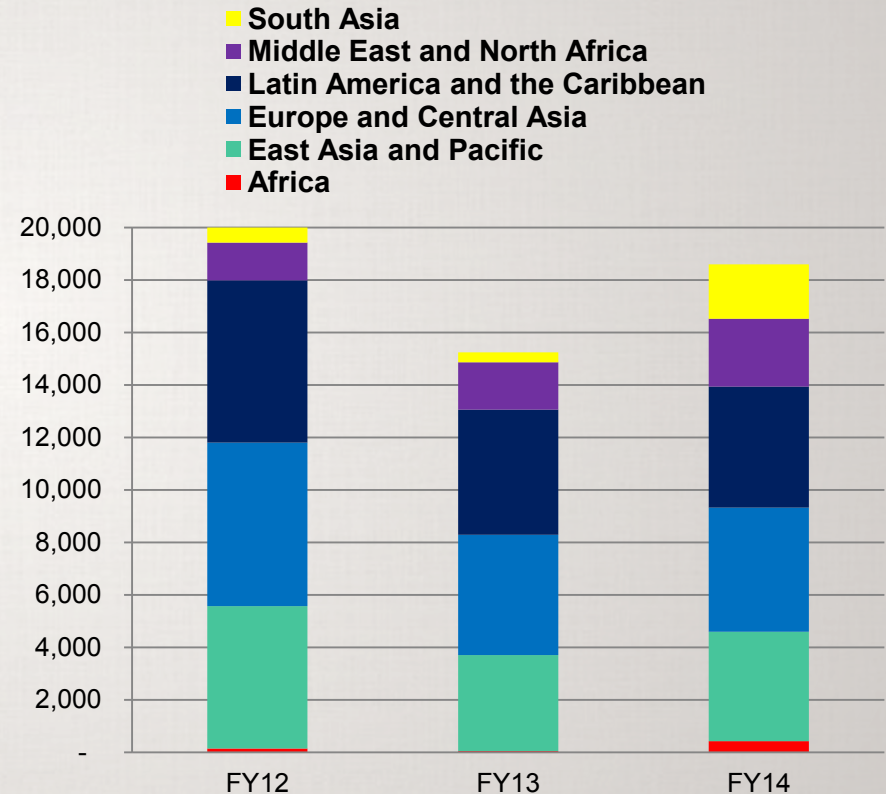
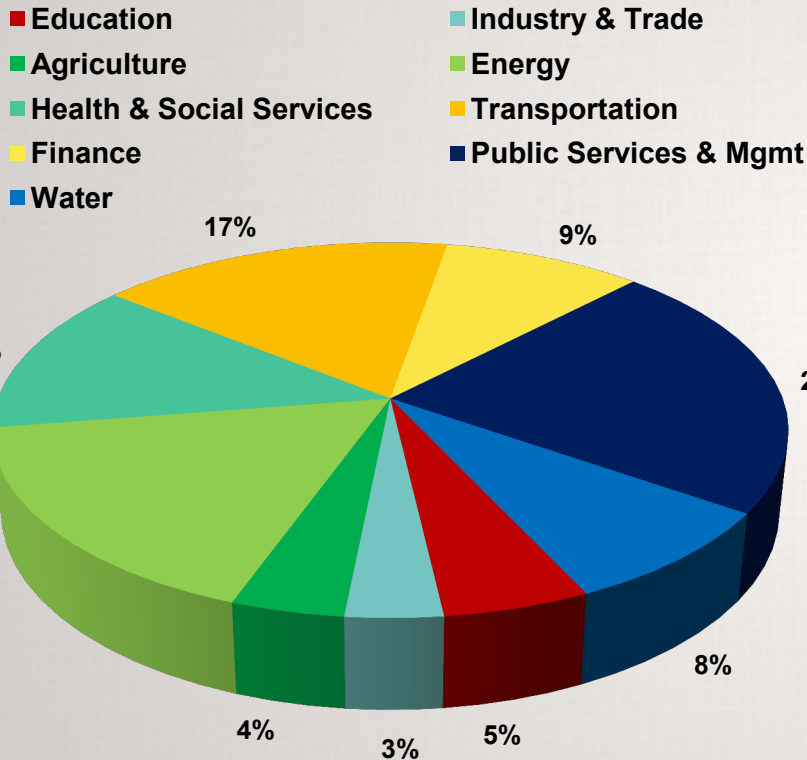
Since inception, IBRD was designed to be financially self-sustaining and earn income to support its development activities – it was not set up as an aid agency. IBRD’s first loans were made to France and other European countries for reconstruction purposes; loans to Japan and other creditworthy countries followed.

As IBRD's focus shifted towards poverty alleviation as part of development in the 1960s, it continued to lend to countries that were creditworthy and could borrow at market-based rates. The International Development Association (IDA) was created to provide concessional financing for poorer and less creditworthy countries.



# What We Support Today

## IBRD Lending by Sector and Region



**Distribution by Sector**  
(Average shares over FY12-FY14)

**Distribution by Region**  
(IBRD Commitments in US\$ Millions)

# Country Partnership Framework

Projects follow the “World Bank Project Cycle” within the Country Partnership Framework to:

- Contribute to the twin goals (end extreme poverty and promote shared prosperity);
- Ensure social, environmental and governance (ESG) aspects are covered;
- Achieve expected outcomes.



# Overview

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# Why Invest with the World Bank?

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.

## Track Record

- Issuing debt since 1947; triple-A rating for over 50 years.

## Safety

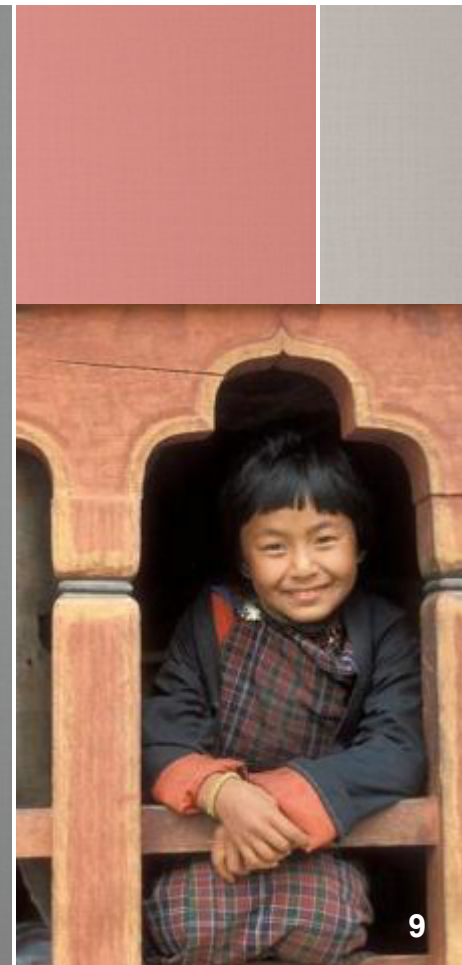
- Strong balance sheet as result of prudent financial policies.
- Funds only extended to sovereigns and for sovereign-guaranteed projects.
- Loans have always been repaid; no loan write off or capital call.
- Diversified 188 sovereign shareholders & recognized preferred creditor status.

## Products

- Demand-driven funding; offer a wide range of instruments to fulfill various needs of diverse investor groups.
- All bonds fund the World Bank's sustainable programs aimed at achieving a positive social and / or environmental impact.

## Development Mandate

- Provides financial solutions for sustainable and socially equitable economic development to end poverty increase income equality



# 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

Quality Loan  
Portfolio

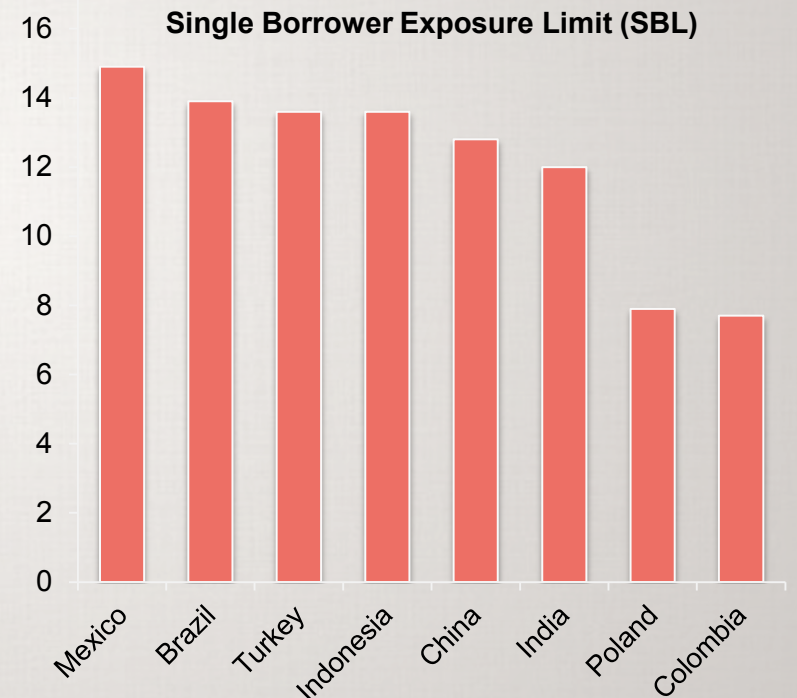
Prudent Risk  
Management

Substantial  
Liquidity

Diversified  
Shareholder Base

- 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

Quality Loan  
Portfolio

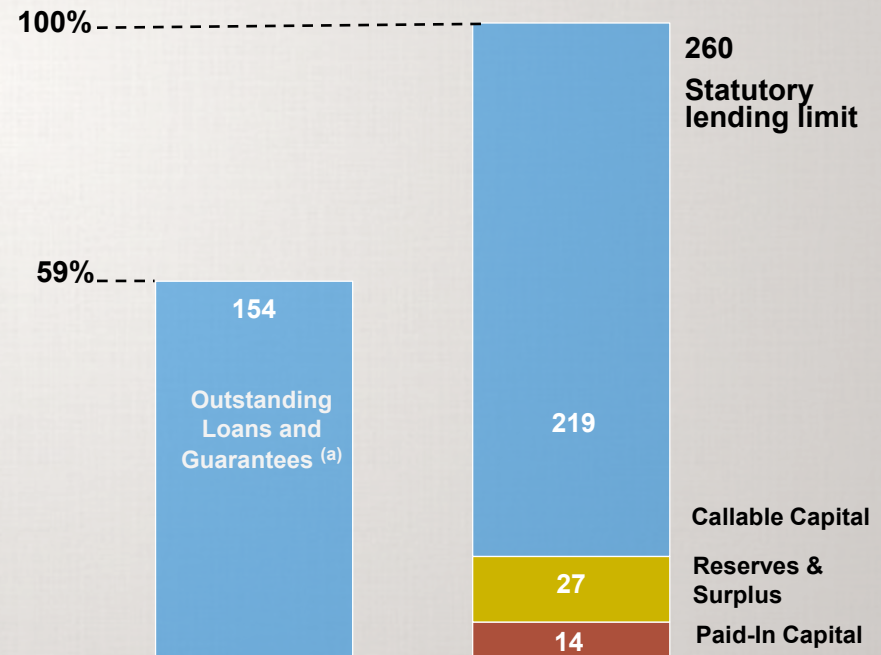
Prudent Risk  
Management

Substantial  
Liquidity

Diversified  
Shareholder Base

- 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.

## Maximum "Gearing Ratio" of 1:1 US\$ billions



(a) Net of accumulated loan loss provisions

# World Bank's Strong Credit Quality

Quality Loan  
Portfolio

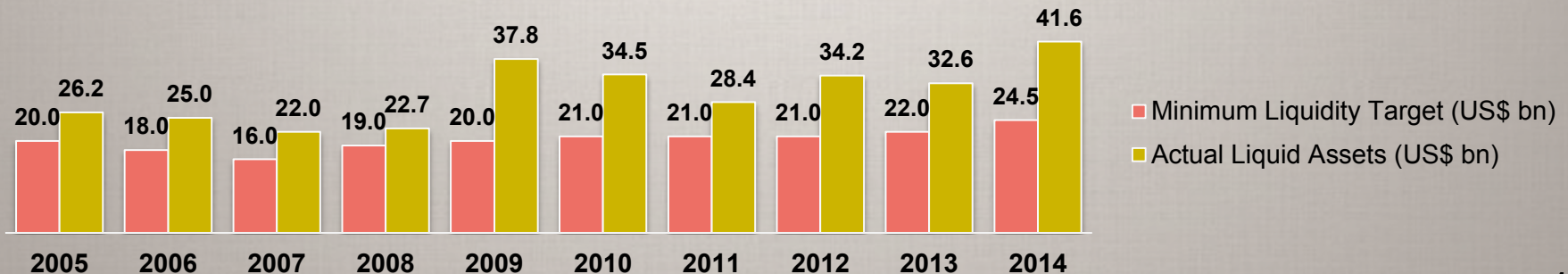
Prudent Risk  
Management

Substantial  
Liquidity

Diversified  
Shareholder Base

- 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

**Quality Loan  
Portfolio**

**Prudent Risk  
Management**

**Substantial  
Liquidity**

**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.

| <b>Total Subscribed Capital</b><br>US\$ billions | <b>Current Capital</b><br>(as of June 30,<br>2014) | <b>Capital After 5-Year<br/>Increase*</b> |
|--|--|---|
| <b>Paid-in Capital</b>                           | <b>US\$14.0</b>                                    | <b>US\$16.6</b>                           |
| <b>Callable Capital</b>                          | <b>US\$219.0</b>                                   | <b>US\$259.5</b>                          |
| <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 (paid-in portion US\$5.1 billion).
- As of June 30, 2014, US\$42.6 billion was subscribed, resulting in additional paid-in capital of US\$2.5 billion.

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# 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.

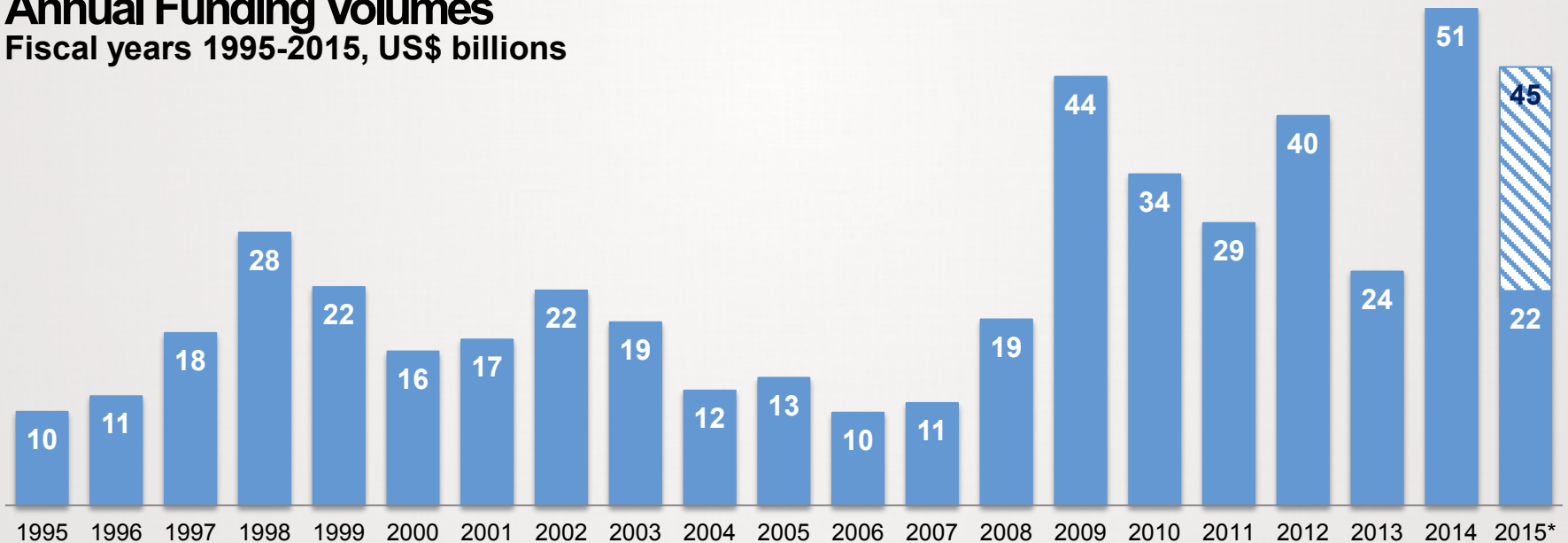




# World Bank Funding Volumes

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

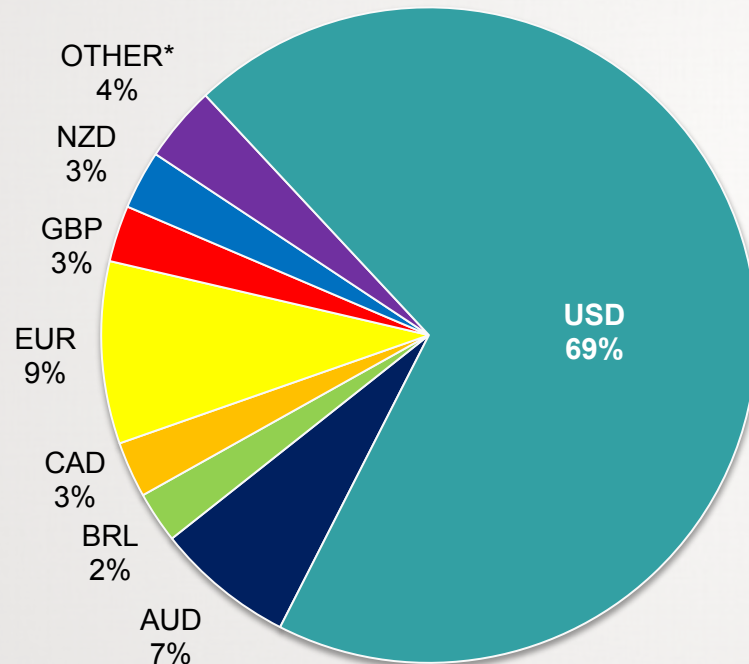


**Note:** World Bank fiscal years begin on July 1<sup>st</sup> and end on June 30<sup>th</sup>

\* YTD  
 Projected

# World Bank Funding Currency Mix

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

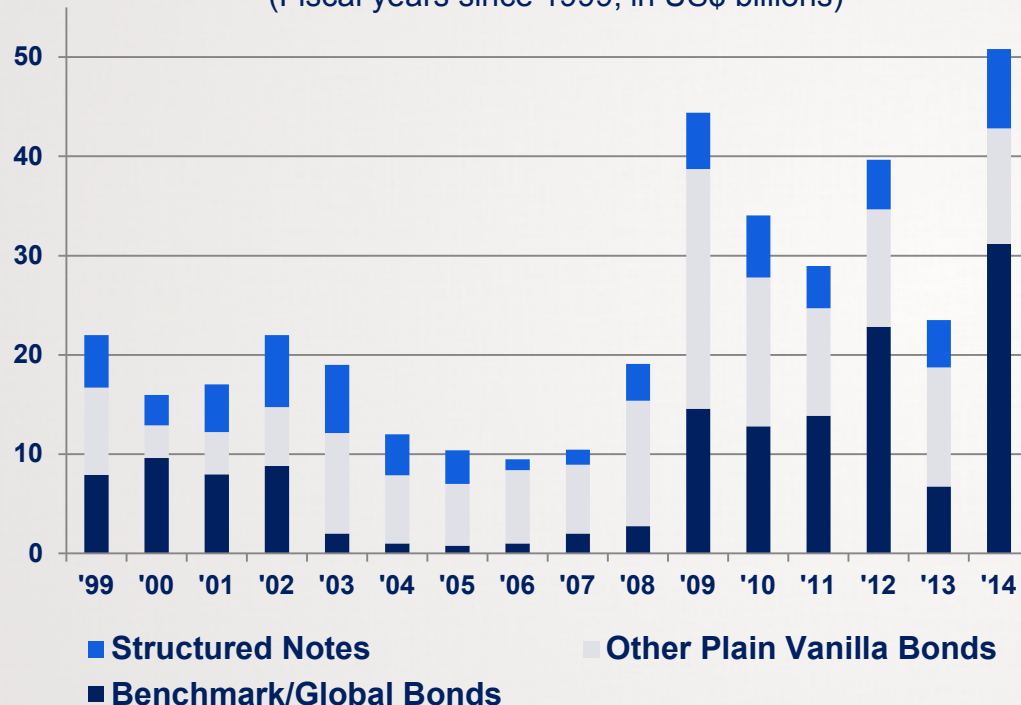


\* CNY, GHS, INR, JPY, KRW, MXN, NGN, PEN, PLN, RUB, SEK, TRY, UGX, ZAR, ZMW

- 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 Funding Product Mix

**Annual Issuance**  
 (Fiscal years since 1999; in US\$ billions)



## Benchmark Bonds, Global Bonds

AUD, CAD, EUR, GBP, NOK, NZD, TRY, USD, ZAR

## Other Plain Vanilla Notes

Local / Non-Core Currencies\*

## Structured Notes

- Callable and puttable
- Floors or collars
- Steepeners and R-FRN
- Equity linked
- Commodity linked
- Weather and Natural Hedges

\* Non-Core Currencies: 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 Debt Products

# Global Bond

- 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

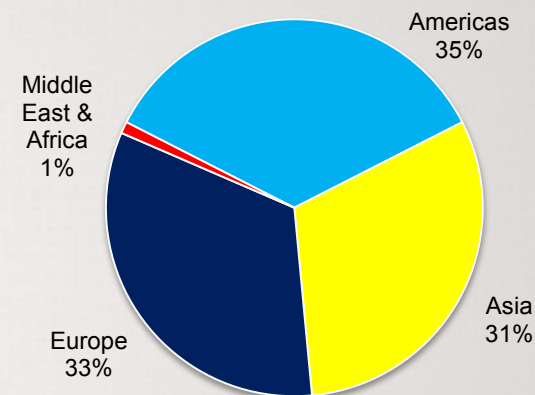
The World Bank raised USD 4 billion with an oversubscribed 5-year global bond.

Due to the positive response from investors around the world, the transaction was upsized from the initially targeted amount of USD 2 billion.

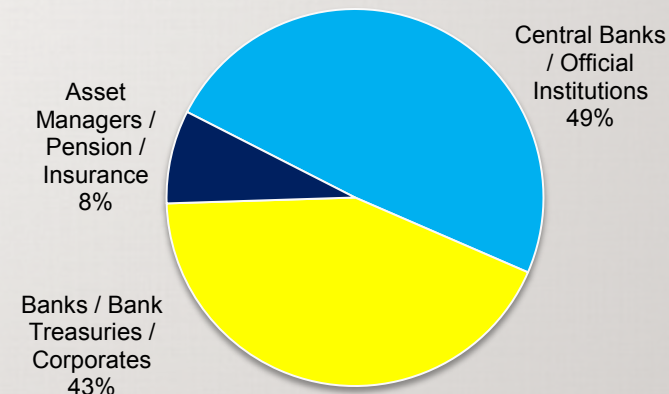
### Summary Terms and Conditions

|                       |  |
|-----------------------|--|
| Issuer Rating:        | Aaa/AAA  |
| Total Amount:         | US\$4 billion  |
| Settlement Date:      | October 7, 2014  |
| Maturity Date:        | October 7, 2019  |
| Coupon:               | 1.875% (semi-annual)   |
| Coupon Payment Dates: | Semi-annually on April 7 and October 7 (first coupon on April 7, 2015) |
| Issue Price:          | 99.853%  |
| Issue Yield:          | 1.906%   |
| Joint Lead Managers:  | Citi, Deutsche Bank, Goldman Sachs International, TD Securities        |

### By Geography



### By Investor Type



# World Bank Debt Products

# Non-Core Currencies

- 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 :*
  - Ugandan shilling 25.9 billion 10.31% due 2018
  - Chinese renminbi 2 billion 2% due 2014

# World Bank Debt Products

# Discount Notes

- 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 and AAA/Aaa rating**
- **Exposure to**
  - Dynamic strategies
  - Currencies
  - Equity indices
  - Commodities
  - Interest Rates
- **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
  - Tailor-made solutions
  - Buyback alternative/greater liquidity
  - Confidentiality
  - Standardized documentation



# Sustainable Investment Focus

World CO2L Bond

BNP PARIBAS

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

Morgan Stanley

guardian.co.uk

HSBC

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

RBS The Royal Bank of Scotland

The World Bank Eco-3Plus Note Sustainable investment with at least 3% interest

nikko am

SEB

FT.com UK FINANCIAL TIMES

Goldman Sachs

Westpac Institutional Bank

J.P. Morgan BARCLAYS

Finanzgruppe

THE WORLD BANK

DekaBank

ABN-AMRO

Investors are incorporating environmental, social and governance criteria in their investment decisions.

Because of the overall purpose of the World Bank and our policies, all World Bank bonds are attractive for ESG/SRI investors.

The World Bank partners with investors and financial intermediaries to customize sustainable investment-focused products, including for investors concerned with climate change.

**World Bank's 'green bonds'**  
By Fiona Harvey, Environment Correspondent  
Published: November 11 2008 02:00 | Last updated: November 11 2008 02:00

The World Bank has issued its first "green bond" as part of an initiative it hopes will eventuate in low-carbon technology in the developing world, **Fiona Harvey reports**.

Taking advantage of its triple A rated status, the World Bank has issued the bonds in part. Issue will be worth about \$300m, denominated in Swedish kronor.

# The Green Bond Story

## Developing the World Bank Green Bond



2007: Swedish & Norwegian public pension funds approach the World Bank through their bank (SEB)

*Green Fixed Income Investment?*



### Challenges

1. Project Selection, Due Diligence, Monitoring?
2. Project / Country Risk?
3. Liquidity Risk?
4. Financial terms?
5. Transparency?



Social



Health



Education



Agriculture



Nutrition



Environment



Infrastructure

## Green Projects

in borrowing member countries



Wind Power



Solar Power



Technologies to Reduce GHG Emissions



Waste Management



Transport Efficiency



Energy Efficiency



Reforestation



Sustainable Forest Management

# The Green Bond Story

## A Green Bond Market Emerges

Investors

Intermediaries

Issuers



+ other Supranationals,  
Agencies, Corporates, ABS, etc

## Green Projects in borrowing member countries



Wind Power



Solar Power



Technologies to Reduce  
GHG Emissions



Waste Management



Transport Efficiency



Energy Efficiency



Reforestation



Sustainable Forest  
Management

## Solution

1. World Bank Project Cycle
2. World Bank is AAA/Aaa
3. Bond is Tradable
4. Standard Return & Terms
5. Impact Reporting



# Green Bonds

Same financial terms and risk as other World Bank bonds

## Key elements of the World Bank's Green Bond Process

- 1) Defined **eligibility criteria** (with a second opinion)
- 2) Established **project selection process**.
- 3) **Ring-fenced** bond proceeds (held in a separate account) **earmarked** for eligible projects only
- 4) **Reporting** on projects supported including the positive climate **impact**



## Transparency

### Green Projects

Supporting climate change mitigation and adaptation across multiple sectors in borrowing member countries



Energy Efficiency



Renewable Energy



Sustainable Transport



Waste Management



Agriculture & Land Use



Sustainable Forest Management



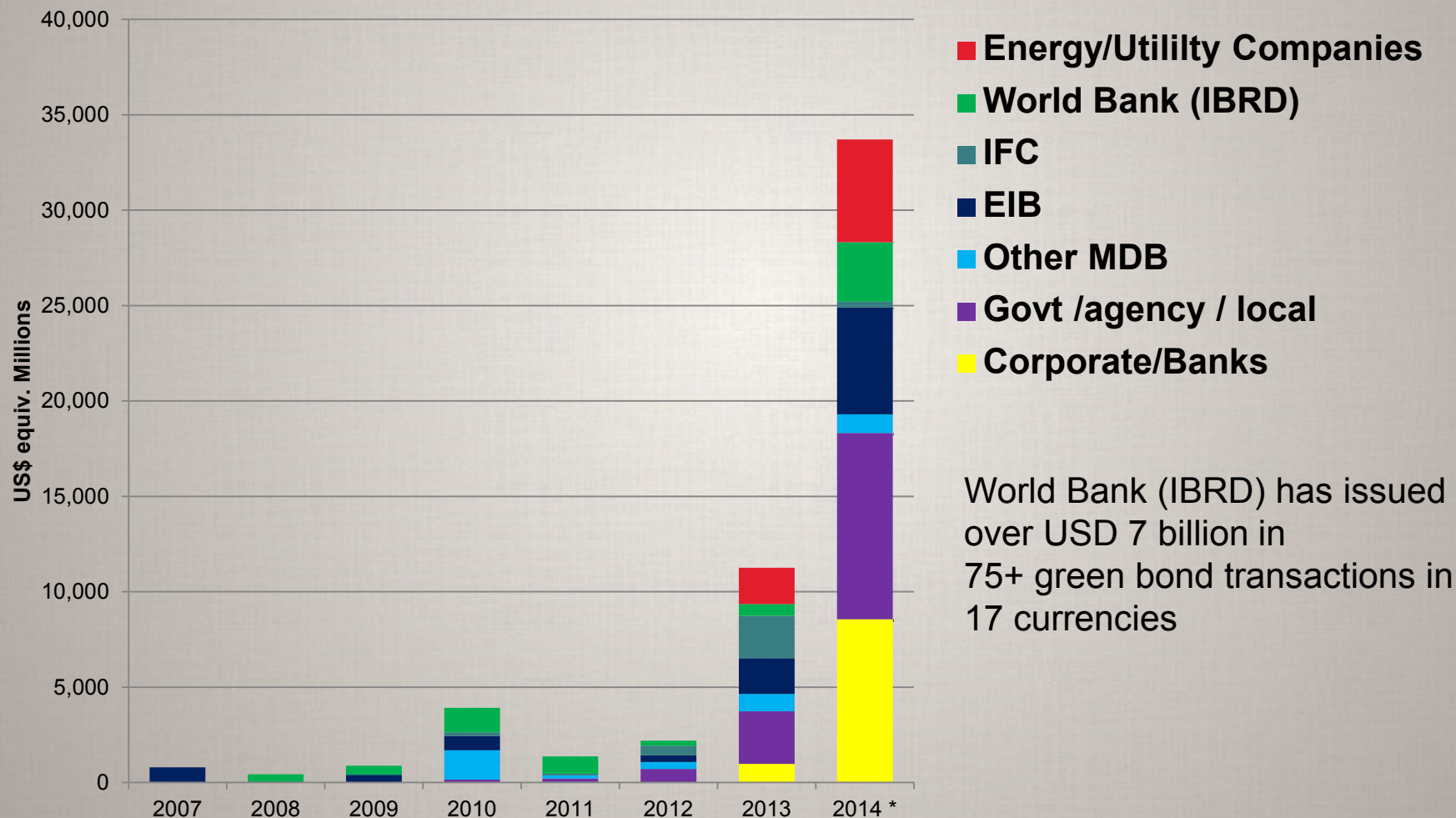
Water & Wastewater Systems



Cross-Sector Activities

# Growth of the Green Bond Market

## Annual Green Bond Issuances



World Bank (IBRD) has issued over USD 7 billion in 75+ green bond transactions in 17 currencies

Source: Bloomberg and other public sources

\* 2014 issuance is as of October 31, 2014

## Example

# World Bank US\$ 550m Green Bond

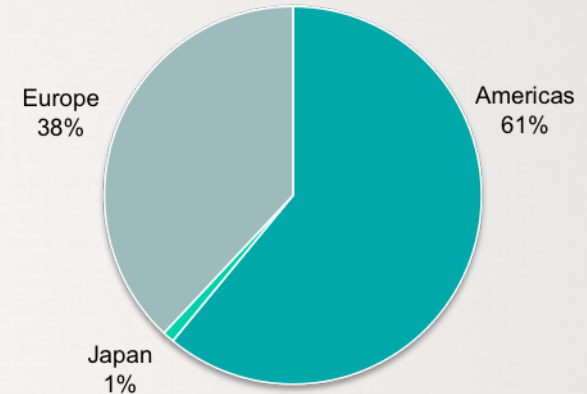
The bonds were placed with 17 investors, including AP2, AP3, Blackrock, California State Treasurer's Office, CalSTRs, Deutsche A&WM, Everence, Nikko AM, SEB Wealth, SSgA, TIAA-CREF, and Trillium AM

In addition to the traditional investment considerations such as safety of investment and risk-adjusted returns, all investors purchased the bonds due to their interest in supporting climate-friendly projects within their investment mandates

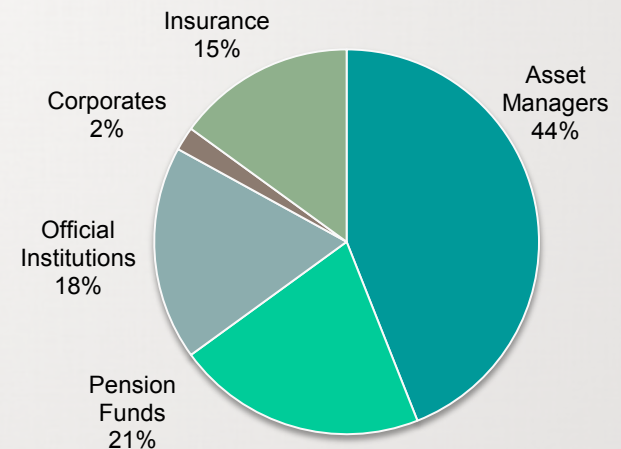
### Summary Terms and Conditions

|                  |                      |
|------------------|----------------------|
| Total Amount:    | US\$550 million      |
| Settlement Date: | 22 August 2013       |
| Maturity Date:   | 24 August 2015       |
| Coupon:          | 0.375% (semi-annual) |
| Issue Price:     | 99.976%              |
| Lead Managers:   | Morgan Stanley, SEB  |

### By Geography



### By Investor Type



## Example

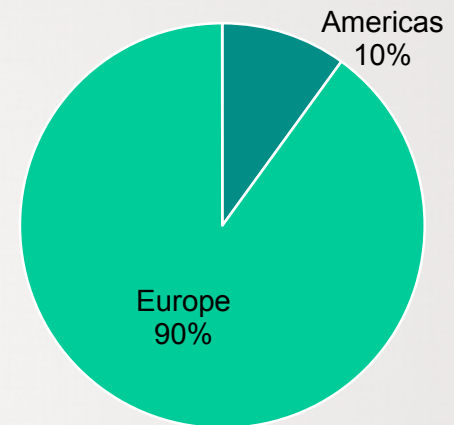
# World Bank EUR 550m Green Bond

The bonds were placed with 21 investors, including ACTIAM (formerly SNS AM), Aegon Asset Management, AP2, APG, Barclays Treasury, Blackrock, Caisse Centrale de Reassurance, Ikea Group, Mirova, Natixis Asset Management, Pictet, SEB Asset Management, Standish Mellon Asset Management Company LLC, Zurich Insurance Group and Zwitserleven.

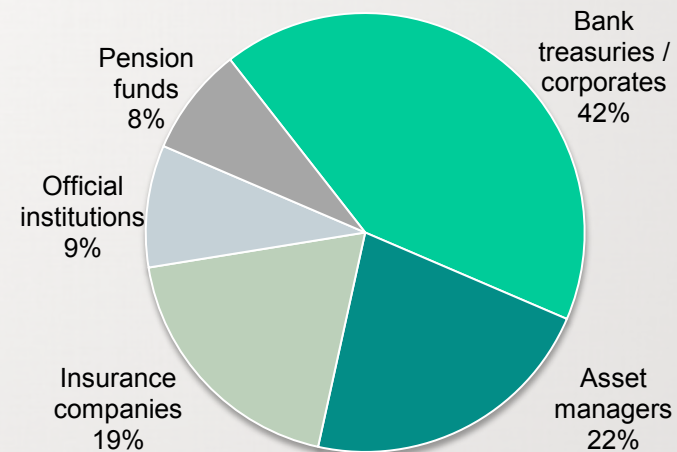
### Summary Terms and Conditions

|                  |  |
|------------------|--|
| Total Amount:    | EUR550 million                           |
| Settlement Date: | 20 March 2014                            |
| Maturity Date:   | 20 March 2017                            |
| Coupon:          | 0.25% (annual)                           |
| Issue Price:     | 99.678%                                  |
| Lead Managers:   | Crédit Agricole CIB, Morgan Stanley, SEB |

### By Geography



### By Investor Type



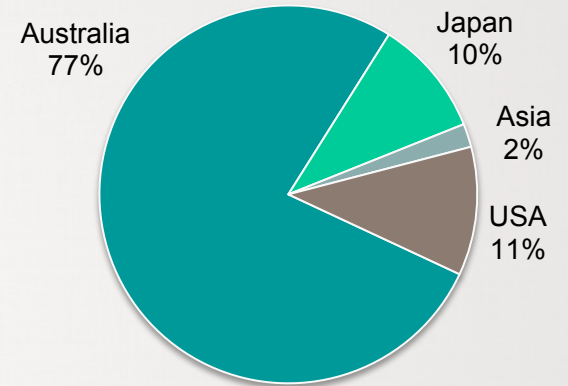
# Example World Bank A\$ 300m Green Bond

The bonds were placed with 15 investors, including Aberdeen Asset Management, AMP Capital, Australian Ethical Investment Ltd, Colonial First State Global Asset Management, Local Government Super, QBE Insurance Group Ltd, and UniSuper.

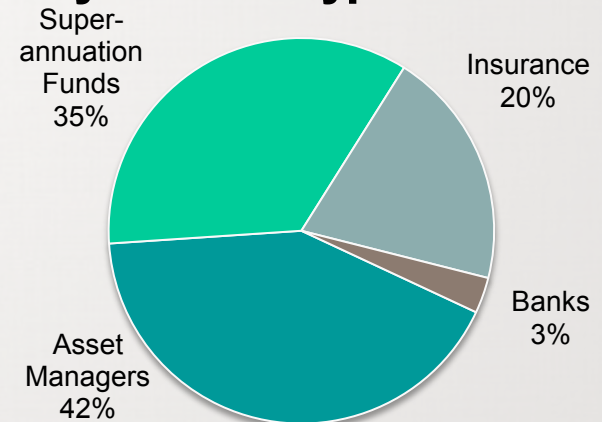
The investors involved in the trade all have a specific interest in supporting climate-smart projects within their investment mandates.

UniSuper provided the lead order for the transaction.

## By Geography



## By Investor Type



## Summary Terms and Conditions

|                  |  |
|------------------|--|
| Total Amount:    | AU\$300 million                                  |
| Settlement Date: | 29 April 2014                                    |
| Maturity Date:   | 29 April 2019                                    |
| Coupon:          | 3.5% (semi-annual)                               |
| Issue Price:     | 98.960%  |
| Lead Managers:   | RBC Capital Markets & Westpac Institutional Bank |



# World Bank EUR 50m Sustainable Equity-linked Green Bond

This 10-year Euro 50 million World Bank Green Bond is linked to the Ethical Europe Equity Index and was purchased by BNP Paribas Cardif. It was the first equity index-linked World Bank green bond and was developed by BNP Paribas Global Equities and Commodity Derivatives.

## Summary Terms and Conditions

|                    |  |
|--------------------|--|
| Total Amount:      | EUR50 million (USDeq. 67.35 Million)                                       |
| Settlement Date:   | August 7, 2014   |
| Maturity Date:     | August 7, 2024   |
| Coupon:            | 0%   |
| Issue Price:       | 100%   |
| Redemption Amount: | 100% plus Premium linked to performance of the Ethical Europe Equity Index |
| Lead Manager:      | BNP Paribas  |

# World Bank Green Bonds

- **75+ World Bank Green Bonds issued**
- 17 different currencies
- Over USD 7 billion raised to-date



## List of Select Investors

- Aberdeen Asset Management
- ACTIAM (Formerly SNS AM)
- Adlerbert Research Foundation
- Aegon Asset Management
- AMP Capital
- AP2 and AP3 – Swedish National Pension Funds
- Australia Local Government Super
- Australian Ethical Investment Ltd
- Barclays Treasury
- BlackRock
- Breckinridge Capital Advisors
- Caisse Centrale de Reassurance
- California State Treasurer's Office
- CalSTRS
- Calvert Investments
- Church of Sweden
- Colonial First State Global AM
- Deutsche Asset & Wealth Management
- Everence Financial
- FMO (Netherlands Dev. Fin.)
- Ikea Group
- LF Liv
- Mirova
- MISTRA
- Natixis Asset Management
- New York Common Retirement Fund
- Nikko Asset Management
- Pax World Balanced Fund
- Pictet
- QBE Insurance Group Ltd
- Rathbone Greenbank
- Sarasin
- SEB Ethos rantefund / SEB Fonden / SEB TryggLiv
- Skandia Liv
- Sonen
- Standish Mellon Asset Management
- State Street Global Advisors
- TIAA-CREF
- Trillium Asset Management
- UN Joint Staff Pension Fund
- UniSuper
- WWF-Sweden
- ZKB (Zürcher Kantonalbank)
- Zurich Insurance
- Zwitterleven

# Green Bonds Benefits

- **Building the green bond market** by setting the foundation and acting as a catalyst through a transparent process
- **Investors** have high quality, tradable fixed income products that meet their financial needs (risk/return/liquidity) and support climate actions
- **Issuers** can broaden their investor base and raise additional financing, while creating awareness



## California, SEB and World Bank in the Media

“This is a landmark investment – our first in global climate change solutions. Buying these green bonds makes financial sense for California. It strengthens our portfolio’s diversity while adding a sound investment with a triple-A rated issuer. And it tells the world that when it comes to battling climate change, California is prepared to contribute not just its policies, but its money, too.”

**California State Treasurer, Bill Lockyer**  
(April 2009)



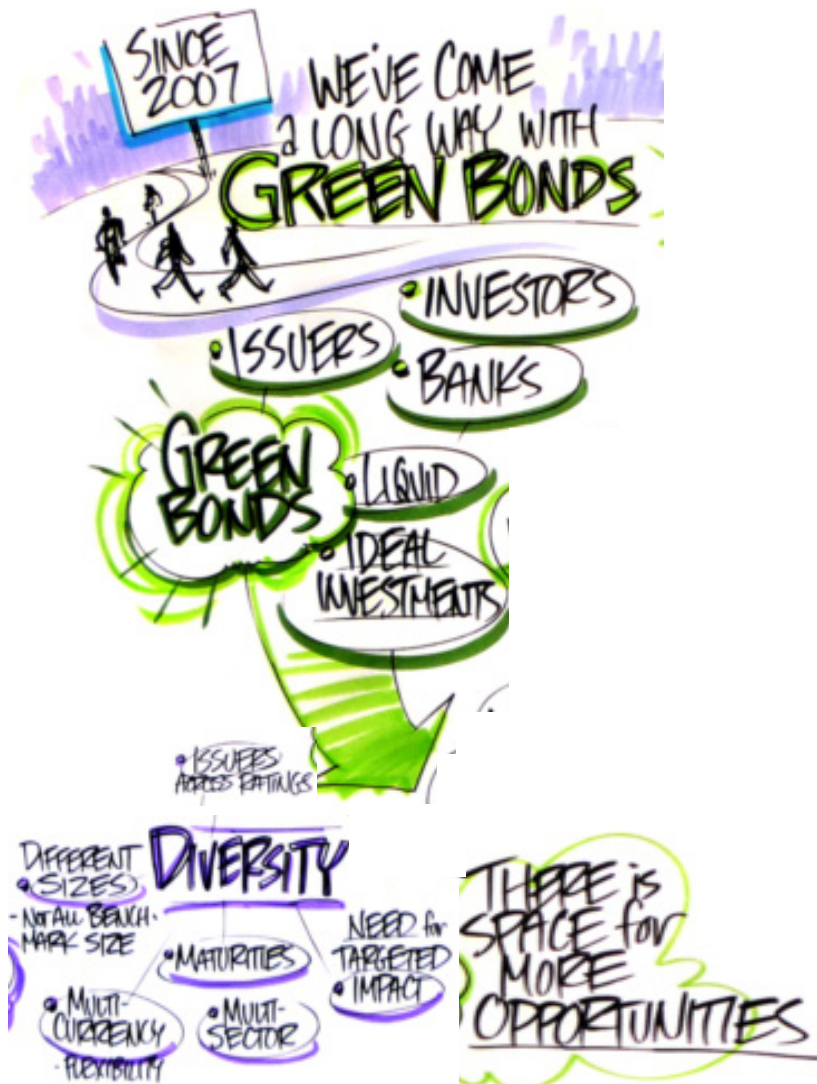
**World Bank's 'green bonds'**  
By Fiona Harvey, Environment Correspondent  
Published November 11 2008 02:00 | Last updated: November 11 2008 02:00

The World Bank has issued its first "green bond" as part of an initiative in low-carbon technology in the developing world, **Fiona Harvey** reports.

Taking advantage of its triple A rated status, the World Bank has issued a bond worth about \$300m, denominated in Swedish krona.



# Next Steps... continue to



- **Provide World Bank green bond products** and engage with investors
- **Raise awareness** for the need for private sector financing to tackle the climate challenge and improve incentives
- **Work with issuers, investors, intermediaries** and other market participants to create more financial products that support climate change programs and transparency around them (Ceres working groups, green bond principles, impact reporting)
- **Encourage complementary and new products** to support market growth (e.g. green indices like Solactive, funds, securitization)

# World Bank Debt Products

## Capital at Risk Notes

- The World Bank Capital at Risk Notes program facilitates risk transfer solutions for the World Bank and its clients using the capital markets.
- Under this program, the World Bank issues notes where some or all of the investors' principal may be at risk, such as catastrophe bonds ('cat bonds').
- Capital at Risk Notes are issued under the World Bank's Global Debt Issuance Facility and receive the same tax and securities law exemptions, but they may not be assigned any security rating or may be assigned a lower security rating than the Facility.
- The first transaction under the program was the World Bank's first ever cat bond. It was linked to natural hazard risks (earthquake and tropical cyclone) in 16 Caribbean countries.

### Transaction Summary for the first World Bank "Cat Bond"

|                       |   |
|-----------------------|---|
| Nominal amount:       | USD30,000,000   |
| Redemption amount:    | The nominal amount reduced by all principal reductions as a result of applicable Caribbean tropical cyclone or earthquake events (as defined in the terms of the notes) |
| Settlement date:      | June 30, 2014   |
| Coupon:               | 6 month LIBOR + 6.30%, floored at 6.50%   |
| Coupon payment dates: | Quarterly   |
| Maturity date:        | June 7, 2017  |
| Listing               | Luxembourg  |

# Summary



- World Bank's purpose is to end extreme poverty and promote shared prosperity.
- 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 188 member countries.
- The World Bank offers investors a broad range of products in various currencies and maturities and for bonds ranging from benchmark bonds to tailor-made notes designed to suit specific investor needs.
- Investors and clients are increasingly interested in the environmental, social and governance features of the World Bank and its products, including its climate-themed investment and risk management products.

# For more information - contact us

|                  |  |
|------------------|--|
| <b>Internet:</b> | <a href="http://treasury.worldbank.org/debtsecurities">http://treasury.worldbank.org/debtsecurities</a><br><a href="http://treasury.worldbank.org/greenbonds">http://treasury.worldbank.org/greenbonds</a><br><a href="http://crinfo.worldbank.org">http://crinfo.worldbank.org</a><br><a href="http://www.worldbank.org/en/topic/climatechange">http://www.worldbank.org/en/topic/climatechange</a> |
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## Pricing Sources

|                       |                                |
|-----------------------|--------------------------------|
| <b>Bloomberg</b>      | IBRD <Govt> <Go> or IBRD <Go>; |
| <b>Discount Notes</b> | WBDN <Go>                      |

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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

# 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>e 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>