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THE WORLD BANK **Bonds for** Sustainable Development

INVESTOR NEWSLETTER • MAY 2016



Dignity End poverty and fight inequality



Prosperity

Grow a strong. inclusive & transformative economy



Planet

Protect our ecosystems for all societies and our children



People

ensure health, knowledge, & inclusion of women & children



Justice

Promote safe & peaceful societies, & strong institutions



Partnership

Catalyse global solidarity for sustainable development

In 2015, the global community reached historic agreements on the new Global Goals for Sustainable Development and the Climate Change **Convention** in Paris.

The Global Goals represent a commitment to a more ambitious agenda for international development in the next 15 years. They reflect a dream for a world in which everyone, everywhere can reach their full potential, and they seek to preserve the planet for all future generations.

"Working together, we can promote inclusive and sustainable growth, as well as opportunity for the poor and the vulnerable. We can be the generation that ended extreme poverty."

> Jim Yong Kim **President** The World Bank Group

> > "Buying World Bank

Sustainable Development Bonds means you do good and you do well - you're investing in education, health and essential infrastructure, and you're changing the world."

Arunma Oteh Vice President and Treasurer The World Bank





The World Bank will play a key role in helping countries achieve the Global Goals

The International Bank for Reconstruction and Development (IBRD), also known as the World Bank, anchors its mission in two goals: ending extreme poverty and promoting shared prosperity in a sustainable manner.

In 2015, the global community agreed to accelerate development progress in the next 15 years by improving the conditions that affect people's livelihoods and the sustainability of the planet. The shared commitment is to work towards 17 goals that address poverty, lack of opportunity, poor health and education, inadequate access to basic services, unequal opportunity to prosper, among other areas.

At the same time, the world is being confronted by considerable challenges from more frequent and severe natural disasters, greater climate risk, natural resource degradation and unprecedented levels of forced displacements – threatening development progress and heightening the urgency and importance of boosting global growth, resilience and opportunity.

The World Bank is a committed partner in these global efforts and will play a key role in helping countries achieve the Global Goals and leveraging the private sector as a critical partner in financing this ambitious agenda. Its bonds offer investors the opportunity to support the financing of projects and programs that help countries achieve their sustainable development objectives by bringing the best global development knowledge to tackle the world's toughest challenges. It has over 50 years of development experience helping countries grow their economies, invest in their people and insure them against falling into poverty.

Summary Lending and Borrowing Information (in US\$ billion)

	FY13	FY14	FY15
Annual Commitments	15.2	18.6	23.5
Loans Outstanding	143.8	154.0	157.0
Annual Debt Issuance	26.6	50.6	58.0
Total Debt Portfolio*	135.0	152.6	158.9

^{*} After derivatives

Recent World Bank Bond Issues

NZD 600 million 3.5% global bond due 01/2021

AUD 550 million 2.8% global bond due 01/2021

USD 5 billion 0.875% global bond due 07/2018

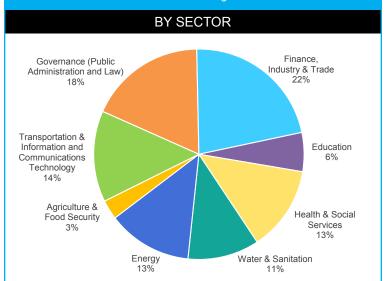
USD 1 billion 1.75% global bond due 04/2023

USD 3 billion 1.375% global bond due 03/2020

USD 185 million 1.75% callable Italian retail bond due 03/2026

World Bank Commitments

FY15 Commitments, totaling US\$23.5 billion





Africa (AFR) US\$1.2 billion; East Asia & Pacific (EAP) US\$4.5 billion; Europe & Central Asia (ECA) US\$6.7 billion; Latin America & Caribbean (LAC) US\$5.7 billion; Middle East & North Africa (MNA) US\$3.3 billion; and South Asia (SAR) US\$2.1 billion





Photos (From Top):

ADDRESSING THE TOUGHEST DEVELOPMENT CHALLENGES

In FY15, IBRD committed \$23.5 billion through 115 projects to help developing countries find solutions to the toughest global and local development challenges. The World Bank works across intersecting and complex sectors. Highlights of main themes and sectors and examples of individual projects include:

Promoting growth, jobs and the private sector:

Helping countries grow by seeking more effective ways of enhancing the investment climate, improving competitiveness, boosting the volume and value of trade, and fostering innovation and entrepreneurship. World Bank supported projects that:

- Create jobs.
- Strengthen the business environment.
- Build resilient and inclusive financial systems and develop local capital markets.
- Support agricultural growth.



Kazakhstan (P150183)

Skills and Jobs Project provides training to unemployed or underemployed people that is aimed at improving employment outcomes and skills for better jobs to transition the country towards a knowledge based economy.

IBRD's commitment: \$100 million

Investing in critical infrastructure:

Developing infrastructure to create growth opportunities and to reduce poverty. World Bank supported projects that:

- Expand access to energy and accelerate energy efficiency gains.
- · Build livable, resilient cities.
- Increase access to water & sanitation and manage increasingly scarce water resources.
- · Improve transportation and information and communication technology (ICT).
- Support public-private partnerships (PPPs).



Lebanon (P125184)

Water Supply Augmentation Project addresses the impact of drought, depleted infrastructure and rapid population growth on the sustainable development of the water sector benefiting 1.6 million people.

IBRD's commitment: \$474 million

Confronting climate change and sustaining natural resources:

Working on climate change, strengthening natural resources management, reducing pollution, ensuring food security, and helping countries make sustainable development choices. World Bank supported projects that:

- Build low-carbon, climate-resilient cities.
- Accelerate energy efficiency and renewable energy investment.
- Support climate-smart agriculture and nurture forest landscapes.
- Manage air-, land- and water-based pollution and its impacts on



China (P133017)

Guilin Integrated Environment Management Project to support water management and anti-pollution efforts for the Lijiang River to provide 248,000 people with improved water access and remove 1,113 tons of BOD* pollution per year.

IBRD's commitment: \$100 million

Advancing inclusive development and opportunities for all:

Helping countries to build healthier, more-equitable, and inclusive societies, with opportunities for everyone to achieve his or her potential. World Bank supported projects that:

- Provide quality, affordable health care.
- Prevent HIV/AIDS and other communicable diseases.
- Scale up support for early childhood nutrition.
- Expand access to education.
- Lift constraints and empower women and girls globally.
- · Expand financial access.



Ukraine (P144893)

Serving People, Improving Health Project to improve the quality and availability of health services to millions of Ukrainians in selected regions, and contributing to more efficient use of resources in the healthcare system.

IBRD's commitment: \$215 million

Building resilience and managing risks:

Building societies' resilience by addressing the challenges of fragility, conflict, and violence where they occur, mitigating and managing the effects of natural disasters, and ensuring that adequate social safety nets are in place. World Bank supported projects that:

- Identify and reduce the causes of fragility, conflict and violence.
- Develop the private sector and job opportunities in fragile and conflict-affected situations.
- Mitigate the risks of natural disasters.
- Provide social protection programs and social safety nets.



Egypt (P145699)

Strengthening Social Safety Nets Project to support the Government's plan to provide income support and expand social inclusion to almost 1.5 million poor Egyptian families with young children, elderly, and persons with severe disabilities.

IBRD's commitment: \$400 million



^{*} Biochemical Oxygen Demand

OFFERING INVESTORS FINANCIAL AND SOCIAL RETURNS

Through the World Bank's bonds, investors support the financing of sustainable development projects and, at the same time, benefit from IBRD's financial strength. It's triple-A credit rating is based on its solid financial structure, conservative financial policies, strong capital adequacy and liquidity, and support and capital backing from its sovereign shareholders.

The World Bank has an established process for selecting and monitoring projects.

I. Project eligibility criteria

All World Bank projects are anchored in two goals: ending extreme poverty and promoting shared prosperity in a sustainable manner. See page 3 for examples.

II. Process for selecting projects

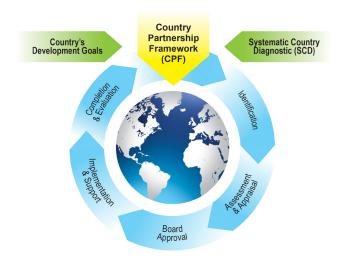
Priorities identified through a systematic country diagnostic (SCD) study performed to identify the biggest constraints and opportunities for reducing poverty and inequality, the country's development goals, and the Bank's comparative advantage determine the development program in each country which is laid out in a Country Partnership Framework (CPF).

Working in partnership with client countries, individual projects and programs are identified, assessed and appraised with the country including feasibility studies of the environmental, social and financial sustainability.

Projects must demonstrate consistency with the agreed CPF and the World Bank's twin goals in order to be approved by the Board of Executive Directors.

Government agencies implement the projects and report on progress; and the World Bank monitors the agreed milestones towards achieving the project's objectives through formal reviews that are conducted at least twice a year.

This country engagement approach is supported by reviews that identify lessons learned, steer midcourse corrections, and capture end-of-cycle learning. These reviews contribute to the World Bank Group's knowledge base and enhance the development effectiveness of future programs.



III. Management of bond proceeds

Bond proceeds are invested in accordance with IBRD's conservative liquidity policy until they are used for project disbursements, which take place in accordance with IBRD's established policies and procedures often over a period of years.

IV. Monitoring and reporting on impact of projects

The progress, outcomes and impacts of projects are monitored throughout implementation and the ultimate effectiveness of the operation is evaluated in terms of the objectives they were set to achieve. Project information is available on the main World Bank website.

For more information see:

http://treasury.worldbank.org/cmd/htm/about_sustainable.html

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



- · 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



- 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



- 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



- 189 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 as of June 30, 2015: USA (17.1%); Japan (7.9%); China (5.1%); Germany (4.6%); France (4.1%); and UK (4.1%)

About the World Bank: The World Bank (International Bank for Reconstruction and Development, About the World Bank Group: The World Bank Group consists of five separate legal organizations global economic and environmental problems

IBRD), rated Aaa/AA (Moody's/S&P) operates as a global development cooperative owned by 189 member 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 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 (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). Both IBRD and IFC are issuers of bonds.

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