Impact Investing with IDA
NOTIFICATION IN RELATION TO PRIVATE PLACEMENT OF BONDS IN JAPAN

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● Financial Strength
● Funding
● IDA at Work
Introduction

About IDA:

• Member of the World Bank Group. Established in 1960 as legally independent entity with the same status, immunities and privileges as IBRD and IFC.

• Owned by 173 countries. US, Japan, UK, Germany and France are the largest shareholders.

• Mission: end extreme poverty and promote shared prosperity in a sustainable manner.

• Provides technical expertise, loans, grants and guarantees to countries with low per capita income (Eligible countries generally have less than $1,145 per capita income).

• Washington, D.C. headquarters; offices in 75 countries.
What is The World Bank Group?

**IBRD**
International Bank for Reconstruction and Development

1945

Lends to governments of middle-income countries.

**IDA**
International Development Association

1960

Provides loans and grants to governments of developing countries.

**IFC**
International Finance Corporation

1956

Promotes development by financing private sector enterprise in developing countries.

**MIGA**
Multilateral Investment Guarantee Agency

1988

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

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

1966

Provides international facilities for conciliation and arbitration of investment disputes.

Introduction
Transforming Development Finance: A New IDA

- 909 projects; US$91.4bn; 75 countries.
- **Scaling up** to achieve Sustainable Development Goals (SDGs).
- **New Capital Markets Activities** to expand lending and impact.
- **New financial model** includes new loan products and updated financial policies to protect bondholders.

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**2018 IDA inaugural issuance**

- 2016 IDA18: 60 countries agreed to $75b financing
- 2016 IDA receives triple-A credit ratings
- 2011 IDA ranked #1 of 58 donors in “Publish What You Fund” transparency index
- 2004 $100 billion in loans outstanding
- 1980 $10 billion in loans outstanding
- 1967 $1 billion in loans outstanding
- 1964 First IDA replenishment: 18 countries committed $753m
- 1961 Honduras received first IDA financing ($9m)
- 1960 IDA established ($912.7m funding)
How Does IDA Financing Work?

IDA issues bonds in the capital markets to scale up lending to member governments and boost development impact.
### Shared Quality, Experience, Governance

IDA benefits from IBRD’s 70-year track record as an issuer.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Triple-A rated</td>
<td></td>
</tr>
<tr>
<td>✓ Same teams manage funding programs, liquidity investments, capital adequacy, and credit and market risks</td>
<td></td>
</tr>
<tr>
<td>✓ Same risk governance and oversight</td>
<td></td>
</tr>
<tr>
<td>✓ Strong shareholder support</td>
<td></td>
</tr>
<tr>
<td>✓ Diversified loan portfolio with strong repayment track record</td>
<td></td>
</tr>
<tr>
<td>✓ Shared development goals</td>
<td></td>
</tr>
<tr>
<td>✓ Legally separate entities</td>
<td></td>
</tr>
<tr>
<td>✓ Separate capital structure</td>
<td></td>
</tr>
</tbody>
</table>
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### IDA’s Balance Sheet

In USD billions as of June 30, 2018

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities and Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments and Cash</td>
<td>Market Debt</td>
</tr>
<tr>
<td>36</td>
<td>1</td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td>Shareholder Loans</td>
</tr>
<tr>
<td>146</td>
<td>6</td>
</tr>
<tr>
<td>Receivables from Derivatives(b)</td>
<td>Payable for Derivatives(b)</td>
</tr>
<tr>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Other Assets</td>
<td>Other Liabilities(a)</td>
</tr>
<tr>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Equity(c)</td>
</tr>
<tr>
<td></td>
<td>164</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>Total Liabilities and Equity</strong></td>
</tr>
<tr>
<td><strong>206</strong></td>
<td><strong>206</strong></td>
</tr>
</tbody>
</table>

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a) Includes grant payables of $9 billion (grants approved but not yet disbursed). Grants are recorded as expenses in the income statement, while donor funding for grants is recorded as paid-in capital due to voting rights provision.

b) Mostly swap payables and receivables; swaps are used for hedging purposes; interest rate swaps are reported on net basis; currency swaps are reported on gross basis (notional amount is reported for each leg of the swap in the respective currency, as they are settled).

c) Contributions by IDA members are equivalent to paid-in capital in respect of other MDBs, so references herein to capital and capital adequacy refer to member contributions.
# Risk Management Framework

<table>
<thead>
<tr>
<th>Capital Adequacy</th>
<th>IDA’s main measure of capital adequacy is Deployable Strategic Capital (DSC) which is based on a solvency framework: $63 billion (37.4%) of capital available for future commitments.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Loan Portfolio</td>
<td>IDA benefits from <strong>Preferred Creditor Status</strong> and has a global well-performing loan book.</td>
</tr>
<tr>
<td>Prudent Risk Management</td>
<td>IDA has the same governance structure for risk management as IBRD and benefits from the experience the World Bank Treasury, risk and corporate finance units have built up over 70 years.</td>
</tr>
<tr>
<td>Liquidity</td>
<td>IDA’s liquid assets cover more than <strong>24 months of projected net outflows</strong> in liquid assets.</td>
</tr>
<tr>
<td>Strength of Member Support</td>
<td><strong>Consistent equity increases</strong> resulting in exceptionally strong capital base with equity at $164 billion.</td>
</tr>
</tbody>
</table>
To protect IDA’s financial strength and triple-A rating, IDA uses “economic capital” framework.

IDA conservatively estimates all potential losses for all of IDA’s activities and assets. The amount of potential losses represents the minimum capital required to support the current portfolio.

IDA then holds actual capital above that minimum plus a “conservation buffer”.

The strength of IDA’s capital adequacy is measured by the Deployable Strategic Capital (DSC) ratio, representing the capital available over and above capital needed to support the current portfolio plus a buffer.
Quality Loan Portfolio

- Preferred creditor treatment (PCT): clients prioritize obligations to IDA; PCT recognized by rating agencies and financial markets.
- Policy of freezing new lending and disbursements on all outstanding loans if there are late payments.
- IDA borrowers are IDA shareholders.
- All projects undergo a strict due diligence process.
- Lending terms based on income level and debt sustainability.
- Lending limited by the capital requirements as defined by the DSC, to support a triple-A credit rating.
- Single Borrower Limit set at 25% of equity or $41 billion as of June 30, 2018.
- Global diversification.
Prudent Risk Management

<table>
<thead>
<tr>
<th>Capital Adequacy</th>
<th>Quality Loan Portfolio</th>
<th>Prudent Risk Management</th>
<th>Liquidity</th>
<th>Strength of Member Support</th>
</tr>
</thead>
</table>

- IDA benefits from World Bank’s 70 years of capital market experience.
- IDA’s governance structure for risk management is the same as IBRD’s.
- The same teams manage IDA’s and IBRD’s bond issuance program, risk management and asset-liability and liquidity management operations.
- Market risks are prudently managed and well capitalized to protect IDA’s triple-A rating.
- IDA follows an ALM policy of matching the interest and currency sensitivity of its assets and liabilities to protect its equity from market rate movements.
### Liquidity

- IDA is required to keep liquid assets to cover at least 24 months of projected net outflows.

- Portfolio is **conservatively 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 (same as IBRD).

### Liquid Assets

<table>
<thead>
<tr>
<th>Capital Adequacy</th>
<th>Quality Loan Portfolio</th>
<th>Prudent Risk Management</th>
<th>Liquidity</th>
<th>Strength of Member Support</th>
</tr>
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<tbody>
<tr>
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<td></td>
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</tr>
</tbody>
</table>

- **Liquid Assets** (as of the End of Each Fiscal Year)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Liquid Assets (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14</td>
<td>28</td>
</tr>
<tr>
<td>FY15</td>
<td>28</td>
</tr>
<tr>
<td>FY16</td>
<td>28</td>
</tr>
<tr>
<td>FY17</td>
<td>29</td>
</tr>
<tr>
<td>FY18</td>
<td>33</td>
</tr>
</tbody>
</table>
Strength of Member Support

Capital Adequacy | Quality Loan Portfolio | Prudent Risk Management | Liquidity | Strength of Member Support

Capital Base
- As of June 30, 2018, IDA’s equity was $164 billion.
- IDA’s equity has consistently increased since 1960 with regular payments from shareholders.
- IDA has the highest capital base of its peer group.

Largest Shareholders
Percentage of votes, as of June 30, 2018

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>10.2</td>
</tr>
<tr>
<td>Japan</td>
<td>8.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>6.5</td>
</tr>
<tr>
<td>Germany</td>
<td>5.4</td>
</tr>
<tr>
<td>France</td>
<td>3.8</td>
</tr>
</tbody>
</table>

ID's Equity

USD billions

FY60 FY70 FY80 FY90 FY00 FY10 FY18

$164 B

Total Equity
(in comparison to its peers)

USD billions

IDA ADB IBRD IADB IFC EBRD AFDB

USD billions

175 150 125 100 75 50 25

$0.9 B

175 150 125 100 75 50 25

ID | ADB | IBRD | IADB | IFC | EBRD | AFDB
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Why Invest?

✓ Financial Strength

- **$164 billion in equity** as of June 30, 2018 – largest among IDA’s peer group.

- **Rated AAA/Aaa** based on strength of capital adequacy, liquidity, conservative financial policies and member support.

- **0% Basel risk weighting** minimizes capital requirements.

✓ Diverse Bond Product Offerings

✓ Purpose
IDA’s Funding Strategy

• Inaugural bond issued in April 2018.

• World Bank Treasury manages the funding program to achieve the best sustainable value and offer investors a broad mix of products.

• Transactions could range from large, liquid benchmarks to smaller, more customized issues for specific investor groups.

• Annual funding volumes and products will depend on IDA’s financing needs and market conditions.
IDA’s Borrowing Programs

Global and Medium-Term Notes (MTNs) Program:

• Diversity of products in different maturities and currencies.
• Pricing and other bond details:

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Short-term Commercial Paper Program:

• Issuance of short-dated commercial paper through the Euro Commercial Paper (ECP) program.
• Maturity of overnight to one year in various currencies.

For more information:
IDAInvestorRelations@worldbank.org
Inaugural Bond: Investing for Impact

Debut generated 130 orders from investors in 30 countries for a USD 1.5 billion 4.6 times oversubscribed 5-year benchmark.

USD 1.5 billion 5-year USD Benchmark

Allocation by Geography
- Asia: 34%
- Europe: 34%
- Americas: 23%
- Middle East & Africa: 9%

Allocation by Type of Investors
- Central Banks/Official Institutions: 43%
- Asset Managers: 8%
- Banks: 24%
- Pension/Insurance: 25%

Summary Terms and Conditions

Issuer rating: Aaa /AAA
Format: 144A/RegS
Maturity: 5-year
Amount: US$1.5 billion
Settlement date: April 24, 2018
Maturity date: April 24, 2023
Coupon: 2.75% p.a.
Coupon dates: Semi-annual: October 24 and April 24 each year
Issue price: 99.357%
Issue yield: 2.889%
Listing: Luxembourg Stock Exchange
Clearing systems: DTC, Euroclear, Clearstream
Joint leads: Barclays, BNP Paribas, JP Morgan, Nomura
Senior co-leads: Citi, Deutsche Bank, ICBC, SEB, TD Securities
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Investing for Impact

✓ **Global development impact**: 75 countries; broad range of sectors; one of the most effective ways to help countries achieve the Sustainable Development Goals.

✓ **Unique mandate**, technical expertise, and resources to respond to complex global challenges and provide financial support to some of the fastest-growing economies.

✓ Investments bring **positive spillovers**, especially in areas affected by conflict and fragility, contributing to global growth and security.

✓ **Long-term partnership**: emphasizing long-term growth and capability to ensure sustainability of results.
Impact: Track Record

Leader in transparency, openness and accountability: first multilateral to establish performance-based management of resources and to adopt a results measurement framework.

58-year track record of results.

For example, results in fiscal years 2011-2018 included the following:

- 602 million people received essential health services
- 30 million pregnant women received prenatal care from a health provider
- 8 million teachers were recruited and/or trained
- 72 million people received access to improved water sources
- 134,000 kilometers of roads were constructed, rehabilitated or upgraded
- 250 million children were immunized
Towards 2030: Investing in Growth, Resilience and Opportunity

- Climate change
- Gender & development
- Governance & institutions
- Jobs & economic transformation
- Fragility, conflict & violence
How Does IDA Select Projects?

Projects follow the World Bank Project Cycle.

- Address country priorities
- Contribute to the goals of ending extreme poverty and promoting shared prosperity
- Address social, environmental and governance aspects
- Achieve expected outcomes
- IDA’s purpose is to end extreme poverty and promote shared prosperity.

- IDA bonds will offer sustainable investment opportunities to expand IDA’s development activities.

- IDA’s AAA/Aaa rating is based on its strong balance sheet and equity, its conservative financial policies and risk management, as well as the support from 173 member countries.

- IDA’s funding program will offer investors a broad range of products ranging from benchmark bonds to tailor-made notes designed to suit specific investor needs.
Annex

IDA at Work
Project Examples

By Themes
- Climate
- Gender and Development
- Governance and Institutions
- Jobs and Economic Transformation
- Fragility and Conflict

By Regions
- South Asia
Ensuring Food Security and Preserving Jobs by Building Climate Resiliency in Madagascar

IDA Financing: $102 million

Selected Target Results
- 92% increase in irrigated rice production (average yield per hectare)
- 98 km of rural and 460 km of non-rural roads rehabilitated
- 58,800 people in rural areas with access to an all-season road

Development Challenge
Climate change is making Madagascar increasingly vulnerable to natural disasters such as cyclones and droughts which hamper development efforts:
- Over 4 million Malagasy live in zones at risk of flood and cyclone.
- In 2014 and 2015, cyclones damaged more than 40,000 hectares of rice fields, destroyed dams and rendered most dirt roads and trails unusable and dangerous.
- These disasters devastate staple crops like rice and jeopardize food security.

Solution
With support from IDA, Madagascar is adapting irrigation infrastructure to preserve agriculture, the lifeblood and source of employment for 90% of the population.
Building a Resilient West African Coastal Community

IDA Financing (indicative): $150 million

Solution
A joint IDA/IBRD project for 6 countries currently under preparation will support West African countries to improve the management of shared natural and man-made risks affecting targeted coastal communities.

The program will be a mix of technical assistance and investments, and will work to crowd-in private sector investors to participate in the project and scale-up the intervention to $2 billion, to improve livelihood of coastal communities and reduce risk to millions of people.

Development Challenge
West Africa’s coastal areas are home to about one-third of the region’s population that is growing four percent each year. The coast account for 56% of the region’s GDP, hosts major cities, ports, agro-industries, fisheries, offshore petroleum exploration and production.

Unsustainable infrastructure development, inadequate management of natural habitats and resources, and pollution threaten the productivity of coastal ecosystems. Climate change-related events such as sea-level rise, storm surge, and increased coastal flooding add to the vulnerability of the region.

- Coastlines are eroding as much as 10 meters per year in some areas, while fisheries are often overexploited
- Less than 10% of urban areas have access to sewage services
- 20-30% of mangroves have been lost to degradation
Supporting the Education of Poor Girls and Livelihoods of Vulnerable Women to Boost Growth and Productivity in Zambia

IDA Financing: $65 million

Selected Target Results:
- 14,000 girls (ages 14-18 years old) enrolled in secondary school
- 75,000 women (ages 19-64 years old) benefitting from entrepreneurship programs
- 50% of women participating in savings groups
- 650 community volunteers trained as trainers

Development Challenge
Poverty remains high in Zambia, particularly in rural areas. Including women and girls is a key part of the government’s plan to reduce poverty and the vulnerability of the poor:
- Women’s educational attainment is very low and keeping girls in school at higher grades remains a challenge
- >90% of women in rural areas are involved in informal agricultural employment; 45% are unpaid
- Most women farm only at subsistence levels and are not productive enough to sustain viable agribusinesses

Solution
With support from IDA, the government is working to increase access to livelihood support and secondary education for disadvantaged women and adolescent girls in rural areas.
Improving Transparency of Public Procurement in Bangladesh

IDA Financing: $68 million

Selected Results:
• Tender processing time down from 51 to 29 days
• 18,000 bidders registered, a 35-fold increase
• 32,000 government tenders, valued at about $3.7 billion processed online

Development Challenge
Every year, the government of Bangladesh spends around $10 billion dollars on public procurement, a major part of its annual development program. In the past, no uniform regulatory framework for procurement existed, creating challenges:
• Inefficiencies and inappropriate use of funds reportedly cost the country over 1.5% of GDP growth a year.
• Outdated, lengthy, confusing and complex bureaucratic processes made public procurement cumbersome.

Solution
With support from IDA, Bangladesh introduced systematic changes to transform its public procurement environment, including a transformational electronic government procurement (e-GP) system. It has reduced contract processing time, increased competition, and enhanced transparency. As a result, the cost of doing business and risk of collusive practices has decreased substantially.
IDA Financing: $15 million

Selected Target Results:
• 10,000 beneficiaries employed; 25% women
• 30% of trained beneficiaries find jobs and stay employed one year after training ends
• Reduced social benefits application processing times from 7 to 3.5 months

Development Challenge
Bosnia and Herzegovina ranked close to the top on spending on social assistance at 3.3% of GDP – more than twice the average for Eastern and Central Europe. Cash transfers were not reaching the poor and most vulnerable. Changes were needed to:
• strengthen benefits administration and oversight to ensure delivery to most vulnerable
• support those who are at risk, but not eligible for benefits, with job training and employment services.

Solution
Through the Social Safety Nets and Employment Support Project, over 11,400 people – 47% are women – no longer eligible for social benefits found work through a program linking employers with potential employees. 68% of the employees hired as a result of this project were still working at the same job 18 months after receiving assistance. This is a testament to the program’s effectiveness in bridging the labor gap and creating lasting employment opportunities.
Bringing Stability and Growth to the Central African Republic with Jobs

IDA Financing: $20 million

Selected Target Results:
• 35,500 beneficiaries reached; 34% women
• All 71 districts of the country covered
• 1.4 million days of work gained
• 2,840 kms of roads repaired

Development Challenge
CAR is one of the poorest and most fragile countries in the world. The conflict, which began in 2012, shattered its already-frail economy, tore its social fabric, and created a devastating humanitarian, human rights, and security crisis.
• 25% of the population was displaced: 1 million internally; 200,000+ in neighboring countries
• Infrastructure, including schools and healthcare centers, were destroyed
• Public wages were suspended

Solution
The LONDO (“Stand Up”) project facilitated peacebuilding and stabilization by providing short-term jobs to men and women across the country. The project also promoted entrepreneurship among beneficiaries who each received a brand new bike and were encouraged to save part of their salaries in order to start a business once their work shift was over.
Helping Support Growth and Stability

IDA Financing: ~$70 billion over the last 20 years

Selected Results:
- 6 million kids brought back to school in Afghanistan, including increased girls’ participation from less than 200 thousand to 2.7 million
- Improved access to electricity for 16 million people in Nepal
- 1 million people living in 1,000 communities received support through 3,200 community infrastructure projects in Sri Lanka
- Vocational training provided to 4,400 young women in Nepal leading to employment and economic independence

Development Challenges:
- Region with 23.7% of total world’s population, had 32.4% share of world’s poorest in 2013.
- Continued urbanization combined with poor infrastructure:
  - more than 200 million live in slums,
  - about 500 million go without electricity
- Childhood stunting: 42% of the world’s stunted kids
- Fragility and challenges of forced displacement
- Climate-related and environmental threats are on the rise

Solution:
Strategy linked to drivers of sustained and inclusive growth:
- Support private sector development, and climate-resilient investments
- Greater social and financial inclusion
- Strengthening governance and addressing fragility
For more information, contact us:

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Pricing Sources:

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