CHAPTER 8

First Bond Launched for IDA: Focus on the Poorest
On April 17, 2018, the World Bank Treasury launched the first bond for the International Development Association (IDA), the World Bank fund for the poorest countries, enabling a new, hybrid financial model that combines private sector funding to complement IDA's traditional donor financing.

IDA joined a select group of top-tier supranational issuers with the inaugural bond that raised $1.5 billion from investors. The proceeds will support the financing of projects and programs in IDA-eligible member countries that advance the United Nations Sustainable Development Goals (SDGs), offering investors an efficient way to contribute to global development. The pricing was fixed at 19.6 basis points over the 5-year U.S. Treasury, which resulted in a reoffer yield of 2.889 percent and reoffer price of 99.357 percent for the bonds.

World Bank Treasurer, Arunma Oteh was delighted that investors welcomed the bond with great enthusiasm. "The quality of the order book—with orders originating from 110 investors in 30 countries—reflected IDA's strong financial profile and the unique opportunity to directly contribute to IDA's work toward the SDGs," she said. In addition, World Bank Group President Jim Kim said: "As a borrower, IDA leverages its unrivaled capital position—the largest equity of any multilateral development bank—and decades of strong donor support, a solid track record of repayments, and prudent financial management."

The new IDA model set the standard for others to emulate. It was also a concrete step toward maximizing finance for development, bringing the World Bank closer to achieving its goal of eradicating extreme poverty. "Investors globally had seized the unique opportunity to be the first to invest in IDA's triple-A rated bond and make a positive impact in the lives of hundreds of millions of people around the globe," said Oteh, adding: "It actually started when IDA was created in 1960 to focus on the poorest countries and contribute to them becoming the fastest-growing economies in the world. IDA's mission remains compelling, and our donors are committed to IDA as evidenced through the successive replenishments that IDA has relied on since 1964. Still, there is much to be done for us to realize the SDGs and eradicate extreme poverty. Entering the capital markets is, however, an innovation that allows us to do so, as it expands IDA's lending capacity by 50 percent."
Celebrating the successful IDA Inaugural Bond Pricing with World Bank Group President, Jim Yong Kim. Photo © World Bank Treasury.

On the marketing and outreach process, before launching IDA into the capital markets, we first had to introduce IDA to investors, most of whom were unfamiliar. We spent months introducing IDA to prospective investors, highlighting its extraordinarily strong capital position of $160 billion dollars, its history of strong donor support, the strong track record of repayments by client countries, its prudent financial and operational management, and its strong governance and oversight. All of these efforts have yielded excellent fruit,” said Oteh.

The Director of World Bank Treasury’s Capital Markets Department, George Richardson, commented that IDA’s journey to the capital markets would continue long after the issuance of the inaugural bond. “As we grow IDA’s borrowing program, we will also work to maintain IDA’s strong financial condition, prudent financial management, and low operational risks. IDA will also continue to benefit from World Bank Treasury’s 70-year track record of innovation in connecting capital markets to development,” he said.

The target transaction size for IDA’s first bond was $1 billion dollars, but World Bank Treasury received orders of $4.6 billion dollars. Oteh highlighted the fact that IDA’s value proposition was particularly powerful because investors could earn a reasonable return while connecting to a noble purpose. “The success of this transaction is a phenomenal testimony to the work that has been done to position IDA by colleagues within and outside of World Bank Treasury,” said Oteh.

World Bank Treasury provides advisory services to IDA clients, implements IDA’s asset and liability management transactions, and acts as the custodian of IDA’s $30 billion dollars of liquidity—all of which are important factors in IDA’s triple-A rating. The historic IDA debut is evidence of the unique role that the World Bank Group plays in development, using innovation to tackle the most difficult challenges in the world and offering investors an efficient way to contribute to global development.
Strong World Bank Franchise Positions IDA to Leverage Capital Markets for Development

1947: IBRD issues its first bond in the international capital markets
1951: IBRD issues its first public offering in the U.K.
1968: IBRD issues its first public offering in the Middle East – a Kuwaiti Dinar denominated bond
2000: IBRD issues the first electronic bond (E-bond) offered globally through online platforms
2005: IBRD partners with the French postal system to offer first bonds marketed as socially responsible
2006: IFFIm launches its inaugural issue, a $1 billion, 5-year transaction
2008: IFFIm launches its debut issue in the Japanese retail market, a 17 billion South African Rand Unitrust issue
2010: IFFIm issues its first issue in Australia, a 400 million Australian dollar "courageous" issue
2014: IFFIm makes its debut in the sukuk market, raising $500 million with a 3-year "vaccine sukuk" that is named the Achievement in Transformational Finance for 20% by the Financial Times

1971: IBRD issues its first public offering in Japan
1980: IBRD issues first EUR denominated bond to mark the introduction of the Euro
1990: IBRD issues world's first ever plain vanilla green bond
2009: IBRD launches world's first sovereign green bond advisory program

1981: IBRD executes the first ever swap (with IBM)
1989: IBRD issues the world's first ever global bond
2011: IBRD offers structured investment solutions for central banks
2013: IBRD executes largest weather and oil insurance transaction (Uruguay)
2014: IBRD issues first ever MDB cat bond covering 16 Caribbean islands for earthquake and hurricane risk (CCRF)
First Sukuk introducing Islamic Finance to SRI investors (IFFIm)

2015: IBRD issues first ever bond incentivizing private sector to reduce carbon emissions
2016: IBRD issues largest EM currency retail notes program in Europe
IBRD issues first ever domestic Shogun green bond (Japan)
IBRD designs innovative financing mechanisms to support donor contributions for MENA refugee initiative

2017: IBRD develops world’s first structured notes to raise awareness for SDGs
IBRD launches strategic partnerships to mobilize capital for sustainable investments (Japan’s Government Pension Investment Fund, French and Swiss banks and investors)
IBRD executes innovative local currency swap to offer typhoon and earthquake risk coverage (Philippines)

2018: IBRD issues first Canadian dollar gender bonds
IBRD executes largest sovereign risk transfer transaction ($1.36bn for Pacific Alliance)
IDA executes first loan conversion for West African Development Bank

2020: IBRD issues the first green bond (E-bond) offered globally through online platforms
2023: IBRD partners with the French postal system to offer first bonds marketed as socially responsible
2026: IFFIm launches its inaugural issue, a $1 billion, 5-year transaction
2028: IFFIm launches its debut issue in the Japanese retail market, a 17 billion South African Rand Unitrust issue
2030: IFFIm issues its first issue in Australia, a 400 million Australian dollar "courageous" issue
2034: IFFIm makes its debut in the sukuk market, raising $500 million with a 3-year "vaccine sukuk" that is named the Achievement in Transformational Finance for 20% by the Financial Times
The debut of IDA in the global capital markets is historic. While it is a new bond issuer, IDA is an established institution, with a 60-year track record as the leading source of development finance and expertise for some of the fastest growing economies in the world. As a borrower, it leverages its unrivaled capital position—the largest equity of any multilateral development bank—and decades of strong donor support, a solid track record of repayments, and prudent financial management. Today’s bond issue will allow IDA to tap into the power of capital markets to tackle some of the world’s biggest challenges and help millions lift themselves out of poverty.

Jim Yong Kim, President, World Bank Group

“With ethical impact investing now established as a key investor requirement, future IDA issuance is a game changer as it will attract further investor demand. The financial sector has a key role to play in channeling private capital towards sustainable initiatives with a positive impact. These bonds support the broader collective effort to achieve the United Nations Sustainable Development Goals (UN SDGs), and contribute towards IDA’s vitally important mission of ending extreme poverty and promoting shared prosperity. As a company that has integrated the UN SDGs into its corporate objectives, BNP Paribas is delighted to be involved with this historic transaction.”

Jean Lemierre, Chairman, BNP Paribas

“The investment fits well into our interest rate portfolio, and furthermore supports value creation from a broader perspective, which we consider to be very positive. IDA is also a credible player with extensive experience working in countries with major challenges. We see this as a way to promote and contribute to sustainable development.”

Lars-Göran Orrevall, Asset Management Manager, Skandia

“IDA has been at the forefront of global efforts to end extreme poverty and build shared prosperity for 60 years. Today marks a momentous step towards realizing that founding mission with IDA, once again, innovating on behalf of the countries which are most in need. The eventual impact of today’s inaugural bond will support countries to improve their own peoples’ access to water, education, healthcare and new road infrastructure. Given the scale of IDA’s future ambition, this is clearly the start of a new and exciting era for impact investing. Barclays is deeply proud to play its part.”

Jes Staley, Chief Executive Officer, Barclays Group

“We are very proud to be part of IDA’s first issue and look forward to be part of issues to come. With IDA entering the bond market, we now have an opportunity to source money, safeguarded by the high standards of the World Bank, to the countries where it is most needed.”

Jens Henriksson, President and CEO, FOLKSAM Group

“We are delighted with the success of the inaugural bond of IDA, and welcome this very strong impact issuer in our investment universe. We truly appreciate its mandate and financial profile.”

Hassatou Diop N’Sélé, Treasurer, African Development Bank Group

“J.P. Morgan is honored to lead this debut bond issue and to support the International Development Association’s (IDA) mission to reduce poverty in the world’s poorest countries by financing programs that boost economic growth, reduce inequalities, and improve living conditions. Our collaboration with the World Bank Group on launching this transaction for IDA represents yet another milestone in the long-standing partnership J.P. Morgan shares with the World Bank.”

Jamie Dimon, Chairman and CEO, JPMorgan Chase
“We at KIC, participated actively in the inaugural issuance of IDA’s note. IDA’s mandate fits well with KIC’s emphasis on ESG investing, and the issue’s attractive pricing was the icing on the cake.”

Tae H. Park, Senior Managing Director, Global FICC Korean Investment Corporation (KIC)

“Congratulations to IDA and the World Bank team on the flawless execution of IDA’s inaugural bond issue and the highest profile new issuer event in recent times. Today’s successful issue will greatly increase IDA’s lending capacity to support the world’s 75 poorest countries. It is a welcome demonstration of how the global capital market can support sustainable social development in the world. Nomura is honored to have had the opportunity to support this important initiative.”

Koji Nagai, President and Group CEO, Nomura Holdings, Inc.

“IDA’s inaugural issue is a rare opportunity for private investors to direct funds towards some of the poorest and most fragile countries in the world. Under IDA 18, financing instruments are expanded to promote resilience, crisis preparedness, and assistance for refugees and their host communities. AIM is very pleased to support these critical initiatives through our investment.”

Stuart Kinnersley, Managing Partner, Affirmative IM (AIM)

“The mission of IDA to support the most vulnerable populations in the world, is a goal that we share. The Praxis Impact Bond Fund, over the past 17 years, has worked hard to deliberately invest in projects and loans that reduce poverty in the global community. This new IDA bond is one more step in opening doors of economic opportunity to nations who need it most and we are happy to participate in their inaugural offering.”

Benjamin Bailey, Vice President of Investments, Praxis Mutual Funds

“IDA’s inaugural issue is a rare opportunity for private investors to direct funds towards some of the poorest and most fragile countries in the world. Under IDA 18, financing instruments are expanded to promote resilience, crisis preparedness, and assistance for refugees and their host communities. AIM is very pleased to support these critical initiatives through our investment.”

Stuart Kinnersley, Managing Partner, Affirmative IM (AIM)

“The IDA bond is exactly the kind of issuance long-term, responsible investors like APG want in the market. On behalf of our pension clients, like civil servants’ scheme ABP, we are looking to put a larger amount of capital to work toward sustainable social development. That makes this impactful, high-quality bond a strong fit for our global Developed Markets Debt portfolio. We are proud subscribers to IDA’s historic offering.”

Herman Slooijer, Managing Director Developed Markets Debt APG Asset Management

“IDA’s strong capital position, its history of strong donor support, the strong track record of repayments by client countries, its prudent financial and operational management, and its strong governance were instrumental to the success of its inaugural bond transaction. Investors also recognize that IDA is not only an outstanding triple-A credit, but also an opportunity to do good, while doing well!”

Arunma Oteh, World Bank Treasurer
IDA BOND ISSUED!

April 2018
- Public appointment of the Lead Managers
- Announcement of the Bond
- Collection of investor orders
- Closing the order book
- Pricing of the Bond
- Secondary market begins

March 2018
- Completion of legal documentation for IDA Debt Issuance Program
- Selection process for Lead Managers
- Due diligence for IDA’s Debt Issuance Program

February 2017–April 2018
Telling the story
- Preparing investor materials, videos, presentation, website and Q&A
- Contacting regulators
- Outreach to:
  - Banking community
  - Sales Forces
  - Central Banks
  - Bank investment portfolios
  - Pension Funds
  - Asset Managers
  - Other investors

January–December 2017
System setup: trading, booking, settlement, delivery, payment, and reporting
January 2017–ongoing
International Swaps and Derivatives Association (ISDAs) agreements with market counterparts
February 2017
Treasury’s Road Map document for IDA to access the Capital Markets
April 2017
IDA’s authorization to borrow from the Capital Markets
April 2017–February 2018
IDA’s new risk management framework authorization and implementation

2015
- Initial discussions to leverage IDA’s equity
- August 2016 Drafting of legal documentation for IDA Debt Issuance Program
- September 2016 AAA/Asa rating by S&P and Moody’s
- November 2016 BIS assigns IDA 0% risk weighting
- December 2016 IDA 18: record $75bn agreement on financing package

IDA’s Journey to the Capital Markets

IDA BOND ISSUED!

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