Suspending the Offer of the Fixed-Spread Terms of IBRD Flexible Loan

Disclaimer:
On January 26, 2021, the Executive Directors of IBRD approved the suspension of (i) the offering of the fixed spread terms under the IBRD Flexible Loan (IFL) product and (ii) the conversion options relating to the fixed spread terms under the IFL. These changes will become effective on April 1, 2021, and will also apply to non-concessional IDA credits offered on IFL terms. The proposed suspension does not apply to operations that meet both of the following conditions: (i) the Invitation to Negotiate is issued on or before January 26, 2021; and (ii) the Executive Directors approve the loan on or before June 30, 2021. For projects where the Invitation to Negotiate is issued after January 26, 2021, the advice is to not start negotiating new operations on the basis of fixed spread terms unless there is a realistic expectation that the project will be approved by the Executive Directors before April 1, 2021.
# World Bank Financial Products Overview

## Financial Risk Management

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<td>IBRD Flexible Loan (IFL)</td>
<td>IBRD loan product with flexible financial terms tailored to the needs of development financing or the client’s debt management strategy. Includes embedded risk management features – see financial risk management options below.</td>
<td>• Maturity: final: ≤ 35 years, average repayment maturity: ≤ 20 Years • Repayment schedule: Flexible • Lending Rate: Reference Rate + fixed or variable spread for loan selected by the borrower. • Fees: Front-end fee: 25 bps one-time fee Commitment fee: 25 bps per annum (p.a.) SBL Surcharge: for some countries</td>
<td>IFL Note Pricing Basics</td>
<td>Vietnam Brazil Colombia</td>
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<td>IDA Concessional Financing</td>
<td>Lending from IDA on concessional terms (carrying no or low interest charges) to address primary education, basic health services, clean water and sanitation, environmental safeguards, business climate improvements, infrastructure and institutional reforms.</td>
<td>• Maturity: 30/38/40 Blend/Regular/Small • Repayment schedule: Fixed • Lending Rate: Grants: zero; Credits: Fixed concessional rate</td>
<td>Single Currency Lending Program IDA TERMS</td>
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<td>Scale Up Facility (SUF)</td>
<td>Transitional support or additional lending offered to Blend and IDA countries at low or medium risk of debt distress on IFL terms.</td>
<td>See IFL</td>
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<td>West Africa</td>
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<td>IBRD Enclave Loans for IDA borrowers</td>
<td>Additional lending for IDA countries on IFL lending terms for investment projects with foreign exchange revenues that can ringfenced. See IFL; rate may be higher than IFL (see Enclave Loans product note)</td>
<td>See Enclave Loans product note</td>
<td></td>
<td>Côte d'Ivoire</td>
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<td>IBRD DPL DDO</td>
<td>Contingent credit line that provides financing following adverse economic events such as a downturn in economic growth or unfavorable changes in commodity prices or terms of trade. It also provides a formal basis for continuing a policy-based engagement with the World Bank when no immediate need for funding exists.</td>
<td>• Repayment Terms and Lending Rate: follow IFL terms at time of drawdown (except that average repayment maturity for maturity premium calculated from loan effectiveness). • Fees: Front-end fee: 25 bps one-time fee • Stand-by fee: 50 bps p.a.</td>
<td>DPL DDO</td>
<td>Indonesia</td>
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<td>IBRD and IDA DPL with CAT DDO</td>
<td>Contingent credit line that provides financing following natural disaster events or health related emergencies, a time when liquidity constraints are usually highest. CAT DDOs enhance countries’ capacity to plan for and manage crises by securing access to financing before disaster strikes and then disbursing quickly once the event occurs.</td>
<td>• Repayment Terms and Lending Rates: follows IFL or IDA concessional financing at time of drawdown (except that average repayment maturity for maturity premium calculated at loan effectiveness). • Fees: IBRD: Front-end fee: 50 bps one-time fee; renewal fee: 25 bps payable on each renewal; IDA: Zero fees. • Limits: IBRD: Lower of $500m or 0.25% of GDP; IDA: Lower of $250m or 0.5% GDP (or up to $20m)</td>
<td>IBRD CAT DDO IDA CAT DDO</td>
<td>Kenya - IDA</td>
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<td>Currency risk in IFL</td>
<td>Convert currency of an IFL between the four lending currencies, USD, EUR, GBP, JPY, using options embedded in the loan agreement. Convert disbursed amounts into 25 liquid local currencies.</td>
<td>• Fee*: Disbursed amounts from 6 bps p.a. from USD, 11 bps p.a. from EUR/JPY • Fee: Undisbursed amounts, lending currencies, one-time 12.5 bps • Fee*: Rate fixing 5 bps p.a. for USD, 10 bps p.a. for EUR/JPY • Fee: Changing from variable spread to fixed spread 3 bps p.a. • Fee*: Caps and collar on a case-by-case basis</td>
<td>Local currency financing Interest Rate Risk Hedging Products</td>
<td>South Africa Mexico 1 Mexico 2 Uruguay General Uruguay Morocco</td>
</tr>
<tr>
<td>Interest rate risk in IFL</td>
<td>Fix, unfix, cap, or collar the interest rate using options embedded in the loan agreement.</td>
<td>• IBRD countries are eligible • Commodity Swap Fee: 37.5 bps one-time</td>
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<td>Commodity price risk</td>
<td>Reduce exposure to changes in commodity prices (e.g. oil prices) through World Bank intermediated derivative transactions.</td>
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<td>Hedging non-IBRD exposure</td>
<td>Non-IBRD exposures to currency and interest rate risks can be hedged similarly to IFL loans using free standing derivatives. Hedging Non-IBRD exposure requires a client to have an ISDA Master Derivatives Agreement with IBRD.</td>
<td>• IBRD countries are eligible • Currency Swap Fee: Major / local currency: 10 bps p.a. / 2 bps p.a. • Interest Rate Swap Fee: Major / local currency: 3 bps p.a. / 1 bps p.a.</td>
<td>Credit Guarantee Product Matrix</td>
<td>Montenegro Albania Serbia</td>
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<td>IBRD or IDA Guarantees</td>
<td>Guarantees a portion of the public-sector borrower’s debt service obligations to private sector investors. Project-based guarantees: for investment projects. Policy-based guarantees: for general budget support.</td>
<td>• Upfront Fees: Front-end fee: IBRD 25 bps / IDA 0; Initiation fee: Greater of 15 bps of $100k; Processing fee: 50 bps. • Recurring Charges: Standby fee: IBRD 25 bps/IDA 0; Guarantee fee: IBRD 50-165 bps / IDA 75 bps</td>
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<td>Catastrophe Bonds</td>
<td>Provides insurance against natural disasters by transferring risks to capital markets.</td>
<td>IBRD and IDA countries are eligible to avail of these products through the World Bank Treasury’s disaster risk intermediation platform. The underlying risk is passed to the market (capital market, reinsurance market or private investors) such that pricing depends on individual risk metrics and market conditions.</td>
<td>Pacific Alliance Philippines PCRAFI</td>
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<td>Insurance/ Reinsurance</td>
<td>Provides insurance against natural disasters (e.g. geological events) and weather events by transferring risks to insurance markets.</td>
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<tr>
<td>Derivatives</td>
<td>Provides insurance against natural disasters and weather events by transferring risks to markets in derivative form.</td>
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### Additional Notes
- **Committed and repayable in the currency or currencies of the loan selected by the borrower.**
- **Currency risk in IFL:** Includes embedded risk management features – see financial risk management options below.
- **Financial Risk Management:** Includes embedded risk management features – see financial risk management options below.
- **Credit Enhancement:** Guarantees a portion of the public-sector borrower’s debt service obligations to private sector investors.
- **Insurance for Disaster Risk Management:** Provides insurance against natural disasters by transferring risks to capital markets.
- **Hedging non-IBRD exposure:** Includes embedded risk management features – see financial risk management options below.

### Key Terms and Fees
- **Fee**: Disbursed amounts from 6 bps p.a. from USD, 11 bps p.a. from EUR/JPY.
- **Fee**: Undisbursed amounts, lending currencies, one-time 12.5 bps.
- **Fee**: Rate fixing 5 bps p.a. for USD, 10 bps p.a. for EUR/JPY.
- **Fee**: Changing from variable spread to fixed spread 3 bps p.a.
- **Fee**: Caps and collar on a case-by-case basis.

### Case Studies
- **Financing (Loans):** Vietnam Brazil Colombia
- **Contingent Financing (Loans):** Indonesia
- **Financial Risk Management:** South Africa Mexico 1 Mexico 2 Uruguay General Morocco
- **Credit Enhancement:** Montenegro Albania Serbia
- **Insurance for Disaster Risk Management:** Pacific Alliance Philippines PCRAFI
- **The World Bank:** The World Bank Group, also known as the World Bank or the Bank, is an international organization dedicated to the alleviation of poverty and supporting sustainable development projects around the world.
Notes
1. IFL loans and IDA concessional financing can be blended with other concessional financing (for example, through trust funds or grants). See case studies: Jordan and Lebanon, China, Mexico 1, Mexico 2
2. General conditions and instructions for IFL’s:
   a. Development Policy Financing general conditions
   b. Investment Project Financing general conditions
   c. Program for Results general conditions
   d. Flexible Loan Choice Worksheet instructions
   e. Flexible Loan Choice Worksheet
3. For IDA borrowers 50%/50% of the CAT DDO can be funded through Country Allocation/IDAs overall resources. Eligible IDA counties can fund the CAT DDO using SUF financing.
4. Other crisis financing options available to IDA countries include:
   a. Crisis Response Window
   b. Immediate Response Mechanism
   c. Pandemic Emergency Financing Facility
5. Standalone hedges (currency and interest rate swaps) are also available on IBRD loans. Fees quoted here are for currency and interest rate embedded conversion options only. Fees for standalone hedges will differ for currency and interest rate swaps.
6. IBRD and IDA guarantees are also available to cover defaults on non-loan related Government payment obligations, to private entities and foreign public entities arising from contract, law or regulation.

IBRD Eligibility Criteria
Eligibility for IBRD products is determined primarily by the member country’s per capita income and creditworthiness. Exceptionally, other factors (such as size, for certain small island economies) may determine a country’s eligibility for IBRD products.

IDA Eligibility criteria
Eligibility for, and the specific terms of, IDA financing are determined primarily by the member country’s GNI per capita, creditworthiness for IBRD borrowing, and risk of debt distress.

IDA also supports some countries, including several small island economies, that are above the operational cutoff but lack the creditworthiness needed to borrow from IBRD. Some countries are IDA-eligible based on per capita income levels and are also creditworthy for some IBRD borrowing. They are referred to as “blend” countries.

Additional Reference Material
Bank Directive: Financial Terms and Conditions of Bank Financing
Bank Policy: Financing Terms and Conditions of Bank Financing
Bank Directive: Conversion of Financial Terms of IBRD and IDA Loans and Financing Instruments
Bank Guidance: Conversion of Financial Terms of IBRD and IDA Loans and Financing Instruments (illustrative examples)

Acronyms
CAT DDO: Catastrophe Deferred Drawdown Option
DDO: Deferred Drawdown Option
DPL: Development Policy Loan
GDP: Gross Domestic Product
IBRD: International Bank for Reconstruction and Development
IDA: International Development Association
IFL: IBRD Flexible Loan
ISDA: International Swaps and Derivatives Association
SBL: Single Borrower Limit
SUF: Scale Up Facility

Disclaimer
Information in this handout might be subject to change. Refer to World Bank Treasury for up to date product information.

This handout does not represent, and shall not be interpreted as, legal advice or a recommendation as to any particular matter covered herein.

This handout serves as marketing material and does not provide the complete terms and conditions of the World Bank’s financial products. Borrowers should refer to legal agreements and General Conditions with respect to individual loans.

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