World Bank Launches Its Largest-Ever Bond Issuance


Contact:
David Theis
202-458-8626
dtheis@worldbank.org


"The World Bank’s conservative capital structure and finances puts it in an excellent position to help its members sustain key development programs through this very tough economic environment," said World Bank Treasurer Kenneth Lay. "We’ve been able to scale up quickly to help countries address the financing gaps faced by many, and today's deal makes a notable contribution to that effort."

The money raised through this transaction will further enable the World Bank to provide much-needed investments in developing countries dealing with the impacts of the global financial crisis. IBRD could make new commitments of up to $100 billion over the next three years. This year, lending could almost triple to $35 billion.

The bond issue comes at a time when developing countries are facing financing gaps of $270 - $700 billion, as private sector creditors shun emerging markets. Only one-quarter of the most vulnerable countries have the resources to prevent a rise in poverty.

“This financing is evidence of the appreciation investors and dealers have for the strength of the World Bank’s finances and its members’ strong support for its work as a development institution. The Bank has been a major issuer in the international capital markets for more than 60 years. We remain focused, as always, on delivering for investors the credit quality and liquidity they value,” said Doris Herrera-Pol, Director of Global Capital Markets at the World Bank.

Current World Bank estimates suggest that lower economic growth rates will trap 53 million more people on less than $1.25 a day than was expected prior to the crisis, or 65 million staying trapped on less than $2 a day. This follows on from the at least 130-155 million people pushed into poverty in 2008 because of soaring food and fuel prices.

This global bond, the World Bank's second US$ benchmark in 2009, was joint-lead managed by Citi, HSBC, J.P. Morgan and Royal Bank of Scotland. The bonds were priced with a spread of 82 basis points over the corresponding US Treasury note, which translates to a yield of 2.095%, paying a semi-annual coupon of 2%.

Background on this bond issue

Within an environment of improved tone in the bond markets, the World Bank began discussing funding opportunities with potential lead managers and selected investors. After recently issuing a USD 3 billion 2-year floating rate note, with this offering, the World Bank is fulfilling investor demand for a longer maturity in a fixed rate format.

The World Bank Treasury announced the transaction during the U.S. afternoon on Tuesday 24th of March. Investor interest was evident early and grew strongly, with the order book reaching over USD 3 billion before New York morning on Wednesday. Building on the successful strategy of the recent World Bank floating rate note, the team decided to allow time for the book-building process so that new investors had time to join. On Thursday morning, with over USD 7 billion in orders, the World Bank closed the books at USD 6 billion.

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The present transaction is consistent with the World Bank’s long-standing practice of deploying its franchise as an issuer in the international capital markets to offer investors high-quality liquid instruments. This approach has direct benefits for World Bank member countries, as well, since this cooperative institution is able to fund its activities as a provider of financial services for its members on highly attractive terms.

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