Bank Policy

Financial Terms and Conditions of Bank Financing

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Content
Sets out the terms of IBRD and IDA financial products.

Applicable to
IBRD,IDA

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Vice President, OPSVP

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Vice President and Treasurer, TREVP

Section I – Purpose and Application

1. The purpose of this Policy is to set out the key financial terms and conditions of IBRD loans, IDA financing, IBRD and IDA guarantees, and financial hedging products. This Policy is to be read concurrently with the IBRD and IDA General Conditions.

2. This Policy applies to the Bank.

Section II – Definitions

1. As used in this Policy, the following capitalized terms and acronyms have the meanings set out below:

   a. **Bank:** IBRD and IDA.

   b. **Blend Country:** means a country determined: (a) by IDA to be eligible for IDA Credits on the basis of its GNI; and (b) by IBRD to be creditworthy for borrowing IBRD loans.

   c. **Blend Terms:** means terms on which IDA makes credits to Blend and Gap Countries.

   d. **Board:** means the Executive Directors of IBRD or IDA, or both, as applicable.

   e. **Borrower:** means the borrower of an IBRD loan, or recipient of an IDA Credit or IDA Grant.

   f. **Cat DDO:** Deferred Drawdown Option for Catastrophic Risks, as defined in OP 8.60, *Development Policy Financing*.

   g. **Credit Agreement:** the agreement between the Bank and the Borrower providing for an IDA Credit.

   h. **DDO:** Deferred Drawdown Option, as defined in OP 8.60, *Development Policy Financing*.

   i. **DPF:** Development Policy Financing, as defined in OP 8.60, *Development Policy Financing.*

   j. **Effective Date:** means the date on which an IBRD loan, an IDA Credit or IDA Grant becomes effective, as defined and specified in the Loan Agreement.

   k. **Enclave IPF:** means a type of IBRD IPF described in Section III.4 of this Policy.

   l. **Gap Country:** means a member country determined: (a) by IDA to be eligible for IDA resources; (b) by IDA to have a GNI per capita that has exceeded the operational cut off for IDA eligibility for more than two consecutive years; and (c) by IBRD not to be creditworthy to borrow from IBRD.

   m. **GNI:** means gross national income.

n. **Government:** means "Member Country" and "Political Sub-division", as defined in OP 8.60, *Development Policy Financing*; or "government", as defined in OP 10.00, *Investment Project Financing*, as the case may be.

o. **Hard Terms:** means terms on which IDA makes credits available to Blend Countries (excluding Small Island Economies) from IDA's 'hard-term' lending window which is financed through the charge-related portion of the volume discount on IDA Grants.

p. **IBRD:** International Bank for Reconstruction and Development.

q. **IBRD General Conditions:** means the General Conditions, defined in the particular IBRD Loan Agreement as constituting an integral part of such Loan Agreement.

r. **IDA:** International Development Association.

s. **IDA Credit:** means financing provided by IDA on the terms described in Section III.2.a.

t. **IDA General Conditions:** means the General Conditions, defined in the particular IDA Loan Agreement as constituting an integral part of such Loan Agreement.

u. **IDA Grant:** means financing provided by IDA on the terms described in Section III.2.b.

v. **IFL**: IBRD Flexible Loan, the type of IBRD loan described in Section III.1 below.

w. **IPF:** Investment Project Financing, as defined in OP 10.00, *Investment Project Financing.*

x. **Loan Agreement**: the agreement between the Bank and the Borrower providing for an IBRD loan, an IDA Credit or an IDA Grant.

y. **Management:** means the President or a Manager, or a chief officer whose functions and responsibilities include the authority to issue documents pursuant to the Bank's policy and procedure framework as set by Management through terms of reference or a delegation of authority, or some or all of these persons, as applicable.

z. **Payment Date:** means each date specified in the Loan Agreement on which interest is payable under an IBRD loan or on which interest (if applicable), service charges and commitment charges are payable under an IDA Credit.

aa. **PBA**: means performance based allocation.

bb. **PforR:** Program-for-Results Financing, as defined in Bank Policy, *Program-for-Results Financing*.

cc. **President:** means the President of the Bank.

dd. **Principal Payment Date:** means each date specified in the Loan Agreement on which all or any portion of the principal amount of an IBRD loan or an IDA Credit is payable.

ee. **SBL Surcharge:** means the single borrower limit surcharge payable in respect of guarantees; other relevant financial instruments; and loans to, or guaranteed by, a member country with a portfolio representing a significant financial exposure to IBRD.

ff. **SDPF:** Special Development Policy Financing, as described in OP 8.60, *Development Policy Financing*.

gg. **SDPG:** SDPF in the form of an IBRD guarantee.

hh. **SDPL:** SDPF in the form of an IBRD loan.

ii. **SDR**: Special Drawing Rights.

jj. **Single Borrower Limit or SBL:** means the Bank's exposure limit to an individual Borrower as specified in Annex 2.

kk. **Small Island Economies:** means Small Island states with a population of less than 1.5 million people that are eligible for IDA financing.

ll. **Transitional Support Terms:** means terms on which IDA provides financing to eligible IDA graduates.

SECTION III – SCOPE

1. IBRD Loans. IBRD offers one loan product for eligible members, known as the IBRD Flexible Loan (IFL), with a wide choice of financial terms that are tailored to the needs of the purpose of the financing or the member country's overall debt management strategy. The standard financial terms for IFLs are set out below (Section III.1.a). Special financial terms, which apply to DDOs, Cat DDOs, and SDPLs are also set out below (Section III.1.b). Earlier IBRD loan products, which are no longer offered, are also described below (Section III.1.c).

a. Standard Terms. The standard terms of IFLs are available at http://treasury.worldbank.org/.

i. Currencies. IFLs are committed and repayable in the currency or currencies of the loan selected by the Borrower, provided IBRD can efficiently intermediate the currency or currencies requested.

ii. Pricing. This comprises the interest rate, front-end fee and commitment fee.

A. *Interest.* The interest rate consists of a market-based variable reference rate and a spread. The interest rate is subject to a floor of zero. Interest is paid on the disbursed and outstanding loan amount. The reference rate varies by currency and resets semi-annually on the 1st or 15th of the month and semi-annually thereafter. The Borrower may choose between two kinds of spreads: variable and fixed. The variable spread comprises the following elements: (a) the IBRD's average funding cost; (b) a contractual lending spread; and (c) depending on the average maturity of the loan, a maturity premium. The average funding cost element of the variable spread is recalculated quarterly, and applies to the interest period commencing on the Payment Date falling on, or immediately after such recalculation date. The fixed spread comprises the following elements: (a) IBRD's projected funding cost over the life of the loan; (b) a contractual lending spread; (c) a market risk premium; (d) depending on the average maturity of the loan, a maturity premium; and (e) if the loan is denominated in a currency other than USD, a basis swap adjustment. The fixed spread is set for the life of the loan. Interest may be financed out of the loan proceeds. A default interest rate is charged in lieu of the above interest rate if any payment of principal becomes overdue by thirty (30) days, until the overdue amount is fully paid. IBRD does not charge interest on overdue interest on its loans.

B. *Front-end Fee.* A one-time front-end fee is charged on the committed loan amount. At the option of the Borrower, the front-end fee may be paid out of the loan proceeds upon loan effectiveness or the Borrower can pay the fee no later than sixty (60) days after the loan effectiveness. Payment of the front-end fee is required before the first withdrawal from the loan.

C. *Commitment Fee.* A commitment fee, payable semi-annually, is charged on the undisbursed amount of the loan. This fee starts to accrue sixty (60) days after the Loan Agreement is signed and is payable once the loan becomes effective. The commitment fee may be financed out of the loan proceeds. IBRD does not charge a commitment fee for loans that do not become effective.

D. *SBL Surcharge.* A surcharge may be payable on the loans to a Borrower for certain member countries with portfolios representing a significant financial exposure to IBRD. The surcharge is determined by reference to the excess exposure over a specified threshold. The level of the surcharge and the specified thresholds are determined from time to time by the Board and are specified in Annex 2.

E. *Board Determination.* The contractual lending spread and maturity premium elements of the lending rate, the front-end fee, the commitment fee, the default interest rate and the SBL surcharge are decided from time to time by the Board. The current levels of these fees are set forth in Annex 1.

iii. ***Conversion Provisions.*** The IFL includes options to change the currency of undisbursed and/or disbursed loan balances, fix and unfix the interest rate or the reference rate, fix the variable spread, and cap or collar the interest rate or the variable reference rate. Borrower requests for conversions are subject to the maximum maturity available in the swap markets for the currency or currencies involved. Pricing of conversions is at market terms. Conversions are subject to transaction fees determined from time to time by Management. Such transaction fees may be either in the form of an annual or a one-time charge for each transaction. Details on the key terms applicable to conversions are set out in the IBRD General Conditions. The transaction fees are set forth in Annex 3 of the Bank Directive “Financial Terms and Conditions of Bank Financing”.

iv. ***Repayment Terms.*** Subject to Section III.1.b below, Borrowers may configure the repayment schedules of IFLs in any manner consistent with the purpose of the loan, subject to an average maturity limit of up to 20 years and a final maturity limit of up to 35 years. When justified by particular project or program needs, the Board may decide to approve an exception to the average or final maturity limit. The first Principal Payment Date is set to fall six (6) months after the expected date of expiration of the grace period. Payment Dates fall on either the 1st or the 15th day of the month (at the Borrower’s option) and semi-annually thereafter.

A. *Types of Repayment Schedules*. Borrowers may choose between two types of repayment schedules: a commitment-linked schedule or a disbursement-linked schedule.

1) For a *commitment-linked* repayment schedule, the timing of the principal repayments is linked to the time of loan commitment. The first Payment Date is not more than six (6) months following the expected date of loan approval. The grace period starts running from the time of expected IBRD loan approval. Principal repayment amounts are linked pro rata to amounts disbursed. Principal repayments billed are determined as a percentage share of the loan amount outstanding. The average repayment maturity for an IFL with a commitment-linked repayment schedule is the weighted average period of time between the expected loan approval and the scheduled repayments.

2) Under a *disbursement-linked* repayment schedule, the timing of principal repayments depends on the timing of actual disbursements. Cumulative disbursements during each interest period (a "Disbursed Amount") are repayable on a schedule that commences at the beginning of the interest period following the interest period in which such Disbursed Amount is withdrawn. The grace period and repayment period selected by the Borrower are the same for all Disbursed Amounts under the loan. For IFLs with a disbursement-linked repayment schedule, there is a limit on the sum of the loan's expected average disbursement period and its average repayment maturity, calculated as follows: the expected average disbursement period is the weighted average period of time between loan approval and expected disbursements; the average repayment maturity is the weighted average period of time between the beginning of the interest period following the interest period in which the Disbursed Amount is withdrawn and the scheduled repayments for each Disbursed Amount.

B. *Revisions to Approved Repayment Terms*. Borrowers choose the repayment terms at negotiations, and in any event, before the loan is presented to the Board. Repayment terms cannot be changed once IBRD has approved the loan. IBRD normally does not reschedule interest or principal payments on its loans or participate in debt rescheduling agreements with respect to its loans. However, under extraordinary country, project or program circumstances, IBRD loan repayment terms may be amended.

v. ***Prepayment.*** IFLs may be prepaid in full or in part. IBRD may charge a prepayment premium to cover the cost to IBRD of redeploying prepaid funds, if applicable. If a conversion has been effected: (a) the Borrower pays a transaction fee as applicable for any early termination of such conversion; and (ii) the Borrower or IBRD, as the case may be, pays an unwinding amount, if, any, for the early termination of the conversion[1].

vi. ***Cancellation.*** If a loan is fully cancelled prior to the loan's Effective Date, no front-end fee is charged. If the loan is partially cancelled prior to its Effective Date, the amount of the front-end fee payable is reduced on a pro rata basis and the adjusted front-end fee is payable to the IBRD upon the loan's Effective Date. If the loan is partially or fully cancelled on or after the loan's Effective Date, no refund of the front-end fee is made.

vii. ***Additional Fees for private sector projects.*** Initiation fees and processing fees, which are determined from time to time by Management, may be charged by IBRD, as appropriate, for specific private sector projects.

b. Special terms for DDOs, Cat DDOs and SDPLs

i. ***DDO.*** The DDO allows a Borrower to defer withdrawal of a DPF for an initial period of up to three years from loan effectiveness. Information on the terms and conditions, and pricing of DDOs, which are decided from time to time by the Board, is available at http://treasury.worldbank.org/. The financial terms of a DDO are the same as those set out in Section III.1.a. above, with the exception of the following:

A. *Front-end Fee.* The level of the front-end fee may be different.

B. *Stand-by Fee*. The DDO pricing includes a standby fee paid on the undisbursed amount of the loan accruing from the date of effectiveness. There is no commitment fee.

C. *Spread.* The applicable spread to the reference rate is the variable spread or fixed spread in effect at the time of each withdrawal, except that the maturity premium (if any) is determined by reference to the time elapsed between effectiveness of the loan agreement and drawdown. However, the maturity premium (if any) applicable to each withdrawal is that in effect at the time of such withdrawal.

D. *Renewal of Withdrawal Period*. Deferral of the DDO withdrawal period may be renewed for an additional period of up to three years.

E. *Repayment Schedule.* The repayment schedule may, at the Borrower's request, be determined at, and commence from, the date of withdrawal, and each withdrawal may have a different repayment schedule, within the policy limits prevailing at the time of such withdrawal.

ii. ***Cat DDO.*** The Cat DDO provides a member country with immediately available liquidity following a natural disaster. The Cat DDO includes an initial deferral period for withdrawal of the loan of up to three years from loan effectiveness. The volume of a Cat DDO is limited to 0.25% of the country's GDP or USD 500 million, whichever is

[1] See Annex 4 of Bank Directive "Financial Terms and Conditions of Bank Financing".

smaller.[2] Information on the terms and conditions, and pricing, which are decided from time to time by the Board, is available at http://treasury.worldbank.org/. The financial terms of a Cat DDO are the same as those set out in Section III.1.b.i above with the exception of the following:

A. *Front-end Fee.* The level of the front-end fee may be different.

B. *Stand-by Fee and Commitment Fee*. There is no stand-by fee or commitment fee.

C. *Renewals of Withdrawal Period.* The Cat DDO may be renewed up to four times, for an additional period of up to three years for each renewal, for a total deferment of 15 years.

D. *Renewal Fee.* A renewal fee is payable for each renewal and is based on the amount available for withdrawal at the time of extension.

E. *Revolving Feature.* The Cat DDO has a revolving feature, i.e., amounts repaid or prepaid prior to the closing date are available for further drawdown.

iii. ***SDPL.*** SDPLs are offered on an exceptional basis to eligible IBRD Borrowers that are approaching or are in a crisis with substantial structural and social dimensions, and that have extraordinary and urgent financial needs. Information on the terms and conditions, and pricing, which are decided from time to time by the Board. The pricing of SDPLs is described at http://treasury.worldbank.org/. The financial terms of SDPLs are the same as those set out in Section III.1.a. with the exception of the following:

A. *Front-end Fee.* A higher front-end fee is charged.

B. *Interest.* Interest is charged at a higher fixed spread. The default interest provisions do not apply to SDPLs.

C. *Repayment Terms*. The principal amount of the loan is repayable over 5 to 10 years, inclusive of a grace period of 3-5 years.

c. Withdrawn IBRD Products. IBRD financial products no longer available to clients include the Fixed-Spread Loan (FSL), the Variable Spread Loan (VSL), the Fixed-Rate Single Currency Loan (FSCL), the Variable Lending Rate 1989 (VLR89) Currency Pool Loan (CPL), and the Single Currency Pool (SCP) loan, and the Variable Lending Rate 1982 (VLR82) Currency Pool Loan. Information on the terms, the current interest rates, transaction fees, conversions and prepayments on these withdrawn products is available at http://treasury.worldbank.org/.

i. ***FSCLs*** may be converted into FSLs by amending certain financial and related provisions of their loan agreements. These amendments would provide borrowers with access to the tools to manage the interest rate and currency exposure on their FSCLs through conversions.

[2] The volume limit for small states is considered on a case-by-case basis.

ii. ***VSLs*** may also gain access to currency conversions, interest rate conversions, and interest rate caps and collars while maintaining the variable spread of the loan by amending certain provisions of their loan agreements.

iii. ***Partial Waiver of Commitment Fee and Interest***. Borrowers may be eligible for partial waivers of the interest charges and commitment charges on certain loans in the financial year following the approval of such waivers. Eligibility for the waivers is based on whether a Borrower has serviced all of its IBRD loans and has paid all amounts under IBRD guarantees and hedging products during the preceding six-month period within thirty (30) calendar days of their due dates.[3]

iv. ***Board Determination.*** The partial waivers of commitment fees and interest are decided by the Board from time to time.

2. IDA Credits and IDA Grants. IDA offers highly concessional loans, known as credits, and grants to eligible IDA Borrowers.[4] The terms of IDA financing for each member country vary, based on an annual assessment of the country's GNI per capita, creditworthiness for IBRD borrowing and risk of debt distress.[5] (See Annex 4).

a. IDA Credits. The lending terms for IDA Credits are set out below.

i. ***Currencies:***

A. *IDA Credits are denominated in SDR*. (Further information on the SDR is available at http://www.imf.org). Payments are due in one of four currencies (U.S. dollar, pounds sterling, yen or euro). The Borrower bears the foreign exchange risk between the currency of payment and the SDR.[6]

B. *Single currency credits.* IDA offers, under a pilot program, single currency credits that may be denominated in one of the currencies of the SDR basket. Single currency credits are available on a first come, first served basis, subject to the IDA allocation for the member country concerned and the single-currency lending limits decided by the Board.

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[3] Except for any overdue payments that the Vice President and WBG Controller (WFAVP) determines to be minor in nature or beyond the Borrower's control.

[4] This Bank Policy does not cover IDA credits offered under the Scale-Up Facility as part of IDA 17. Refer to R2016-0019/1 "Enhancing IDA's Financial Support in IDA17" dated March 2, 2016, and the related Guidance Note, "IDA17 Scale-up Facility".

[5] IDA may in response to a non-concessional borrowing by a country subject to IDA's Non-Concessional Borrowing Policy (NCBP) harden the terms applicable to a recipient's financing from IDA and/or cut the volumes of financing provided. Country GNI per capita and IDA repayment terms are set forth in Annex 2 of Bank Directive "Financial Terms and Conditions of Bank Financing".

[6] Before August 1, 1980, IDA Credits were denominated in current U.S. dollars and were repayable in amounts equivalent, at their repayment dates, to the value at the time of disbursements of the currencies disbursed in terms of 1960 US dollars.

ii. ***Service Charge***. For every credit, a service charge is payable semi-annually on the principal amount withdrawn and outstanding. For single currency credits, the service charge is adjusted to account for the differences in notional interest rates between the relevant currency and the SDR.

iii. ***Commitment Charge.*** For every credit, a commitment charge is payable semi-annually on the undisbursed amount, and starts to accrue sixty (60) days after the Loan Agreement is signed. Each fiscal year, the Board decides the commitment charge applicable for that fiscal year (from 0% up to maximum of 0.50% per annum).

iv. ***Interest Charges:***

A. *Credits on Blend Terms.* A fixed interest charge (in addition to the service and commitment charges described above in Sections III.2.a.ii. and iii) is payable semi-annually on the principal amount withdrawn and outstanding. The interest charge rate is approved by the Board for each IDA replenishment and is fixed for the duration of the credit.

B. *Credits on Hard Terms and Transitional Support Terms*. A fixed interest charge (in addition to the service and commitment charges described above in Sections III.2.a.ii. and iii) is payable semi-annually on the principal amount withdrawn and outstanding. The interest charge is determined annually (for Hard Terms) or quarterly (for Transitional Support Terms) and is fixed for the maturity of the credit.

C. Single currency credits.

1) For single currency credits on Blend Terms, a fixed interest charge based on the interest rate charged on SDR credits on Blend Terms is payable semi-annually on the principal amount withdrawn and outstanding. The interest charge is adjusted to account for the differences in notional interest rates between the relevant currency and the SDR.

2) For single currency credits on Hard Terms and Transitional Support Terms, a fixed interest charge or variable interest charge, at the option of the Borrower, is payable semi-annually on the principal amount withdrawn and outstanding. The fixed interest charge is equal to 200 bps and 100 bps below the fixed rate equivalent for an IBRD loan for credits on Hard Terms and Transitional Support Terms, respectively. The fixed interest charge is determined quarterly and is fixed for the maturity of the credit. The variable interest charges for credits on Hard Terms and Transitional Support Terms are determined by reference to the variable interest rates for an IBRD loan in the selected currency. A transaction fee is charged for variable interest rate credits.

v. ***Repayment Terms***[7]: The repayment period (including the grace period) is determined based on the following categories of recipients:

[7] These terms are effective as of October 1, 2016. IDA lending terms are updated quarterly and are available on IDA's website at http://www.worldbank.org/ida/financing.html

A. *IDA Credit on Regular Terms*. 38 years with a grace period of 6 years, and principal repayment of 3.125% per annum for years 7 to final maturity, for IDA-only countries that are not Blend Countries or Gap Countries or Small Island Economies;

B. *IDA Credit on Blend Terms and Hard Terms*. 25 years with a grace period of 5 years for Blend Countries and Gap Countries and principal repayment of 3.3% per annum for year 6 through 15 and 6.7% per annum thereafter to final maturity;

C. *IDA Credit to Small Island Economies.* 40 years with a grace period of 10 years, and principal repayment of 2% per annum for years 11 through 20 and 4% per annum thereafter to maturity.

D. *IDA Credit on Transitional Support Terms*. 25 years with a grace period of 5 years and principal repayment of 5% per annum for years 6 through to final maturity.

Principal repayments are payable semiannually.

vi. ***Accelerated Repayment.*** IDA may modify the terms of an outstanding credit in accordance with the provisions of the Credit Agreement if all of the following conditions are met: (A) the country's annual GNI per capita has exceeded for three (3) consecutive years the level established annually by IDA for determining eligibility to access IDA's resources,[8] (B) the Bank considers the country creditworthy for IBRD borrowing; and (C) after due consideration of the development of the country's economy, the IDA Board has reviewed and approved such modification. When these conditions have been met, IDA requires the Borrower to repay twice the amount of each principal installment not yet due, until the credit is fully repaid, subject to a minimum grace period of five (5) years. Alternatively, the Borrower may request that IDA substitute an interest charge for some or all of the higher principal repayments, or develop a customized repayment schedule that meets the Borrower's budgetary needs, provided that in IDA's opinion, the new terms have a grant element equivalent to that resulting from doubling of the principal payments alone. If IDA determines that a Borrower's economic condition has deteriorated significantly after the terms have been so adjusted, IDA may, if the Borrower requests, revert to the original repayment schedule.

vii. ***Prepayment.*** All IDA Credits may be prepaid in full or in part. IDA graduates are encouraged to prepay their outstanding IDA Credits beyond their contractual obligation so that the funds can be directed to current IDA Borrowers. IDA may provide a discount on the principal amount prepaid in order to incentivize voluntary prepayments to a Borrower that: (A) elects to voluntarily prepay all its outstanding credits in full, or (B) provides a partial prepayment for IDA to apply to the latest maturities of its IDA Credits, as determined by IDA. A discount is not available for prepayments of individual credits specified by a Borrower. The amount of any discount is determined by IDA, based on the prevailing expected return of IDA's investments and the prepayment terms proposed by the Borrower. In case of prepayments of Hard Terms and Transitional Support Terms floating rate credits, the costs or gains from the swap terminations are passed on to the Borrower.

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[8] For credits approved between June 30, 1987 and August 1, 1996, the applicable threshold is that the recipient's GNI per capita is above the historical cut-off for five consecutive years.

viii. ***Credits on Hard Terms.*** Blend Countries (excluding Small Island Economies) may be eligible to receive certain additional IDA resources on Hard Terms.

ix. ***Credits on Transitional Support Terms.*** IDA graduates may be eligible to receive IDA financing from the transitional support window during the IDA17 period. To be eligible for financing from the transitional support window, the Borrower: (A) has been above the IDA Operational Cut-off for 3 years or more; (B) is creditworthy for IBRD financing; and (C) would see a sharp drop-off in financing from the Bank without transitional support. All other terms for IDA Credits on Transitional Support Terms are the same as those applicable to IDA Credits on Blend Terms save that IDA Credits on Transitional Support Terms are: (X) subject to interest charges as specified in Section III.2.a.iv.C above; (Y) not subject to the contractual accelerated repayments as specified in Section III.2.a.vi above; and (Z) subject to a different repayment schedule as specified in Section III.2.a.v.D above.

x. ***Additional Fees for private sector projects.*** Initiation fees and processing fees, which are determined from time to time by Management, may be charged by IDA, as appropriate, for specific private sector projects.

b. IDA Grants. IDA may provide financial assistance in the form of grants to IDA-only countries, based on certain eligibility criteria. [9]

i. ***Eligibility:***

A. *Debt-distressed Countries*. Subject to Section III.2.b.i.B below, IDA-only countries which are assessed to be at moderate or high risk of external debt distress or to be in external debt distress, are eligible to receive some or all of their IDA allocation in the form of grants. Countries assessed to be in, or at a high risk of, external debt distress receive 100 percent of their IDA allocations as grants; countries assessed at a moderate risk of debt distress receive 50 percent of their IDA allocations as grants and the other 50 percent as credits; and countries assessed at a low risk of debt distress receive 100 percent of their IDA allocations as credits.

B. *Exceptions*. Countries not eligible for IDA Grants are: (1) Blend Countries and Gap Countries, irrespective of their assessed external debt distress; and (2) IDA-only countries that have lost eligibility for IDA Grants as a result of the application of a disincentive under IDA's non-concessional borrowing policy.

C. *Regional Organizations*. Certain regional organizations may be eligible to receive IDA Grants if they meet the following criteria:

1) The organization is a bona fide regional organization that has the legal status and fiduciary capacity to receive grant funding and the legal authority to carry out the activities financed.

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[9] The Bank provides grants from the following main sources: (a) the IBRD administrative budget, (b) IBRD net income, and (c) IDA resources. Refer to OP 8.45, "Grants", for the policy on grants financed out of the IBRD administrative budget and IBRD net income.

2) The organization does not meet eligibility requirements to receive an IDA Credit.

3) The costs and benefits of the activity to be financed with an IDA Grant are not easily allocated to national programs.

4) The activities to be financed with an IDA Grant are related to regional infrastructure development, institutional cooperation for economic integration, and coordinated interventions to provide regional public goods;

5) Grant co-financing for the activity is not readily available from other development partners.

6) The regional entity is associated with an IDA-funded regional operation involving some of the participating member states or otherwise supports IDA's strategic regional priorities.

ii. ***Commitment charges:*** IDA Grants are not subject to service or interest charges. However, they are subject to a commitment charge, payable on the same terms as applicable to IDA Credits (see Section III 2.a.iii above).

3. **IBRD and IDA guarantees.** IBRD[10] and IDA offer project-based guarantees as IPF and policy-based guarantees as DPF. IDA guarantees are generally offered to IDA-only countries. However, IDA may also offer guarantees for Blend Countries where IBRD resources are not available. [11]

a. Project-Based Guarantees

i. ***General.*** Project-based Bank guarantees support projects with defined development objectives, activities, and results in accordance with OP 10.00, Investment Project Financing. A project-based Bank guarantee may be structured so as to combine different types of guarantees, as appropriate for the project supported. In providing guarantee coverage, the Bank assesses the appropriateness of the Government undertakings, taking into account country, market and project circumstances. All project-based Bank guarantees require an adequate dispute resolution framework so as to avoid entangling the Bank in the substance of any dispute between the parties, including any dispute between two Governments. Bank guarantees do not support bilateral debt or debt extended by publicly owned entities that operate under public law for public policy purposes (e.g., bilateral financiers, Government owned-policy banks and export/import agencies). Bank guaranteed debt itself is ineligible for any kind of debt restructuring without the consent of the Bank. The Bank does not provide guarantees for sovereign international borrowings for public sector projects in countries undergoing external debt restructuring until the country completes a debt

[10] IBRD guarantees count towards the calculation of the exposure in relation to which any SBL Surcharge is levied.

[11] IBRD guarantees to Blend Countries are reflected on the IBRD balance sheet except in the case of Blend Countries where IBRD resources are not available, in which case, IDA guarantees may be available to these countries.

restructuring agreement with commercial lenders and has in place a macroeconomic framework acceptable to the Bank.

ii. ***Types.*** Project-based Bank guarantees may be of the following types:

A. *Loan guarantees*. These guarantees cover loan-related debt service defaults caused by Government failure to meet specific payment and/or performance obligations arising from contract, law or regulation, in relation to a project. Loan guarantees include coverage for debt service defaults on: (i) commercial debt,[12] normally for a private sector project where the cause of debt service default is specifically covered by the Bank's guarantee; and (ii) a specified portion of commercial debt irrespective of the cause of such default, normally for a public sector project.

B. *Payment guarantees*. These guarantees cover defaults on non-loan related Government payment obligations, to private entities and foreign public entities arising from contract, law or regulation.

iii. ***Special requirements for IDA loan guarantees in support of commercial debt owed by Governments for public sector projects***. Commercial debt owed by Governments and guaranteed by IDA in support of public sector projects are required to comply with the Bank policies relating to non-concessional borrowing. IDA makes available such loan guarantees in IDA countries at low or moderate risk of debt distress. IDA may also consider providing such loan guarantees in other IDA countries, provided that: (i) the project is expected to generate revenues that are strong and sufficiently robust to withstand economy-wide shocks; and (ii) expected project revenues are anticipated to be at all times sufficient for debt service and if necessary, arrangements for setting aside revenues for that purpose are adequate.

iv. ***Special requirements for payment guarantees.*** Payment guarantees may not be offered if the payment obligations are owed to a member country that is under payment arrears to the Bank.

v. ***Trust funded guarantees***. Guarantees backed by trust fund resources are subject to Bank policies and procedures applicable to Bank guarantees, except that, on a case-by-case basis and to the extent expressly permitted by a trust fund's constituent documents: (a) the specific financial terms of guarantees backed by trust fund resources, including the fee regime, maturity limits and accelerability provisions, may differ from the terms specified in this Policy; and (b) as appropriate for the purpose of assisting member countries to mobilize financing, the financial structure of guarantees may differ from the structure(s) contemplated in this Policy. In all cases of (a) and (b) above: (i) the relevant trust fund's donors, through the trust fund's constituent documents, agree that the trust fund bears any associated financial and/or credit risks resulting from deviations from the financial terms and structures contemplated in this

[12] Commercial debt means debt provided by a lender that is wholly or predominantly privately owned, or a lender that is publicly owned but is an autonomous entity established and operating under commercial law for the purposes of pursuing profit (such as a state-owned commercial bank).

Policy; and (ii) where a different fee regime is proposed, the principle of full cost recovery for the Bank applies[13].

b. Policy-Based Guarantees

i. ***General.*** Policy-based guarantees cover debt service defaults, irrespective of the cause of such default, on a specified portion of commercial debt owed by Government and associated with the supported Government's program of policy and institutional actions, in accordance with OP 8.60, Development Policy Financing. In providing guarantee coverage, the Bank assesses the appropriateness of the Government undertakings, taking into account country, market and program circumstances. Policy-based guarantees do not support bilateral debt or debt extended by publicly owned entities that operate under public law for public policy purposes (e.g., bilateral financiers, government owned-policy banks and export/import agencies).

ii. ***Special Requirements for IDA policy-based guarantees***. IDA only provides policy-based guarantees for IDA countries at low or moderate risk of debt distress, provided they comply with Bank policies relating to non-concessional borrowing.

c. Financial Terms of Bank Guarantees.

i. ***Maturity Limits.*** Guarantee maturity calculations are determined, based on the type and structure of the guarantee, and are subject to the following overall limitations:

A. *IBRD Guarantees Maturity Limits*. Except as provided in sub-paragraph C below, IBRD's financial exposure under IBRD guarantees is subject to the same average and final maturity limits as those applicable to IBRD Flexible Loans. When justified by particular project or program needs, the Board may decide to approve an exception to the average or final maturity limits.

B. *IDA Guarantees Maturity Limits*. IDA's financial exposure under IDA guarantees is subject to the same maximum allowable final maturity limits as those applicable to IDA Credits to the member country.

C. *SDPGs.* IBRD's financial exposure under SDPGs is subject to the same maturity limits as those applicable to SDPLs.

ii. ***Pricing.*** The pricing of IBRD and IDA guarantees includes several fees, and is determined based on the concept of loan equivalency with IBRD loans and IDA Credits, respectively.[14] These fees are generally paid by the implementing entity in the case of project-based guarantees, and by the Government in the case of policy-based guarantees. The currently applicable Bank guarantee-related fee levels are

[13] The Bank's legal agreements and/or the guarantee structure include appropriate risk mitigation measures; and limit the payment obligation of the Bank in the event of a call on the guarantee to the amount of funds made available to the Bank in the relevant trust fund.

[14] See Annex 1.

available at http://treasury.worldbank.org/. Once the Bank guarantee-related fees are fixed for a specific guarantee, they remain unchanged for the life of that guarantee.

A. *IBRD Guarantee Pricing.* IBRD guarantee pricing comprises three components: a guarantee fee, standby fee and a front-end fee.

   1) *Guarantee Fee.* IBRD guarantee fees are determined from time to time by the Board. The guarantee fee is set at the same level as the contractual lending spread for IBRD loans, and may include, as applicable, a maturity premium. The IBRD guarantee fee is charged on that portion of the guaranteed amount that IBRD has contractually committed and for which IBRD has financial exposure under the guarantee.

   2) *Standby Fee.* IBRD standby fees are determined from time to time by the Board. The standby fee is set at the same level as the commitment fee on IBRD loans. The standby fee is calculated periodically and applied to that portion of the guaranteed amount that IBRD has contractually committed and for which IBRD does not yet have financial exposure under the guarantee. The IBRD standby fee is normally charged semi-annually and accrues sixty (60) days after the date of signing of the agreement providing for IBRD's guarantee. The IBRD standby fee is payable no later than the effective date of the guarantee. IBRD does not charge a standby fee in respect of an IBRD guarantee that does not become effective.

   3) *Front-End Fee.* The IBRD front-end fee is a one-time fee set at the same level as the front-end fee on IBRD loans and is charged up-front on the maximum amount of the IBRD guarantee.

   4) *Pricing of SDPGs*. SDPGs are offered on an exceptional basis to eligible IBRD member countries that are approaching or are in a crisis with substantial structural and social dimensions, and that have extraordinary and urgent financial needs. The pricing of SDPGs is decided from time to time by the Board, and is described at http://treasury.worldbank.org/. A higher guarantee fee and front-end fee are charged in respect of SDPGs than under normal policy-based guarantees. The IBRD standby fee is applied to SDPGs.

B. *IDA Guarantee Pricing.* The pricing of IDA guarantees comprises two components, a guarantee fee and a stand-by fee.

   1) *Guarantee Fee.* IDA guarantee fees are determined by the Board. The guarantee fee is set at the same level as the service charge on IDA Credits and is charged on that portion of the guaranteed amount that IDA has contractually committed and for which IDA has financial exposure under the guarantee.

   2) *Standby Fee.* The IDA standby fee is set at the same level as the commitment charge for IDA Credits and is charged on that portion of the guaranteed amount that IDA has contractually committed and for which IDA does not yet have financial exposure under the guarantee. The IDA standby fee is normally charged semi-annually and accrues sixty (60) days after the date of signing of

the agreement providing for IDA's guarantee. The IDA standby fee is payable no later than the effective date of the guarantee.

C. *Payment of Fees*. Guarantee fees and standby fees are payable in advance; either charged and collected in advance of each fee period, or charged in a single lump-sum amount upfront calculated on a present value basis. The IBRD front-end fee is payable as a condition to effectiveness of the specific guarantee.

D. *Refund of Guarantee Fee*. If, during the life of a Bank guarantee, the Bank's financial exposure under its guarantee is reduced or canceled, the Bank may, in its discretion, refund to the paying party a portion of any guarantee fee that the Bank has already received in advance, commensurate with the reduction in exposure.

E. *Additional Fees for private sector projects*. Initiation fees and processing fees, which are determined from time to time by Management, may be charged by the Bank, as appropriate, for specific private sector projects.

iii. ***Accelerability.*** Accelerability of guarantees is applied as follows:

(A) Subject to (B) below, IBRD project-based guarantees may be accelerable;

(B) Enclave IPF guarantees and IBRD policy-based guarantees may be accelerable only under exceptional circumstances[15]; and

(C) IDA guarantees are non-accelerable.

If an IBRD guarantee is accelerable, the unpaid balance of the guarantee may be payable by IBRD: (1) if the underlying debt guaranteed by IBRD is accelerated and becomes due and payable; and (2) upon call of the guarantee during a guarantee callable period. If a Bank guarantee is not accelerable, the Bank's payment obligations to the lenders (including bond holders) are limited to the principal and interest obligations in accordance with the original schedule of the guaranteed debt.

iv. ***IDA Country Allocations for Guarantees.*** When extending an IDA guarantee, IDA reduces the country's available allocation by a minimum of 25 percent of the face value of the guarantee.

4. IBRD Enclave IPF. IBRD extends IPF in the form of loans and guarantees for projects in IDA-only countries, subject to credit enhancement features that adequately mitigate IBRD's credit risk, on the following terms and conditions:

a. Requirements. IBRD provides Enclave IPF subject to credit enhancement that adequately mitigates IBRD's credit risk: (i) for projects that are expected to generate large economic benefits with significant developmental impact in the member country; and (ii) for projects that cannot be fully financed out of the country's own resources, IDA resources, and other concessional financing resources. IBRD provides Enclave IPF only for an IDA-only country which will have the resources necessary to meet its repayment

[15] Requiring the approval of the Managing Director in charge of operations.

obligations to IBRD, including sufficient foreign exchange to cover the country's foreign exchange related payment obligations to IBRD under the Enclave IPF. Consequently, Enclave IPF may be provided in the following circumstances: (a) in an IDA-only country at low or moderate risk of debt distress, for a project that does not itself generate foreign exchange, but has clear economic and financial benefits with strong financial flows in local currency and the IDA-only country has sufficient alternative non project related foreign exchange to cover the country's obligations to IBRD under the Enclave IPF; or (b) in any IDA-only country, for a foreign-exchange-earning project that generates sufficient foreign exchange to cover the country's obligations to IBRD under the Enclave IPF.

b. Pricing. Pricing of Enclave IPF is based on the pricing of IBRD IPF. In certain cases, pricing of Enclave IPF may be higher than IBRD IPF pricing as Enclave IPF is provided for IDA-only countries, which have a higher credit risk.

5. Other Financial Products

a. IBRD Hedging Products

i. IBRD offers the following stand-alone hedging products for IBRD loans, to help Borrowers manage their financial risks: interest rate swaps, interest rate caps and collars, currency swaps, and on a case-by-case basis, commodity swaps.[16] Borrowers have the option to execute interest rate swaps and/or currency swaps with or without a floor on the floating leg of the swap.

ii. IBRD also offers hedges on currencies, interest rates, commodities and indices that are of a type that has been, is presently or in the future becomes the subject of dealings in the financial markets, in connection with clients' non-IBRD debt. These products may be used for sovereign liability management, as well as for asset and liability management. Clients eligible to use these products are member countries and sub-national entities[17] that are in good standing with respect to debt service obligations to the Bank, if any, or are otherwise eligible for new IBRD financing[18]. The availability of hedges relating to non-IBRD debt is subject to an overall program limit decided by the Board, currently USD equivalent 18 billion of hedges on currencies, commodities and indices and USD equivalent 50 billion of interest rate swaps, as well as country-specific limits and the country's position in the risk classification system as decided by Management.

iii. Clients that wish to use IBRD hedging products are first required to enter into a master derivatives agreement with IBRD. Management determines the transaction fees

[16] IFL and FSL (Fixed-Spread Loans – see Section III.1.a. iii above) risk management options (currency conversions, interest rate conversions, caps and collars) are embedded in the Loan Agreement.

[17] Hedges on IBRD Borrowers' non-IBRD debt may be offered to sub-national entities subject to the transaction being structured such that IBRD is not exposed to any subnational credit risk (e.g., through a sovereign guarantee, upfront premium payments, etc.)

[18] An existing loan portfolio with IBRD is not a pre-requisite for this product offering.

charged in connection with these hedging products. The transaction fees are set forth in Annex 3 of Bank Directive “Financial Terms and Conditions of Bank Financing”. Information on the terms and conditions, and transaction fees of hedging products, is also available at http://treasury.worldbank.org/.

b. **Disaster Risk Management Products.** The Bank offers intermediation of disaster risk management products to hedge the following natural disaster risks: (1) those derived from meteorological or geological events, including, without limitation, earthquakes and tsunami, and (2) pandemics, epidemics and other events affecting health issues like morbidity, mortality and longevity. In addition to derivatives, IBRD and IDA may offer the following products: (a) insurance and reinsurance contracts with clients; (b) collateralized bonds linked to disasters (catastrophe bonds) issued by (as the case may be) client countries, their sub-national entities and regional and international organizations, and purchased by the Bank; and (c) any mechanism to make premium payments to the Bank which, through the above instruments, enables clients to receive protection from certain disaster risks, with an equivalent function and risk profile as the instruments listed above that receives the required Management-level finance and risk approvals. These products are available for IBRD and IDA member countries eligible to receive Bank financing, their sub-national entities, and regional and international organizations.[19]

SECTION IV – WAIVER

A Waiver of any provision of this Policy may be granted only in accordance with the provisions of Bank Policy “Operational Policy Waivers” and the Bank Procedure “Operational Policy Waivers and Waivers of Operational Requirements”.

SECTION V – EFFECTIVE DATE

This Policy is effective as of the date on its cover page.

SECTION VI – ISSUER

The Issuer of this Policy is the Vice President – Operational Policy and Country Services.

SECTION VII – SPONSOR

The Sponsor of this Policy is the Vice President - Treasurer.

SECTION VIII – RELATED DOCUMENTS

Bank Directive, “Financial Terms and Conditions of Bank Financing”

[19] IDA intermediates index-based weather derivatives for IDA-only recipient countries, and IBRD intermediates index-based weather derivatives for all member countries for whom such transactions would not otherwise be intermediated by IDA.

OP 10.00 – Investment Project Financing

OP 8.60 – Development Policy Financing

Bank Policy, “Program-for-Results Financing”

OP 8.45 - Grants

OP 3.10 - Financial Terms and Conditions of IBRD Loans, IBRD Hedging Products, and IDA Credits (archived)

OP 14.25 – Guarantees, December 2005 (archived)

R2017-0034/1 “Increasing the Frequency of Variable Spread Reset for IBRD IFLs. March 8, 2017 [Official Use Only]

R2016-0185 “Technical Amendment to Risk Management Practices in the Provision of Conversions and Hedges” September 20, 2016 [Official Use Only]

R2016-0019/1 “Enhancing IDA’s Financial Support in IDA17”. March 2, 2016

IDA/R2015-0176 “IDA Commitment Charge for FY16”. June 12, 2015 [Official Use Only]

R2015-0111 “Allocation of FY15 Net Income and Waivers of Loan Charges for FY16”. June 3, 2015

IDA/R2015-0085, “Extension of the IDA Single-Currency Lending Pilot Program”. April 13, 2015 [Official Use Only]

R2015-0015/1, IDA/R2015-0010/1, “Proposal to Extend Intermediation of Disaster Risk Management Products to Include New Instruments and Perils”. March 17, 2015 [Official Use Only]

R2015-0016, “Proposal to Expand the Offering of Hedging Products to IBRD Clients”. February 3, 2015 [Official Use Only]

IDA/R2014-0077/1, “Additions to IDA Resources: Seventeenth Replenishment, Maximizing Development Impact”. March 27, 2014

R2014-0012/1, “Improving Margins for Manoeuvre”, February 4, 2014 [Confidential]

R2013-0206, “Enhancing the World Bank’s Operational Policy Framework on Guarantees”, November 20, 2013 [Official Use Only]

R2012-0194, "Proposal to Extend Intermediation of Natural Disaster Risk Management Products", September 14, 2012 [Official Use Only]

IDA/R2012-0140, “IDA Single-Currency Lending Pilot Program", May 16, 2012 [Official Use Only]

R2012-0042, "Proposal to Offer IBRD Borrowers Additional Flexibility to Convert Loans with a Variable Spread", March 1, 2012 [Official Use Only]

R2012-0005, "Review of DPL-DDO Pricing Structure", January 10, 2012 [Official Use Only]

R2010-0151, “2010 Review of New Loan Pricing”, June 1, 2010 [Official Use Only]

R2009-0187, "World Bank Response to Financial Crises: The Special Development Policy Lending Option", July 31, 2009 [Official Use Only]

R2009-0182/1, “2009 Review of New Loan Pricing”, July 30, 2009 [Official Use Only]

R2008-0156, “2008 Review of New Loan Pricing”, July 7, 2008 [Official Use Only]

R2008-0101, "Enhancing the Value of IBRD Financial Products: Proposal to Provide Local Currency Conversion through Back-to-Back Borrowing and On-Lending Arrangements", May 12, 2008

R2008-0077, "Proposal to Offer Weather Derivatives Intermediation to IBRD and IDA Countries", April 21, 2008

R2008-0018, "Proposal to Enhance the IBRD Deferred Drawdown Option (DDO) and to Introduce a DDO Option for Catastrophic Risk", February 4, 2008

R2008-0007, "Proposal to Extend Maturity Limits for New IBRD Loans and Guarantees and to Simplify and Consolidate IBRD Loans into a Unified Single Product Line", January 18, 2008 [Official Use Only]

R2007-0196, “Recommendations for Simplifying and Improving the Competitiveness of IBRD New Loan Pricing”, September 19, 2007

R2007-0130, "Proposal to Authorize the Amendment of Variable Spread Loans and Fixed-Single Currency Loans", June 11, 2007

IDA/R2006-0137/1, “IDA Countries and Non-Concessional Debt: Dealing with the Free-Rider Problem in IDA14 Grant-Recipient and Post-MDRI Countries”, August 7, 2006.

R2005-0233, “Re-aligning IDA Guarantee Fees with IDA Credit Charges”, November 28, 2005.

R2005-0113, "Expanding Opportunities for Clients' Use of IBRD Hedging Products", May 17, 2005 [Official Use Only]

R2005-0078, “Simplifying the Pricing Framework and Improving Competitiveness for IBRD Partial Risk Guarantees”, April 6, 2005. [Official Use Only]

IDA/R2004-0057, “IDA Guarantees Amendments to Pilot Program”, March 17, 2004.

R2001-0174, "Proposal to Introduce a Deferred Drawdown Option (DDO) for Use with IBRD Adjustment Loans", October 18, 2001

R2000-232, "Proposal to Introduce Local Currency Financial Products", December 19, 2000

R2000-215, IDA/R2000-215 “Enhancing the Use of World Bank Guarantees as an Operational Tool - A Review of the World Bank Guarantee Program”, November 27, 2000

SecM2000-156, "Front-end Fees", March 27, 2000

R2000-1/2 “Aligning the Charges on IBRD Guarantees and Loans – Second Revision”, September 11, 2000. [Official Use Only]

R2000-1 “Aligning the Charges on IBRD Guarantees and Loans”, January 4, 2000. [Official Use Only]

SecM99-140, "Enhancing the Value of IBRD Financial Products: Proposal to Introduce New Loan and Hedging Products", March 1, 1999 [Official Use Only]

IDA/R97-135 “A Proposal for IDA Guarantees in IDA-Only Countries”, October 31, 1997.

R97-204 “Proposal to Charge Fees for Processing World Bank Guarantees and Other Support to Project Finance Operations”, August 15, 1997. [Official Use Only]

R97-85, IDA/R97-36 “Use of IBRD Guarantees to Support Private Enclave Projects in IDA-Only Countries”, April 28, 1997

R96-214 “Enclave Guarantees: World Bank Support for Private Projects and Role of IBRD Guarantees in IDA-Only Countries”, October 25, 1996

R94-145 “Mainstreaming of Guarantees as an Operational Tool of the World Bank”, July 14, 1994.

R87-6 “Financial Aspects of Guarantees”, January 13, 1987.

Questions regarding this Policy should be addressed to the Sponsor.

ANNEX 1

Board-approved Pricing Elements of IBRD Loan Products

As of July 1, 2016
Figures in basis points (bps) per annum, unless otherwise noted

IBRD Flexible Loan (IFL)*	8 years and below	Greater than 8 and up to 10 years	Greater and 10 and up to 12 years	Greater than 12 and up to 15 years	Greater than 15 and up to 18 years	Greater than 18 and up to 20 years
Commitment Fee	25	25	25	25	25	25
Front-end Fee **	25	25	25	25	25	25
Contractual Spread	50	50	50	50	50	50
Maturity Premium	0	10	20	30	40	50
Default Interest Rate	50	50	50	50	50	50

* excludes the surcharge on excess exposure (see Annex 2)

Development Policy Loan with Deferred Drawdown Option (DPL DDO)	
Front-end Fee **	25
Stand-by Fee	50

Development Policy Loan with Catastrophe Deferred Drawdown Option (Cat DDO)	
Front-end Fee **	50
Renewal Fee ***	25

Special Development Policy Loan (SDPL)	
Front-end Fee **	100
Commitment Fee	25
Fixed Spread Over LIBOR	min. 200

** One-time fee.
*** Payable upon each renewal.

Note: This table excludes pricing elements which are approved by Management. Please refer to http://www.treasury.org/ for current IBRD loan pricing.

The pricing of IBRD and IDA guarantees includes several fees, and is determined based on the concept of loan equivalency with IBRD loans and IDA credits, respectively. The following table presents IBRD and IDA guarantee pricing as of July 1, 2016.

IBRD and IDA Guarantee Pricing

Charge	Fee	IBRD Guarantees [1]		IDA Guarantees	
		Private Sector Projects	Public Sector (Project or Policy Based)	Private Sector Projects	Public Sector (Project or Policy Based)
Up-Front (One-time)	Front-End	25 bps of guarantee amount		N.A.	
	Initiation	Greater of 15 bps of guarantee amount or USD100,000	N.A.	Greater of 15 bps of guarantee amount or USD100,000	N.A.
	Processing [2]	Up to 50 bps of guarantee amount	N.A.	Up to 50 bps of guarantee amount	N.A.
Recurring	Standby [3]	25 bps		0 bps	
	Guarantee [4]	50 (+premium as applicable) bps [5, 6]		75 bps	

Note: This table includes pricing elements – initiation and processing fees – which are determined by Management. The information in this table is intended to provide readers with a comprehensive picture of all fees applicable to IBRD and IDA Guarantees.

1. Includes IBRD Enclave Guarantees for IDA countries. Excludes the surcharge on excess exposure (see Annex 2).
2. Determined on a case by case basis. In exceptional cases, projects can be charged over 50 bps of the guarantee amount.
3. Set at the same level as the commitment charge on IBRD loans and IDA Credits, respectively.
4. The guarantee fee is charged on *Bank's financial exposure* under the guarantee, i.e. the present value of the guarantee (which is typically equal to outstanding guarantee amount during a callable period).
5. Guarantee maturity calculations are determined based on the type and structure of a guarantee. For IBRD, the maximum final maturity is 35 years, and fees include an annual premium based on average maturities as follows:
   a) 0 bps for 8 years and below;
   b) 10 bps for greater than 8 and up to 10 years;
   c) 20 bps for greater than 10 and up to 12 years;
   d) 30 bps for greater than 12 and up to 15 years;
   e) 40 bps for greater than 15 and up to 18 years; and
   f) 50 bps for greater than 18 and up to 20 years.

6. In certain cases, IBRD enclave guarantees for IDA-only countries may have higher pricing than the above IBRD prices.

ANNEX 2

SINGLE BORROWER LIMITS AND SURCHARGE ON EXCESS EXPOSURE

1. **Single Borrower Limit.** US$ 20 billion for India and US$19 billion for other SBL-eligible Borrowers.

2. **SBL Surcharge.** 0.50% per annum on exposure in excess of the Standard Exposure Limit.

3. **Definitions.** For purposes of this Annex 2:

   “SBL-eligible Borrowers” means those Borrowers to which IBRD has the highest exposure.

   “Standard Exposure Limit” means $16.5 billion (except for India for which it means $17.5 billion).

4. **The Single Borrower Limit**, SBL Surcharge and Standard Exposure Limit are determined by the Board.

ANNEX 3

IDA FINANCING TERMS
(effective as of July 1, 2016)

	Maturity [b]	Grace Period	Principal Repayments		Acceleration Clause [c]	Service Charge for Credits [d/e]	Interest rate [z]
			Year 7 - 20	Year 21 - 38			
Grants [a]	NA	NA	NA	NA	NA	NA	NA
Regular [f/o]	38	6	3.125%	3.125%	Yes	0.75%	NA
Blend [g/o]	25	5	3.3% [h]	6.7% [i]	Yes	0.75%	Fixed
Hard Term Lending [j]	25	5	3.3% [h]	6.7% [i]	Yes	0.75%	Fixed or Floating [k/ l/ m]
Transitional Support	25	5	5.0% [h]	5.0% [i]	No	0.75%	Fixed or Floating [k/ m/ n]
Scale-Up Facility Option 1	24	5	5.0% [t]	5.5% [u]	No	N/A	Fixed or Floating [p/ q]
Scale-Up Facility Option 2	27	8	5.0% [v]	5.5% [w]	No	N/A	Fixed or Floating [p/ r]
Scale-Up Facility Option 3	30	9	4.7% [x]	4.9% [y]	No	N/A	Fixed or Floating [p/ s]

Notes:

a/ Countries with a high risk of debt distress ('red-light countries') receive 100 percent of their allocation in the form of grants and those with a moderate risk of debt distress ('yellow-light countries') receive 50 percent in the form of grants. Grants are not subject to repayment or service charges, but carry a 20 percent volume discount on the country's allocation.

b/ The maturity of all IDA credits approved by the Board through June 30, 1987 is 50 years. The maturity of IDA credits approved by the Board between June 30, 1987 and June 30, 2011 are 35 or 40 years. The maturity of credits approved between July 1, 2011 and June 30, 2014 are 25 or 40 years.

c/ IDA credits include an acceleration clause, providing for doubling of principal payments from creditworthy borrowers where per capita income remains above eligibility thresholds. IDA credits on hardened terms (approved during IDA13-IDA15) are exempt from the accelerated repayment provisions.

d/ All IDA credits are subject to a commitment charge. IDA's Commitment charge is a variable charge set within a range of 0 - 0.5 percent of the undisbursed balance of IDA's credits and grants. Executive Directors review and approve the level of the commitment charge annually.

e/ To ensure that IDA covers its administrative expenses and to prevent a negative interest charge, IDA applies a floor of 0.75 percent for the service charge and a floor of 0 percent for the interest charge for all currencies. The service charge is applied as a percentage of the disbursed and outstanding credit balance.

f/ Regular credit for small island economies continues to be 40 yr. maturity; 10 yr. grace period; 2% pa yrs. 11-20; 4% pa yrs. 21-40.

g/ Blend terms apply to blend countries and IDA countries with GNI per capita above the operational cutoff for more than two consecutive years, known previously as "gap" or "hardened term" countries. An exception to the GNI per capita operational cutoff for IDA eligibility has been made for some small island economies on the basis of their vulnerability.

h/ Year 6-15.

i/ Year 16-25.

j/ Blend countries (excluding small island states with a population of less than 1.5 million that receive regular IDA credit terms) are eligible for hard-term IDA credits. These resources are additional to a country's regular performance based allocation. The access to hard-term credits is expanded in proportion to the countries' performance based allocation.

k/ IDA hard-term and transitional support credits denominated in SDR are available with fixed rates. IDA hard-term and transitional support credits denominated in single currency are available in fixed or floating rate.

l/ IDA sets the SDR interest rate for hard-term credits on an annual basis (in June of each year for the new fiscal year starting July 1) as the fixed rate equivalent of IBRD fixed spread interest rates less 200 basis points. Hard-term single currency floating rate credits are priced at the applicable reference rate for 6 months plus the IBRD fixed spread prevailing at time of signing for loans with an average maturity of 15-18 years less 200 basis points. In addition, IDA hard-term single currency floating rate credits carry a transaction fee of 1 basis point per annum and IDA's standard service charge of 75 basis points. In case of prepayments of hard-term floating rate credits, IDA passes on to the floating rate borrower the costs or gains from the swap terminations.

m/ Single currency fixed rates for hard-term and for transitional support credits are set quarterly and are calculated as the fixed rate equivalents of the single currency hard term floating rates and single currency transitional support floating rates, respectively, excluding the 1 basis point transaction fee.

n/ IDA sets the SDR interest rate for transitional support credits on a quarterly basis as the fixed rate equivalent of IBRD fixed spread interest rates less 100 basis points. Transitional support single currency floating rate credits are priced at the applicable reference rate for 6 months plus the IBRD fixed spread prevailing at time of signing for loans with an average maturity of 15-18 years less 100 basis points. In addition, IDA transitional support single currency floating rate credits carry a transaction fee of 1 basis point per annum and IDA's standard service charge of 75 basis points. In case of prepayments of transitional support floating rate credits, IDA passes on to the floating rate borrower the costs or gains from the swap terminations.

o/ The rates for single currency credits are set quarterly. Credits approved in each quarter are subject to the rates published in the beginning of that quarter.

p/ IDA Scale-Up Facility credits denominated in SDR are available with fixed rates. IDA Scale-up Facility credits denominated in single currency are available in fixed rates. Float rates in single currency are available for Blend countries only. The Scale-up Facility single currency denominated credits with a floating rate are available with a fixed spread or a variable spread. All Scale-up Facility credits are subject to an all-in-rate floor of 75 basis points. The Scale-up Facility credits also carry a one-time front-end fee of 0.25% and a commitment fee of 0.25%. The front-end fee is charged on the committed amount. The commitment fee is charged on the undisbursed amount of the credit. The commitment fee is payable semi-annually once the credit is effective. Single currency and SDR fixed rates are set quarterly as the fixed rate equivalent of the floating rates.

q/ Scale-Up Facility Option 1 floating rate credits with fixed spread are priced at the applicable reference rate for 6 months plus the IBRD fixed spread prevailing at time of signing for loans with an average maturity of 12-15 years. Floating rate credits with a variable spread are priced at the applicable reference rate for 6 months plus the IBRD variable spread for loans with an average maturity of 12-15 years.

r/ Scale-Up Facility Option 2 floating rate credits with fixed spread are priced at the applicable reference rate for 6 months plus the IBRD fixed spread prevailing at time of signing for loans with an average maturity of 15-18 years. Floating rate credits with a variable spread are priced at the applicable reference rate for 6 months plus the IBRD variable spread for loans with an average maturity of 15-18 years.

s/ Scale-Up Facility Option 3 floating rate credits with fixed spread are priced at the applicable reference rate for 6 months plus the IBRD fixed spread prevailing at time of signing for loans with an average maturity of 18-20 years. Floating rate credits with a variable spread are priced at the applicable reference rate for 6 months plus the IBRD variable spread for loans with an average maturity of 18-20 years.

t/ Year 6-14.

u/ Year 15-24.

v/ Year 9-17.

w/ Year 18-27.

x/ Year 10-23.5.

y/ Year 24-30.

z/ The up-to-date interest rate information and IDA lending terms are published at http://www.worldbank.org/ida/financing.html and http://treasury.worldbank.org/bdm/htm/IDACreditPricing.html.