



IBRD

FINANCIAL SOLUTIONS

Financing and Risk Management
for Governments and
Public Sector Entities

TREASURY
THE WORLD BANK

Providing development solutions to IBRD members through cost-effective and innovative financial products and services

IBRD offers innovative risk management products and a choice of lending terms combining competitively priced, flexible financing with effective risk management tools and world-class technical expertise.

Accessing Low-cost Financing

For many middle-income countries the cost and availability of capital are cyclical. But stable, transparent, low pricing is available from IBRD, and governments can take advantage of competitive rates to finance development agendas in today's increasingly volatile markets.

Protecting Public Balance Sheets from Interest Rate and Currency Volatility

Cash flow and liquidity risks can threaten public finances when currency or interest rates of project finance are mismatched with currency or interest rates of revenue. Today's IBRD loans are designed so clients can select currencies and fixed or floating interest rates to mitigate financial risks at project inception and throughout the life of the loan. Similarly, public entities can customize loan terms for non-revenue generating projects or apply stand-alone hedging transactions to their portfolios. These options can reduce future vulnerabilities to foreign exchange risk and interest rate volatility.

Avoiding the Clustering of Future Debt Repayments

Confronted with rising debt obligations and difficulties in managing public finances, many governments are struggling to protect resources and undertake vital investment spending. Treasury specialists can assist clients to develop a public debt management strategy as a framework for using financial products and hedging strategies to manage debt and reduce risks. IBRD loans offer long maturities and customized repayment schedules to help manage liquidity risks. For example, borrowers can tailor repayment schedules to avoid principal repayments on new IBRD loans during periods of accumulated debt repayments.

Managing Commodity Price Volatility

Adverse movement in commodity prices can pose serious budget risks for both producing and consuming countries. Clients can access IBRD risk management products to manage price volatility risk, and take advantage of World Bank expertise to assess exposure to commodity market movements, design an appropriate risk management framework, and execute hedging transactions to offset price risks.

Adapting to Climate Change and Managing Disaster Risk

Natural disasters and adverse weather conditions can substantially affect public finances, especially in countries that have limited access to funding or market tools designed to manage these risks. The World Bank is working with middle- and low-income countries to develop customized, proactive risk-financing strategies—from immediate budget support and insurance-linked securities to sovereign budget and agriculture insurance programs.

Mobilizing Private Resources for Public Investment Needs

Private sector financing for development projects can be difficult to attract, but World Bank guarantees can mitigate a range of risks to facilitate private investment and commercial borrowing by governments and public sector entities.

Satisfying Funding Needs at the Subnational Level

After decentralization and other reforms, many local governments and public enterprises have been unable to fill their investment gaps from market sources without multilateral support. The World Bank Group offers subnationals two options: IBRD financing and risk management products *with* a sovereign guarantee on the same terms as national governments, or financing *without* a sovereign guarantee on commercial terms through the joint IFC-World Bank Subnational Finance program.

The Added Value of IBRD Financial Solutions

- ☐ **Financing:**
 IBRD's AAA credit rating can secure clients access to financial products with built-in risk management tools in larger volumes, with longer maturities and at lower cost than many other lenders. Plus, technical expertise is included in the cost of IBRD loans.
- ☐ **Risk Management:**
 Loans with built-in risk management tools enable clients to access derivatives instruments without the need for technological infrastructure to support the transactions. Clients can also apply stand-alone hedging products to manage risks on non-IBRD debt obligations and older IBRD loans. Advantages include the absence of credit-risk charges or collateral posting requirements and the benefit of IBRD's AAA market intermediation.
- ☐ **Knowledge:**
 IBRD financial solutions are developed with World Bank global expertise and best practice so clients gain access to state-of-the-art knowledge and experience. Personal assistance from financial specialists with in-depth knowledge about the structuring and execution of derivatives, and technical experts with broad project knowledge across all sectors and regions improves both technical and financial project architecture.

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IBRD Financial Products & Services

Loans	<ul style="list-style-type: none"> • IBRD Flexible Loan • Local currency loans • Subnational finance
Contingent Financing	<ul style="list-style-type: none"> • Deferred Drawdown Option (DDO)—<i>a committed credit line</i>
Credit Enhancement	<ul style="list-style-type: none"> • Partial risk guarantees (IBRD and IDA) • Partial credit guarantees and policy-based guarantees
Hedging Products	<ul style="list-style-type: none"> • Currency swaps • Interest rate swaps • Interest rate caps and collars • Commodity price swaps
Catastrophe Risk Management	<ul style="list-style-type: none"> • Weather hedges (IBRD and IDA) • CAT DDO—<i>a committed credit line for catastrophe risk</i> • Insurance pools • Catastrophe bonds
Client Advisory Services	<ul style="list-style-type: none"> • Asset management (<i>central banks, sovereign wealth funds and public pension funds</i>) • Public debt management • Asset-liability management • Capital market access strategy and implementation • Transaction processing, reporting, and IT

How can you access IBRD Financial Products and Services?

*Please contact us through your IBRD
representative or directly at:*

Banking & Debt Management THE WORLD BANK TREASURY

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