



# **World Bank Sustainable Development Bond Framework**

Last updated March 2021

# Table of Contents

- ABOUT THE WORLD BANK ..... 3
- SUSTAINABLE DEVELOPMENT BOND PROCESS ..... 4
  - USE OF PROCEEDS..... 4
  - PROCESS FOR EVALUATION AND SELECTION OF ELIGIBLE OPERATIONS ..... 6
  - MANAGEMENT OF PROCEEDS ..... 7
  - REPORTING ..... 7
- ANNEX 1: World Bank Project Cycle ..... 9
- ANNEX 2: World Bank Oversight & Accountability Mechanisms..... 10

## ABOUT THE WORLD BANK

The International Bank for Reconstruction and Development (IBRD) was established in 1944 and is the original member of the World Bank Group. IBRD is an international organization and global development institution owned by 189 member countries. As the largest development bank in the world, it supports the mission and strategy of the World Bank Group (WBG)<sup>1</sup> by providing loans, guarantees, risk management products and advisory services to middle-income and creditworthy low-income countries. IBRD issues bonds in the international capital markets to finance its sustainable development activities. In the capital markets, IBRD is also known as the World Bank.

### The World Bank Group Strategy

At the heart of the World Bank Group's strategy<sup>2</sup> are two goals endorsed by its Board of Governors in 2013:

- **End extreme poverty** by reducing the percentage of people living on less than US\$1.90 a day to three percent; and
- **Promote shared prosperity** by fostering income growth for the bottom 40 percent of the population in every developing country by 2030.

To deliver on the twin goals that are aligned with the UN Sustainable Development Goals (SDGs), the WBG's management and shareholders have agreed on three main priorities for our work with developing countries: (1) accelerate sustainable and inclusive growth, (2) invest in human capital, and (3) strengthen resilience.

This overarching strategic framework rests on four pillars: (1) serving all clients in low- and middle-income countries; (2) creating markets, mobilizing finance for development, and expanding the use of private sector solutions; (3) leading on global issues; and (4) improving the ways we do business to be agile, efficient, and closer to clients.

### Working Towards the Sustainable Development Goals

The WBG's goals, and the partnerships needed to achieve them, are aligned with the global community's efforts to reach the SDGs by 2030. Adopted in 2015, the SDGs are a historic global achievement. They encompass 17 targets, in areas such as health, gender equality, jobs, energy, environment, infrastructure, poverty reduction, and partnerships, all as part of a comprehensive global agenda to end poverty in a single generation. The SDGs were formulated with strong participation from the WBG and are fully consistent with its twin goals.

In designing its projects and programs, the World Bank works closely with its member governments to assess each country's trajectory for reaching the SDGs. This long-term dialogue and relationship produce a Country Partnership Framework identifying the country's priorities and the expertise that the World Bank can provide to support the country's efforts to improve performance in lagging sectors. The resulting process identifies World Bank activities to support the government's development priorities, applying the World Bank's comparative advantage in line with its development mission and the SDGs.

### Capital Markets Funding Supports Sustainable Development

The World Bank has been issuing bonds since 1947, initially to support the reconstruction of Europe after World War II. Starting in the 1960s, the Bank's mission shifted to poverty alleviation. Today, all World Bank bonds fund sustainable development activities designed to achieve positive environmental and social impact. The World Bank raises funds in the

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<sup>1</sup> For the purpose of this document, "World Bank" or the "Bank" refers to IBRD. The "World Bank Group" is the unofficial name that is used to collectively refer to five entirely independent international organizations: International Bank for Reconstruction and Development, International Development Association, International Finance Corporation, Multilateral Investment Guarantee Agency and International Centre for Settlement of Investment Disputes.

<sup>2</sup> "A Stronger, Connected, Solutions World Bank Group: An Overview of the World Bank Group Strategy", October 2013, <https://openknowledge.worldbank.org/handle/10986/16093>

world's financial markets through its Global Debt Issuance Facility and its Discount Notes Program. The World Bank has been a leader in transparency, disclosure, and standard setting for green bond issuances since 2008, when it launched the World Bank Green Bond Program.<sup>3</sup>

## SUSTAINABLE DEVELOPMENT BOND PROCESS

World Bank Sustainable Development Bonds<sup>4</sup> are consistent with the Sustainability Bond Guidelines<sup>5</sup>, coordinated by the International Capital Market Association. The World Bank's Sustainable Development Bonds Framework is designed to provide investors with information on how all World Bank bonds support sustainable development, including examples of the types of projects and programs (Operations) that World Bank bond proceeds support through the financing of loans to member countries. This Framework specifically outlines how World Bank bonds and processes align to the four pillars of the Sustainability Bond Guidelines as noted below:

1. Use of proceeds
2. Process for evaluation and selection of eligible operations
3. Management of proceeds
4. Reporting

## USE OF PROCEEDS

All World Bank bonds support the financing of a combination of green and social, i.e. "sustainable development", projects, programs, and activities in IBRD member countries. Each project is designed intentionally to achieve both positive social and environmental impacts and outcomes in line with the WBG's twin goals of eliminating extreme poverty and promoting shared prosperity.

The World Bank works in every major area of development in partnership with member governments to find sustainable solutions to local and global development challenges. The list below provides examples of projects that meet the eligibility criteria to be supported by the World Bank's Sustainable Development Bonds and we have classified projects as social or green to show alignment with the Sustainability Bond Guidelines.

Examples of projects, programs and activities, which can be classified as "social projects" include, but are not limited to those which aim to:

- Improve health care, nutrition, and childhood development
- Improve equitable access to education, raise students' retention and completion rates, improve learning conditions in schools, train teachers and improve their foundational skills
- Advance food security
- Strengthen social security, pension, and legal systems
- Improve access for individuals and businesses to affordable financial products and services such as transactions and payment services, savings, credit, and insurance
- Support and improve access to affordable housing through regulatory and policy reform and improving access to finance

### Target Populations

World Bank projects aim to protect and empower vulnerable groups, including women and girls, the poor, disabled people, and youth to reduce poverty, improve living standards, and raise income and productivity.

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<sup>3</sup> The World Bank Green Bond Program is a subset of the Sustainable Development Bonds program which can be found on the World Bank Treasury website: <https://treasury.worldbank.org/en/about/unit/treasury/ibrd/ibrd-green-bonds>.

<sup>4</sup> For the purposes of this document, the term "World Bank Sustainable Development Bonds" refers to all notes and bonds issued by IBRD including, but not limited to, discount notes, plain vanilla bonds, structured bonds, callable bonds, and capital-at-risk bonds (including catastrophe bonds).

<sup>5</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

- Create more and higher-quality jobs, and connect disadvantaged people to jobs by eliminating barriers and building skills
- Improve the effectiveness of formal technical and vocational training, short-term skills development, and apprenticeship programs
- Provide financial, technical and advisory support for countries that have decided to transition from coal to cleaner sources of energy

Examples of projects, programs and activities which can be classified as “green projects” include, but are not limited to those which aim to:

- Advance climate-smart agriculture, improve agricultural infrastructure and support services, strengthen food value chains to become more resilient to climate change, and increase market access for smallholder farmers
- Manage water holistically for sustained water resource utilization, improved delivery of services and building resilience
- Address biodiversity conservation and challenges of pollution and natural resource degradation
- Help resource-rich developing countries benefit from the increasing demand for minerals and metals, while ensuring mining is managed to minimize the environmental and climate footprint
- Prepare national plans and legislation to protect the environment and manage disaster risk
- Contribute to climate mitigation (solar and wind installations, new technologies that reduce GHG emissions, rehabilitation of power plants and transmission facilities to reduce emissions, clean transportation, sustainable waste management, carbon reduction through reforestation and prevention of deforestation) and climate adaptation (protection against flooding, improvements in food security, climate-resilient agriculture, sustainable forest management, and prevention of deforestation).

The forgoing classification of the examples as either social or green is for convenience only. Many of the projects, programs and activities described above include social and green components by design and will produce a mix of green and social outcomes. Additional examples of eligible projects, programs, and activities can be found at: <https://www.worldbank.org/en/topic>.

### **World Bank Exclusion List**

The World Bank does not support the financing of operations that involve:

- Alcoholic beverages
- Tobacco or tobacco processing machinery
- Unworked or worked pearls, precious, and semiprecious stones
- Jewelry made of gold, silver, or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)
- Non-monetary gold (excluding gold ores and concentrates)
- Radioactive and associated materials
- Nuclear reactors (including parts thereof), or non-irradiated fuel elements (cartridges) for nuclear reactors

Other excluded areas include:

- Goods intended for a military or paramilitary purpose or for luxury consumption.
- Environmentally hazardous goods, whose manufacture, use, or import is prohibited under the laws of the member country or international agreements to which the borrower government is a party; or any other goods designated as environmentally hazardous by agreement between the member country and the World Bank.
- Any payment prohibited by a decision of the UN Security Council taken under Chapter VII of the United Nations Charter, and with respect to which the World Bank determines that corrupt, fraudulent, collusive, or coercive practices were engaged in by representatives of the member country or other recipient of the financing made available by the World Bank, without the member country (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

**Fossil fuels:** The World Bank is not financing coal-fired power generation and has not financed a new coal-fired power plant since 2010. The Bank supports countries transitioning away from coal by helping close coal mines and works with countries to help ensure a Just Transition for affected communities. The World Bank no longer finances upstream<sup>6</sup> oil and gas after 2019, with consideration only in exceptional circumstances. The Bank continues to provide technical assistance to help countries strengthen the transparency, governance, institutional capacity, and regulatory environment of their energy sectors – including in oil and gas.

## PROCESS FOR EVALUATION AND SELECTION OF ELIGIBLE OPERATIONS

All World Bank Operations are designed to achieve positive environmental and social impacts and outcomes consistent with the WBG's twin goals. Operations are approved after an extensive internal review process which integrates sustainability policies and environmental and social requirements. This is complemented by comprehensive project disclosure, portfolio management and review processes that are designed to provide timely feedback to enhance, improve and if necessary, adjust operations to achieve positive impacts in line with desired outcomes. See Annex 1 for more information on the World Bank Project Cycle.

### Assessing and Mitigating Environmental and Social Risks

The World Bank [Environmental and Social Framework](#) (ESF) sets out the World Bank's commitment to sustainable development, through a World Bank policy and a set of environmental and social standards for [Investment Project Financing](#) (IPF) that are designed to support borrowers' projects, with the aim of ending extreme poverty and promoting shared prosperity.

This framework comprises:

- A [Vision for Sustainable Development](#), which sets out the World Bank's aspirations regarding environmental and social sustainability;
- The [World Bank Environmental and Social Policy for IPF](#), which sets out the mandatory requirements that apply to the World Bank; and
- The [Environmental and Social Standards](#), together with their annexes, which set out the mandatory requirements that apply to the borrower and projects.

The ESF is holistic with 10 Environmental and Social Standards that together aim to address all the environmental and social risks and impacts that can occur during a project. Examples include resettling people to build a road or preventing water pollution when improving ports or developing wastewater treatment facilities. Each standard has requirements that member countries must meet, with the World Bank's support, to ensure proper management of these environmental and social issues. These need to be considered throughout the life of a project, which supports better project outcomes.

The 10 Environmental and Social Standards are as follows:

1. Assessment and management of environmental and social risks and impacts
2. Labor and working conditions
3. Resource efficiency and pollution prevention and management
4. Community health and safety
5. Land acquisition, restrictions on land use and involuntary resettlement
6. Biodiversity conservation and sustainable management of living natural resources
7. Indigenous peoples/Sub-Saharan African historically underserved traditional local communities
8. Cultural heritage
9. Financial intermediaries

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<sup>6</sup> Upstream is an industry term that refers to exploration of oil and natural gas fields, as well as drilling and operating wells to produce oil and natural gas. For more details: <http://www.worldbank.org/en/topic/climatechange/brief/qa-the-world-bank-group-and-upstream-oil-and-gas>.

## 10. Stakeholder engagement and information disclosure

The World Bank also undertakes financing to member countries through [Program-for-Results](#) (PforR) and [Development Policy Financing](#) (DPF) which have their own rigorous environmental and social standards, which are consistent with the ESF, designed specifically for these lending operations.

The operational approach to environmental and social risk management in PforR Operations, which support governments' implementation of programs using their own systems, with capacity strengthening as needed, is necessarily different from the project and transaction-based approach used in IPF. The PforR core principles for assessing and mitigating environmental risks are well aligned with the objectives of the ESF and reflect the Bank's mission and vision. Adherence to the core principles is monitored as part of World Bank implementation support throughout the life of the Operation. As part of this process, the World Bank carries out environmental and social management systems assessments in PforR Operations to assess the borrower's capacity for managing environmental and social effects of the program. The environmental and social systems assessment serves as a reference point for monitoring environmental and social systems performance during program implementation, and identifies actions, as needed, to enhance the systems during the program preparation and implementation. More about the PforR and related environmental and social considerations can be found in the World Bank operational [policy](#) for PforR.

DPF supports government-owned reforms and accountability across a wide range of sectors – reforms that can trigger the catalytic changes necessary to boost growth and reduce poverty and inequality. The operational [policy](#) for DPF has built-in, instrument-specific provisions for environmental and social risk management. It requires that the World Bank determines whether specific country policies supported by the Operation are likely to have significant poverty and social consequences, especially on poor people and vulnerable groups, or significant effects on the country's environment, forests, and other natural resources. For country policies with likely significant effects, the World Bank summarizes in program documentation the relevant analysis of these effects and of the systems the borrower has in place for reducing adverse effects and enhancing positive effects. If there are significant gaps in the analysis or shortcomings in the borrower's systems, the World Bank describes how such gaps or shortcomings would be addressed before or during program implementation, as appropriate.

World Bank project documentation is made available in accordance with the Bank's [Access to Information](#) Policy and may be found for on the World Bank projects portal: <http://projects.worldbank.org/>. Information on the World Bank's oversight and accountability mechanisms are presented in Annex 2.

## MANAGEMENT OF PROCEEDS

The proceeds of all World Bank bonds are invested in accordance with IBRD's liquidity asset management investment policy. Disbursement requests for eligible operations take place in accordance with IBRD's established policies and procedures. Disbursements are often made over a period of several years, depending on when each project/program milestone is reached. The use of the net proceeds is tracked by IBRD on a continuous basis and IBRD reports on the use of proceeds on an annual basis. Impact reports will be made available on the World Bank Treasury website: <http://treasury.worldbank.org>.

## REPORTING

The World Bank is committed to producing an annual impact report within one year following the close of the fiscal year (June 30) describing the Operations supported by the financing generated by World Bank bonds issued during the previous fiscal year. This report provides information on allocation of bond proceeds and reports on results across a range of measurable outcomes, highlighting a selection of individual project development indicators. Impact reports are available on the World Bank Treasury website: <http://treasury.worldbank.org>.

The World Bank monitors IBRD's operational performance through the World Bank Corporate Scorecards and provides

regular opportunities to discuss progress on Operations with the Bank's Executive Directors. The World Bank Corporate Scorecards are available online at: <https://scorecard.worldbank.org/>.

Detailed project information including target results, official project documents, and project financials are available on the World Bank project portal: <http://projects.worldbank.org/>.

## **DISCLAIMER**

*This document has been prepared by the World Bank (International Bank for Reconstruction and Development, IBRD) for information purposes only. The World Bank makes no representation, warranty, or assurance of any kind, express or implied, as to the accuracy or completeness of any of the information contained herein.*

*The projects shown herein are for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristics will be made by the World Bank during the term of the World Bank bonds. The net proceeds from the sale of the World Bank bonds are used to finance sustainable development projects and programs in IBRD's member countries without being committed or earmarked for lending to, or financing of, any particular projects or programs. Returns on the World Bank bonds are not linked to the performance of any particular project or program.*

*This document is not an offer for sale of securities of the World Bank. Any offering of World Bank bonds will take place solely on the basis of the relevant offering documentation including, but not limited to, the prospectus, term sheet and/or final terms, as applicable, prepared by the World Bank or on behalf of the World Bank, and is subject to restrictions under the laws of several countries. World Bank bonds may not be offered or sold except in compliance with all such laws.*



## ANNEX 1: World Bank Project Cycle

**Project Identification.** The World Bank works with a borrowing country's government on a Country Partnership Framework that identifies the country's priorities for reducing poverty and improving living standards. Within those priorities, the World Bank and the government agree on a project concept, which is outlined in a Project Concept Note. The Project Information Document outlines the project's scope, and the Integrated Safeguards Data Sheet identifies potential environmental and social issues.

**Project Preparation.** Once eligible projects have been identified, the borrower leads project preparation, with the World Bank generally taking an advisory role. If necessary, the borrower prepares an Environmental Assessment Report that describes the project's likely environmental impact and steps to mitigate possible harm. If there are major issues, the borrower prepares an Environmental Action Plan. An analysis of a project's potentially adverse effects on indigenous peoples may also be undertaken, and any issues are addressed in the Indigenous Peoples Plan.

**Project Appraisal.** The government and the World Bank review the identification and preparation documents and confirm the expected project outcomes, intended beneficiaries and evaluation tools, as well as the project's readiness for implementation. The Project Information Document is updated and released when the project is approved for funding.

**Project Approval.** The project team prepares the Project Appraisal Document (for Investment Project Financing) or the Program Document (for Development Policy Financing), along with other financial and legal documents, for submission to the World Bank's Board of Executive Directors for approval. When approval is obtained and the legal documents are signed, the implementation phase begins.

**Project Implementation.** The borrower implements the project with technical assistance and support from the World Bank as needed. Twice a year, the government and the World Bank prepare a review of project progress, the Implementation Status and Results Report.

**Project Completion & Evaluation.** When a project is completed and closed, a World Bank operations team prepares an Implementation Completion and Results Report. The final outcomes are compared to expected results. The team also assesses how well the project complied with the World Bank's operations policies, and accounts for the use of World Bank resources. The World Bank's Independent Evaluation Group (IEG) assesses the performance of roughly one project out of four projects a year, measuring outcomes against the original objectives, sustainability of results and institutional development impact. IEG may produce Impact Evaluation Reports to assess the economic worth of projects and the long-term effects on people and the environment.

Additional information on the World Bank project cycle can be found at: <http://www.worldbank.org/en/projects-operations/products-and-services/brief/projectcycle>.



## ANNEX 2: World Bank Oversight & Accountability Mechanisms

Several key groups and mechanisms hold the World Bank accountable to its clients and shareholders, ensure the highest performance standards in development effectiveness, protect the integrity of the projects financed, and constantly improve the efficacy of its internal operations:

1. The INSPECTION PANEL, established by the Bank's Board of Directors as the first independent accountability mechanism at an international financial institution, provides people and communities who believe that they have been or are likely to be harmed by a project funded by IBRD or IDA access to an independent body, where they can express their concerns and seek recourse. The Inspection Panel's annual reports are available online at [inspectionpanel.org](http://inspectionpanel.org).
2. The INDEPENDENT EVALUATION GROUP (IEG) aims to strengthen the Bank Group's development effectiveness through evaluations that assess results and performance and provide recommendations for improvements. IEG's evaluations contribute to accountability and learning, helping inform the Bank Group's directions, policies and procedures, and country partnership frameworks. IEG reports are available online at [ieg.worldbankgroup.org](http://ieg.worldbankgroup.org).
3. The INTEGRITY VICE PRESIDENCY (INT) investigates allegations of fraud, corruption, collusion, coercion, and obstruction in Bank Group-financed projects, including those involving Bank Group staff and corporate vendors. INT's annual report is available online at [worldbank.org/en/about/unit/integrity-vice-presidency](http://worldbank.org/en/about/unit/integrity-vice-presidency).
4. The GROUP INTERNAL AUDIT (GIA) provides independent, objective, and insightful risk-based assurance and advice to protect and enhance the value of the World Bank Group. GIA provides senior management and the Board with an independent view and reasonable assurance that processes for managing and controlling risks—as well as their overall governance—are adequately designed and functioning effectively. GIA's annual and quarterly reports are available online at [worldbank.org/en/about/unit/internal-audit-vice-presidency](http://worldbank.org/en/about/unit/internal-audit-vice-presidency).

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