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Outcome Bonds

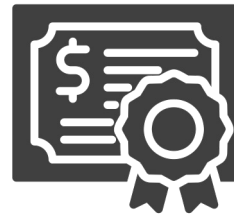
Mobilizing Private Capital for Development

March 2024



Outcome Bonds: an innovative bond with two layers of development impact

Outcome Bond
Investors



← Outcome-linked
returns



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→ Outcome-linked
returns

Two Layers of Impact

Additional Financing to a
specific development project



Financing WB sustainable
development programs



What are outcome bonds?

- Bonds that generate **additional financing for specific development projects** while passing **development outcome risks to capital market investors**
- Instead of regular WB coupons, investors earn a **return linked to project outcomes**



How can outcome bonds be used?

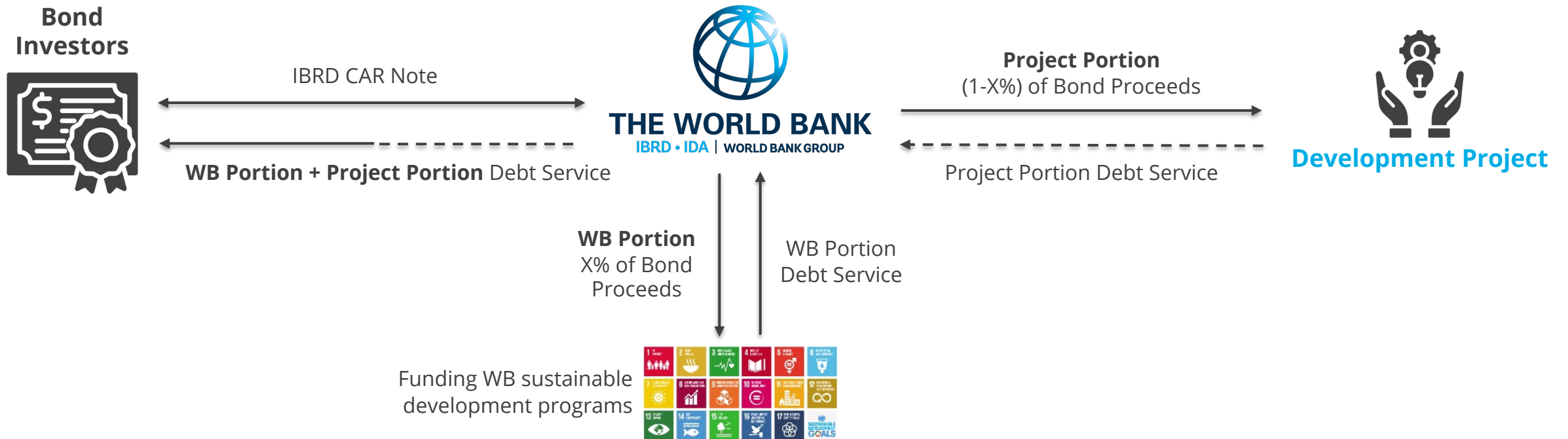
- **Flexibility** across a wide range of development challenges
- For **WB or non-WB projects**
- Flexibility in **sources of outcome payment**
- Can be structured as **principal protected or principal-at-risk**, to accommodate project needs



How are outcome/ESG risks managed?

- Work with **internal/external experts** for due diligence

Outcome Bond **with Principal at Risk**



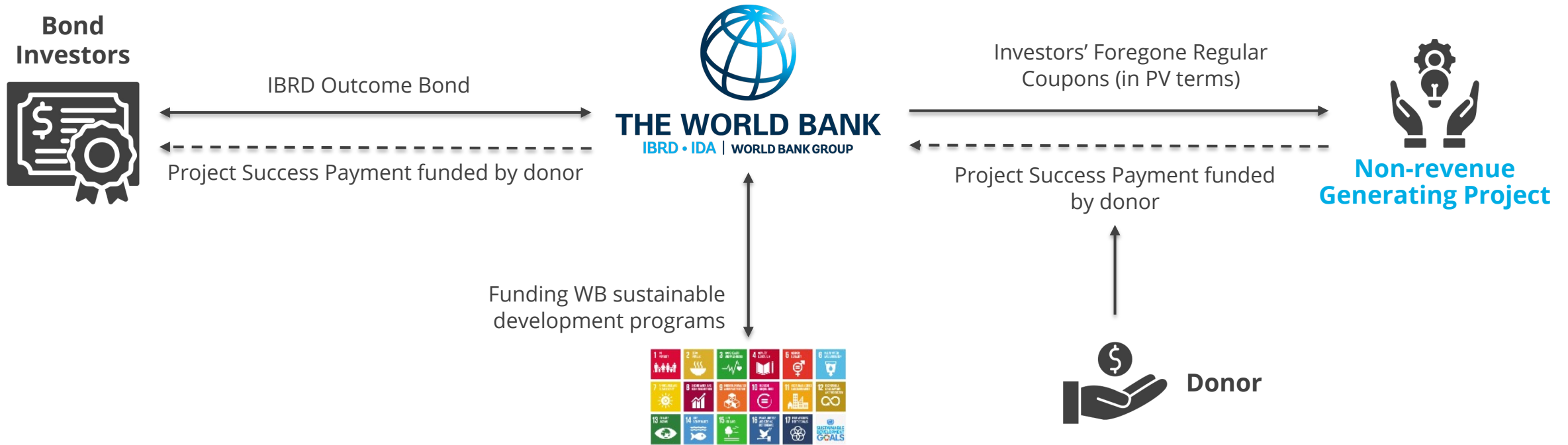
Short Description:

- Bond principal partly finances the project and partly finances WB sustainable development program
- The WB portion of the bond is principal-protected
- The project portion's repayment is contingent on project outcomes
- Investors receive blended coupon payments from the WB and the project

Example:

- **IBRD UNICEF bond** with 50% of issuance proceeds used to finance UNICEF's Covid-19 response

Outcome Bond with Donor Outcome Payment



Short Description:

- Investors forego all/part of the ordinary WB coupons, diverted to provide upfront financing to a project
- In return, investors receive success payment contingent on the project outcome, funded by a donor
- Principal protection with bond proceeds used for WB sustainable development programs

Example:

- **Wildlife Conservation Bond "Rhino Bond"** to protect black rhinos and support local communities in South Africa

Outcome Bond with Carbon or Plastic Credit Financed Returns



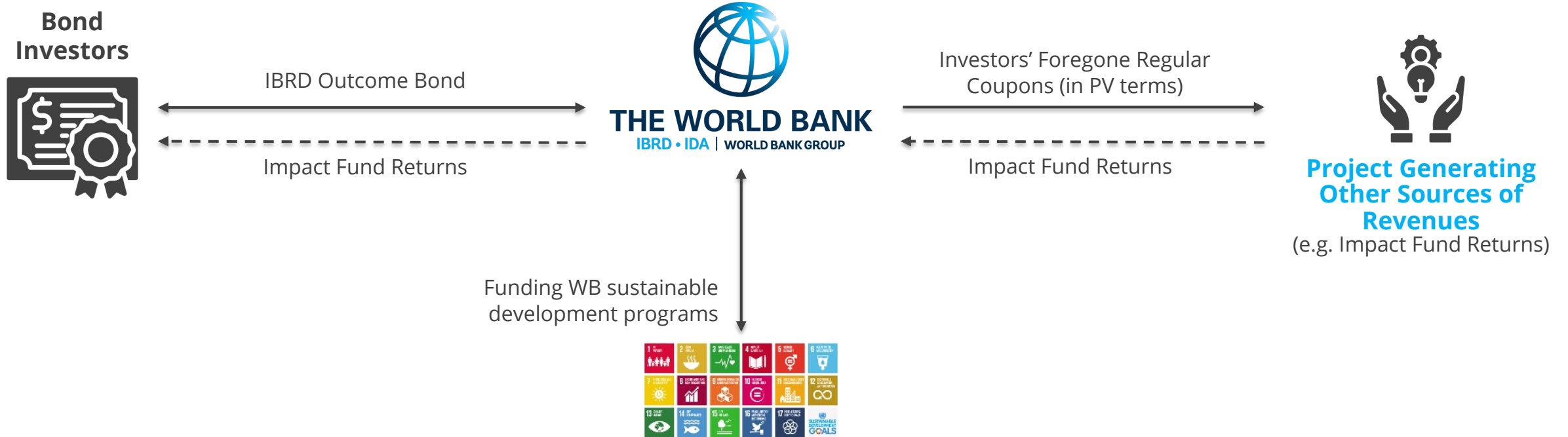
Short Description:

- Investors forego all/part of the ordinary WB coupons, diverted to provide upfront financing to a project
- Carbon/Plastic credit buyer agrees to buy credits at a fixed price
- Investors receive coupon payments linked to the carbon/plastic credits generated
- Principal protection with bond proceeds used for WB sustainable development programs

Examples:

- **Emission Reduction-Linked Bond** helps provide clean drinking water to two million children in Vietnam
- **Plastic Waste Reduction-Linked Bond** helps remove and recycle plastic waste in Indonesia and Ghana

Outcome Bond with Project Revenue Financed Returns



Short Description:

- Investors forego all/part of the ordinary WB coupons, diverted to provide upfront financing to the project
- In return, investors receive coupon payments linked to the project revenues such as impact fund returns
- Principal protection with bond proceeds used for WB sustainable development programs

Example:

- **Blue Economy Impact Funds Linked Bond** (in development) to channel private capital into blue economy impact funds