

IBRD Flexible Loan with Variable Spread: Pricing Basics

Highlights

- *The lending rate is comprised of a variable reference rate plus a variable spread.*
- *The applicable spread is the one prevailing at loan signing and may be different from the spread prevailing at negotiations.*
- *The applicable spread for disbursements of loans with a Deferred Drawdown Option (DDO) is the spread prevailing on the withdrawal date.*
- *IBRD loan pricing is subject to annual and periodic reviews.*

Pricing Structure

IBRD pricing is based on a floating reference rate (SOFR for USD, SONIA for GBP, TONA for JPY, and EURIBOR for EUR) for a six-month interest rate period plus a variable spread. The applicable spread will vary according to average repayment maturity and country groups¹.

In addition to the spread over the reference rate, the Bank charges a front-end fee and a commitment fee. See overleaf for sample pricing. Please note that pricing may be different based on the date of invitation to negotiate and the date of Board approval of the loan. For the latest IBRD lending rates, loan charges, and pricing in currencies other than US dollar, please visit the World Bank Treasury website:

<http://treasury.worldbank.org/en/about/unit/treasury/ibrd-financial-products/lending-rates-and-fees>

Variable Spread

The variable spread includes a contractual spread, a maturity premium (where applicable), and a charge to cover the Bank's average funding spread relative to SOFR or EURIBOR, wherein the benefits and risks of changes in IBRD's cost of borrowing are borne by the borrower. The variable spread is recalculated every January 1, April 1, July 1, and October 1 based on the cost of the underlying funding for these loans.

IFL with a Deferred Drawdown Option

Development Policy Loans (DPLs) with a Deferred Drawdown Option (DPL DDOs) and DPLs with Catastrophe Deferred Drawdown Options (Cat DDO) allow the borrower to defer the disbursement of funds until the financing is needed. These loans carry the same lending rates as regular IBRD loans. Loan charges vary according to the type of DDO.

DDO disbursements are priced at the prevailing spread over the corresponding reference rate for IBRD loans at the time of withdrawal based on applicable average repayment maturity (ARM). The calculation of ARM begins at loan effectiveness for the determination of the maturity premium (if applicable), but at withdrawal for the remaining components of the spread.

Climate Resilient Debt Clause (CDRC)

IBRD Flexible loan covers small states, whose economies are disproportionately vulnerable, against natural disasters. By including the CRDC in their loan agreement, eligible borrowers² can defer their principal and interest payments and other loan charges for up to 2 years in case of predefined disasters. The CRDC is offered to eligible borrowers at no cost to them.

Pricing Review Process

The World Bank conducts an annual review of loan charges—the contractual lending spread, maturity premium, front-end fee, and commitment fee—to ensure that pricing is regularly updated and aligned with the prevailing needs of the institution and its shareholders.

¹ Countries are classified into one of four pricing groups: A,B,C, or D. **Group A:** Blends, small states, countries in fragile and conflict-affected situations (FCS) and recent IDA graduates. These countries are exempt from the maturity premium increase regardless of their income levels. **Group B:** Countries below-GDI which do not qualify for an exemption listed in Group A. **Group C:** Countries above-GDI, but below high-income country status, and which do not

qualify for an exemption listed in Group A. **Group D:** Countries with high income status and which do not qualify for an exemption listed in Group A.

² IBRD and IDA-eligible Small States, members of Small States Forum and Small Island Developing States as defined by UN

USD Lending Rates and Charges for the IBRD Flexible Loan

IBRD Flexible loan variable spread is the sum of the contractual spread, the maturity premium (based on the country grouping and the actual funding cost.)

Loan Charges	
Front-End Fee	0.25%
Commitment Fee	0.25%
DPL DDO Fees	0.25% Front-End Fee; 0.50% Stand-by Fee
Cat DDO Fees	0.50% Front-End Fee; 0.25% Renewal Fee
CRDC Fee for eligible borrowers who opt in	0.05%

Variable Spread³ as of July 1, 2024

Reference Rate	SOFR for USD, SONIA for GBP, TONA for JPY, and EURIBOR for EUR (6 months interest rate period)																		
Average Repayment Maturity	Up to 8 Years			Greater than 8 to 10 Years			Greater than 10 to 12 Years			Greater than 12 to 15 Years			Greater than 15 to 18 Years			Greater than 18 to 20 Years ⁴			
Currency	USD GBP	EUR	JPY	USD GBP	EUR	JPY	USD GBP	EUR	JPY	USD GBP	EUR	JPY	USD GBP	EUR	JPY	USD GBP	EUR	JPY	
Average Funding Spread (in percentage)	0.44	0.01	-0.20	0.44	0.01	-0.20	0.44	0.01	-0.20	0.44	0.01	-0.20	0.44	0.01	-0.20	0.44	0.01	-0.20	
Contractual Spread	0.50			0.50			0.50			0.50			0.50			0.50			
Standard Maturity Premium (in percentage)	Group A	0			0.10			0.20			0.30			0.40			0.50		
	Group B	0			0.10			0.25			0.40			0.55			0.70		
	Group C	0			0.10			0.30			0.50			0.70			0.90		
	Group D	0.05			0.15			0.40			0.65			0.90			1.15		
Total Spread (in percentage)																			
Group A	0.94	0.51	0.30	1.04	0.61	0.40	1.14	0.71	0.50	1.24	0.81	0.60	1.34	0.91	0.70	1.44	1.01	0.80	
Group B	0.94	0.51	0.30	1.04	0.61	0.40	1.19	0.76	0.55	1.34	0.91	0.70	1.49	1.06	0.85	1.64	1.21	1.00	
Group C	0.94	0.51	0.30	1.04	0.61	0.40	1.24	0.81	0.60	1.44	1.01	0.80	1.64	1.21	1.00	1.84	1.41	1.20	
Group D	0.99	0.56	0.35	1.09	0.66	0.45	1.34	0.91	0.70	1.59	1.16	0.95	1.84	1.41	1.20	2.09	1.66	1.45	

Please see the IBRD Flexible Loan product note for major terms and conditions related to the loan. These handouts serve as marketing material and do not provide the complete terms and conditions of IBRD loans. Borrowers should refer to their loan agreements and General Conditions with respect to individual loans.

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³ The fixed spread term under the IFL is suspended effective April 1, 2021.

⁴ For some projects addressing Global Challenges with Cross Border Externalities, the maximum loan maturity is extended to up to 50 years and the ARM up to 25 years, with the same maturity premium as regular loans with 18 to 20 years ARM.