

**PRICING SUPPLEMENT**



**INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT**

**Global Debt Issuance Facility**

**No. 2716**

**US\$35,000,000**

**Fixed to Variable Interest Rate Indexed-Linked Notes due  
December 2013**

**Morgan Stanley**

**The date of this Pricing Supplement is December 8, 2003**

This document ("**Pricing Supplement**") is issued to give details of an issue by International Bank for Reconstruction and Development (the "**Bank**") under its Global Debt Issuance Facility.

This Pricing Supplement supplements the terms and conditions in, and incorporates by reference, the Prospectus dated October 7, 1997, and all documents incorporated by reference therein (the "**Prospectus**"), and should be read in conjunction with the Prospectus. Unless otherwise defined in this Pricing Supplement, terms used herein have the same meaning as in the Prospectus.

### **Terms and Conditions**

The following items under this heading "**Terms and Conditions**" are the particular terms which relate to the issue the subject of this Pricing Supplement. These are the only terms which form part of the form of Notes for such issue:

- |           |  |  |
|-----------|--|--|
| <b>1</b>  | No.:                                       | 2716   |
| <b>2</b>  | Aggregate Principal Amount:                | US\$35,000,000   |
| <b>3</b>  | Issue Price:                               | 100.00 percent of the Aggregate Principal Amount   |
| <b>4</b>  | Issue Date:                                | December 10, 2003  |
| <b>5</b>  | Form of Notes (Condition 1(a)):            | Registered Notes only  |
| <b>6</b>  | Authorized Denominations (Condition 1(b)): | US\$1,000  |
| <b>7</b>  | Specified Currency (Condition 1(d)):       | United States dollars (" <b>US\$</b> ")  |
| <b>8</b>  | Maturity Date (Conditions 1(a) and 6(a)):  | December 10, 2013  |
| <b>9</b>  | Interest Basis (Condition 5):              | (i) Fixed Interest Rate (Condition 5(I)) in respect of the period beginning on and including the Issue Date and ending on but excluding January 10, 2004;<br>(ii) Variable Interest Rate (Condition 5(II)) in respect of the period beginning on and including January 10, 2004 to but excluding the Maturity Date; and<br>(iii) Calculations of the Variable Rate of Interest based on the formulae set out herein shall be expressed as a percentage and shall be rounded to five decimal places, and calculations of relevant Interest Amounts shall be rounded to three decimal places |
| <b>10</b> | Fixed Interest Rate (Condition 5(I)):      |  |
|           | (a) Interest Rate:                         | 3.00 percent per annum   |
|           | (b) Fixed Rate Interest Payment Date(s):   | January 10, 2004   |

- (c) Fixed Rate Day Count Fraction(s) Actual/Actual – ISDA meaning:  
if not 30/360 basis:
- the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365)

**11** Variable Interest Rate (Condition 5(II)):

- (a) Variable Rate of Interest:
- (i) Notwithstanding the provisions of Condition 5(II)(b) the Variable Rate of Interest for each Interest Period shall be determined by the Calculation Agent as soon as practicable on the relevant Variable Rate Interest Determination Date in accordance with the formula set out in sub-paragraph (ii) below (save that the result of the calculation based on such formula shall not be less than zero).

$$(ii) \left\{ \left[ \left( \frac{CPI_t - CPI_{t-12}}{CPI_{t-12}} \right) * 1.4 \right] \right\}$$

where:

"CPI<sub>t</sub>" means, for the purposes of each Variable Interest Period, the respective level of the Index (as defined in paragraph 12(b)) for the month (the "**Relevant Month for CPI<sub>t</sub>**" as set out in full below) which is three months prior to the month in which the first day of such Variable Interest Period falls (where such Index has been published and reported in the second calendar month prior to the month in which the first day of such Variable Interest Period falls), and

"CPI<sub>t-12</sub>" means, for the purposes of each Variable Interest Period, the respective level of the Index for the

month (the “**Relevant Month for CPI<sub>t-12</sub>**” as set out in full below) which is fifteen months prior to the month in which the first day of such Variable Interest Period falls (where such Index has been published and reported in the fourteenth calendar month prior to the month in which the first day of such Variable Interest Period falls),

as set out below:

<b>Variable Rate Interest Payment Date</b>	<b>Relevant month for CPI<sub>t</sub></b>	<b>Relevant month for CPI<sub>t-12</sub></b>
February 10, 2004	October 2003	October 2002
March 10, 2004	November 2003	November 2002
April 10, 2004	December 2003	December 2002
May 10, 2004	January 2004	January 2003
June 10, 2004	February 2004	February 2003
July 10, 2004	March 2004	March 2003
August 10, 2004	April 2004	April 2003
September 10, 2004	May 2004	May 2003
October 10, 2004	June 2004	June 2003
November 10, 2004	July 2004	July 2003
December 10, 2004	August 2004	August 2003
January 10, 2005	September 2004	September 2003

and thereafter, on the 10 <sup>th</sup> day of each successive month ending on the Maturity Date	and thereafter, each successive month ending on (and including) August 2013	and thereafter, each successive month ending on (and including) August 2012
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|-----|---|---|
| (b) | Index:  | See paragraph 12(b)   |
| (c) | Variable Rate Interest Payment<br>Dates:      | The 10 <sup>th</sup> day of each month, commencing on<br>February 10, 2004 and ending on the Maturity Date  |
| (d) | Variable Interest Period:                     | The period beginning on (and including) a Variable<br>Rate Interest Payment Date to (but excluding) the<br>next succeeding Variable Rate Interest Payment<br>Date, save in the case of the first Variable Interest<br>Period which begins on January 10, 2004 |
| (e) | Calculation Agent:                            | Citibank, N.A.  |
| (f) | Variable Rate Interest<br>Determination Date: | Five Relevant Business Days before the<br>commencement of the relevant Variable Interest<br>Period  |

**12** Other Variable Interest Rate Terms  
(Condition 5(II) and (III)):

- |     |   |  |
|-----|---|--|
| (a) | Variable Rate Day Count<br>Fraction(s) if not actual/360:   | Actual/Actual – ISDA (as defined in paragraph<br>10(c))  |
| (b) | Other terms (including fall back<br>provisions) relating to the method<br>of calculating the Variable Rate of<br>Interest or Interest Amounts, the<br>value of which is based upon the<br>level of the Index: | "Index" or "Index Figure" means the non-seasonally<br>adjusted US City Average All Items Consumer Price<br>Index for all Urban Consumers as calculated and<br>published monthly (unrevised) by the Bureau of<br>Labor Statistics of the US Department of Labor (the<br>" <b>Sponsor</b> ") on Bloomberg page CPURNSA. The<br>first publication of the Index figure (disregarding<br>estimates) by the Sponsor for a given month shall<br>be final. Any corrections or revisions shall be<br>disregarded. |

**(i) Delay in publication of Index**

If the Index for a month (which is required for the purpose of the Variable Rate of Interest in respect of the Interest Period or the calculation of amounts in respect thereof) is not reported by the last day of the following month, the United States Department of the Treasury (the "**US Treasury**") has indicated that it will announce an index number based on the last twelve-month change in the Index available (the "**Substitute Index Number**"). Any calculations that rely on the level of the Index for such month will be based on the Substitute Index Number. The formula for calculating the Substitute Index Number to be used by the US Treasury is:

$$CPI_{t-1} * \left[ 1 + \left( \frac{CPI_{t-1}}{CPI_{t-13}} - 1 \right) * \frac{1}{12} \right]$$

where:

$CPI_{t-1}$  means the level of the Index for the one month preceding the month which is three months prior to the month in which the first day of the relevant Variable Interest Period falls; and

$CPI_{t-13}$  means the level of the Index for the one month preceding the month which is fifteen months prior to the month in which the first day of the relevant Variable Interest Period falls.

This Substitute Index Number will be used for all subsequent calculations that rely on the level of the Index for such month and will not be replaced by the actual Index when it is reported.

In the event that the Secretary of the US Treasury has not announced on the fifth Relevant Business Day prior to the Variable Rate Interest Determination Date of the relevant Variable Interest Period, a Substitute Index Number pursuant to this subparagraph, then the Calculation Agent will determine the Substitute Index Number based on the following formula:

$$CPI_{t-n} * \left[ 1 + \left( \frac{CPI_{t-n}}{CPI_{t-n-12}} - 1 \right) * \frac{n}{12} \right]$$

where:

$CPI_{t-n}$  means the level of the Index for that month which is the most recently published prior to the month which is three months prior to the month in which the first day of the relevant Variable Interest Period falls;

$CPI_{t-n-12}$  means the level of the Index for that month which is twelve months prior to the month which is the relevant month for establishing the level of the Index and which comprises  $CPI_{t-n}$  (within the same formula); and

“n” means the number of months between (i) the month which is three months prior to the month in which the first day of the relevant Variable Interest Period falls and (ii) the month prior thereto in respect of which the Index has been most recently published (counting, for the purposes of “n”, such month).

**(ii) Cessation of or fundamental changes to Index**

If the Index ceases to be calculated or published by the Sponsor, but is calculated or published by a successor entity without any modification of the calculation formula, the Index used shall be the Index calculated or published by such successor. If the Index ceases to be published or if any change is made which, in the reasonable opinion of the Calculation Agent constitutes a fundamental change in the rules governing the Index, the Calculation Agent at its sole discretion shall use in its determination a substitute index, provided that the use of such substitute index results in an economic outcome which is similar to that which would have resulted had the Index been used. The Index shall be replaced by the substitute index so determined and references to the Index shall be construed accordingly.

**(iii) Base Revision**

If, at any time while the Notes are outstanding, the Index is revised to a new base date, the Calculation Agent may at its sole discretion make any adjustments which it considers reasonable to ensure that the economic equivalent of the transaction is preserved (to the extent reasonably practicable). In the event that the Calculation Agent determines that it is not reasonably practicable to make such adjustments, the Index for such month shall be the Index last published before such revision.

- (c) Good Faith and Commercially Reasonable Actions by the Calculation Agent:
- In making the decisions and determinations set forth in the preceding paragraphs, the Calculation Agent will at all times act in good faith and in a commercially reasonable manner. In making determinations under the preceding paragraphs, the Calculation Agent may consult with the Manager, which has entered into an offsetting swap transaction with the Bank in relation to the Notes. Notwithstanding the possibility of such consultations, the Calculation Agent shall make its own independent judgments in connection with determinations to be made by it under paragraph 12(b).

- 13** Relevant Financial Centre: New York
- 14** Relevant Business Day: New York and London

<b>15</b>	Issuer's Optional Redemption (Condition 6(e)):	No
<b>16</b>	Redemption at the option of the Noteholders (Condition 6(f)):	No
<b>17</b>	Early Redemption Amount (including accrued interest, if applicable) (Condition 9):	Principal amount of the Notes to be redeemed plus accrued interest thereon
<b>18</b>	Governing Law of the Notes:	English

#### **Other Relevant Terms**

<b>1</b>	Listing (if yes, specify Stock Exchange):	Luxembourg
<b>2</b>	Details of Clearance System approved by the Bank and the Global Agent and Clearance and Settlement Procedures:	DTC, Clearstream Banking, société anonyme and Euroclear Bank S.A./N.V., as operator of the Euroclear System. Payment for the Notes will be on a delivery versus payment basis
<b>3</b>	Syndicated:	No
<b>4</b>	Commissions and Concessions:	Combined management, underwriting and selling commission of 1.25 percent of the Aggregate Principal Amount
<b>5</b>	Codes:	
	(a) ISIN	US45905UDJ07
	(b) Common Code	018136562
<b>6</b>	Identity of Dealer(s)/Manager(s):	Morgan Stanley & Co. International Limited
<b>7</b>	Provisions for Registered Notes:	
	(a) Individual Definitive Registered Notes Available on Issue Date:	No. Interests in the DTC Global Note will be exchangeable for Definitive Registered Notes only in the limited circumstances described in the Prospectus
	(b) DTC Global Note(s):	Yes; one
	(c) Other Registered Global Notes:	No

#### **General Information**

The Bank's latest Information Statement was issued on September 15, 2003

The following additional selling restrictions shall apply to the issue:

United Kingdom:	Each Dealer is required to comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United
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Kingdom

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By:

Authorized Officer

## **ANNEX**

### **Information about the Index**

The information contained in this Annex relating to the Index consists of extracts from or summaries of information that is publicly available (unless otherwise stated). The Bank has not independently verified any such information, and does not accept any responsibility for error or omission. The Bank makes no representation or warranty, whether express or implied, as to the completeness or accuracy of such information. Investors may acquire such further information as they deem necessary in relation to the Index from such publicly available information as they deem appropriate. Investors should make their own investment, hedging and trading decisions (including decisions regarding the suitability of this investment), based upon their own judgment and upon advice from such advisers as such investors deem necessary and not upon any view expressed by the Bank.

Given the highly specialised nature of these Notes, the Bank considers that they are only suitable for highly sophisticated investors who are able to determine for themselves the risk of an investment linked to indexes.

Consequently, if you are not an investor who falls within the description above you should not consider purchasing these Notes without taking detailed advice from a specialised professional adviser.

#### **1 What is the CPI?**

The Consumer Price Index (“**CPI**”) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

#### **2 How is the CPI calculated?**

The CPI is a product of a series of interrelated samples. First, using data from the 1990 Census of population, the Bureau of Labor Statistics (“**BLS**”) selects the urban areas from which prices are to be collected and chooses the housing units within each area that are eligible for use in the shelter component of the CPI. The Census of Population also provides data on the number of consumers represented by each area selected as a CPI price collection area. Next, another sample (of about 16,800 families each year) serves as the basis for a Point-of-Purchase Survey that identifies the places where households purchase various types of goods and services. The CPI is calculated on a monthly basis.

#### **3 How is the CPI market basket determined?**

The CPI market basket is developed from detailed expenditure information provided by families and individuals on what they actually bought. For the current CPI, this information was collected from the Consumer Expenditure Survey over the three years 1993, 1994, and 1995. In each of these three years, more than 5,000 families from around the country provided information on their spending habits in a series of quarterly interviews. To collect information on frequently purchased items such as food and personal care products, another 5,000 families in each of the 3 years kept diaries listing everything they bought during a 2-week period. Altogether, more than 30,000 individuals and families provided expenditure information for use in determining the importance, or weight, of over 2000 categories in the CPI index structure.

#### 4 Publication

Through the internet, the BLS provides free, easy, and continuous access to all published CPI data and press releases. The most recent month's CPI is made available immediately at the time of release. The CPI homepage is accessible via <http://www.bls.gov/cpi/home.htm>. A database, called LABSTAT, containing current and historical data for the CPI is accessible via the BLS website at <http://www.bls.gov>.

Source: [www.bls.gov](http://www.bls.gov)

##### **Evolution of the Index over a 2 year period**

	Jan	Feb	Mar	Apr	May	Jun	July	Ago	Sept	Oct	Nov	Dec
2001	-	-	-	-	-	-	-	-	-	177.7	177.4	176.7
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181	181.3	181.3	180.9
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185	-	-

\*Source: [www.bls.gov](http://www.bls.gov)

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

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