

Modernizing the World Bank's Operational Policy on Guarantees Consultation Meetings

- The World Bank held general and individual face to face consultation meetings on the proposed modernization of the operational policies for guarantee instruments.
- The consultation meetings took place in Johannesburg, Paris and London between March 19 and March 23, 2012.
- The general consultation meetings brought together a range of stakeholders, including government officials, representatives from multilateral development banks, experts from think-tanks and other nongovernmental organizations, and individuals from the private sector to gather input and suggestions on the proposed revisions to the World Bank's operational policies for guarantee products.
- In addition to the general consultation meeting in each city, the Bank also had individual sessions with key private and public sector players to have a more detailed discussion on potential improvements to the Guarantee instruments. The institutions selected for individual sessions were chosen based on their expertise in sectors and regions where guarantees have been actively used, and included commercial banks and development agencies.
- Edward Mountfield (Manager, OPCS) and Pankaj Gupta (Manager, Financial Solutions Unit) presented the key features of the World Bank Guarantee Products and the proposed changes under the modernization proposal.
- During the meetings, participants asked questions regarding the Bank's guarantee products and provided feedback on the proposed policy changes and on other critical aspects for increasing the use and enhancing the impact of guarantee products. This summary focuses on the feedback received from participants.

Paris – March 21, 2012

Participants

- On March 21, the World Bank held a general consultation meeting with the participation of representatives from Societe Generale Corporate and Investment Bank, Finagestion, MIGA, Proparco- part of the French Development Agency, Sumitomo Mitsui Banking Corporation and AON France.
- The Bank also held an individual consultation session with representatives from the Office in charge of Multilateral Development Banks at the Directorate General of the French Treasury.
- See Annex for the complete list of participants.

Main Issues Raised

- **Participants pointed out the importance of ensuring that there are sufficiently strong regulatory incentives for private financiers to commit long-term funding for infrastructure projects.** In this sense, participants encouraged the Bank to establish a dialogue with the main financial services regulators in Europe to ensure that guarantees are considered equally across countries as watertight forms of credit enhancement, allowing banks to eliminate or significantly reduce capital requirements for the guaranteed assets held on their balance sheet. In addition, participants also noted that in order to define and agree on a homogeneous regulatory treatment for guaranteed assets, it would be useful for commercial banks to have access to World Bank statistics regarding guaranteed amounts, main risks covered and historical defaults on guaranteed loans. Regulators should be given the opportunity to define the regulatory treatment of guaranteed assets under the new regulatory environment for the banking sector.
- **Attendees also proposed following a “framework approach” for the deployment of guarantees by indentifying a set of key sectors/ projects for streamlined preparation and approval.** Participants said this approach would allow for greater efficiencies and faster deployment of guarantee products for the benefit of key projects in the developing world. It was noted that any effort in this direction should place emphasis on ensuring adequate project preparation and on building a robust pipeline that could benefit from any streamlined framework approach.
- **Private sector institutions indicated that there is availability of local currency financing in many of the target countries, but that lending for long tenors is the real issue.** Participants indicated that to the extent that PCGs can be used to allow for longer tenors, they would serve an important role for deepening the markets and facilitating the financing of long-lived infrastructure assets.
- **Some participants noted that the deepening of local financial markets should be an explicit objective of the World Bank Guarantee products as in the Kribi Gas Power project.**
- **Some attendees indicated that the long-term international project finance market was no longer available, and that in the future, most banks will only be interested in providing short-term, construction loans.** This situation created the need to facilitate the refinancing of short-term construction loans, with which the banks are comfortable, through long dated bonds. Facilitating the refinancing of project debt in the capital markets would open a previously untapped source of financing for infrastructure, particularly pension fund investments. Participants said they could see a role for guarantees to eliminate refinancing risk and facilitate capital market alternatives and asked the Bank to address evolving market needs.
- **Participants indicated that guarantees played an important role by providing a “halo effect” that made them much more valuable than what their face value.** Commercial banks said they do value the presence of the World Bank, even if the institution only provides a guarantee for a portion of the debt. For this reason, they said they consider it important to scale up guarantee products to provide the maximum possible leverage.

- **Participants expressed that the World Bank’s environmental and social standards did not necessarily constrain the use of the instruments, but pointed out the need to homogenize the procedures of the different International Financial Institutions that are often involved in these projects.** Participants indicated that they carry out their own environmental and social due diligence and also adhere to the Equator Principles, which are based on the IFC’s environmental and social standards. Participants indicated that it would be useful to agree on a set of standards to follow when developing projects that involve multiple Development Finance Institutions (DFIs), in order to avoid duplication and speed up project preparation.
- **Some participants indicated that the Bank has to take the perspective of the private sector, which does not want to bear the burden of dealing with multiple environmental and social rules.** Procedures need to be more consistent and easy to use. Participants indicated that the Bank Group should provide a “package” to private sector entities in projects that involve the participation of the World Bank, IFC and MIGA.
- **Participants noted that it could be hard to navigate the different World Bank Group entities and that they often do not know what entity to contact first.**
- **Participants encouraged the Bank to identify convergence points and complementarities in the existing multilateral and bilateral guarantee programs.** Some participants indicated that it would be useful to connect the dots between the World Bank Guarantee Program and existing bilateral guarantee programs.
- **Participants also expressed interest in using World Bank Guarantees to support projects benefiting from carbon finance.** Discussants noted that the carbon finance market is currently unstable, making it difficult to develop specific guarantee mechanisms to support this market.
- **Participants also discussed the coordination issues that arise in the preparation of projects that include multiple DFIs.** In addition, some participants indicated the need to share the proposed changes to the operational policies with other MDBs.

Annex: Participant List and Photos

Paris Meeting Participant List

Name	Institution	Title	Meeting
Alain Damais	Directorate General of the Treasury-Ministry of Finance	Head of Official Development Assistance, Multilateral Development Institutions	Individual
Dorothee Stik	Directorate General of the Treasury-Ministry of Finance	Deputy Head of Official Development Assistance and Multilateral Development Institutions	Individual
Gregory Texier	Societe Generale Corporate and Investment Bank	Managing Director-Structured Finance Department Emerging markets	General
Jerome Bertrand-Hardy	PROPARCO- AFD	Deputy Chief Investment Officer	General
Eric Tauziac	FINAGESTION	Deputy General Manager	General
Olivier Lambert	MIGA	Program Manager	General
Bertrand Marchais	MIGA	Consultant	General
Nabie Naessany	Sumitomo Mitsui Banking Corporation	Structured Finance Department	General
Arnaud Froideval	AON France	Head of Political Risks Departments	General

Paris Consultation Meeting Photos



