

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

Washington, DC - April 18, 2012

- The World Bank held a general face to face consultation meeting on the proposed modernization of the operational policy for guarantee instruments in Washington, DC on April 18, 2012.
- From a broad set of invitees, including civil society organizations, private sector, development partners, and representatives of World Bank borrowing countries, the consultation meetings brought together representatives from AfDB, JICA, GE, Alstom, several Executive Directors' offices as well as independent consultants and Bank staff.
- Edward Mountfield (Manager, OPCS) and Hoon Sahib Soh (Senior Economist, OPCS) presented the key features of the World Bank Guarantee Products and the proposed changes under the modernization proposal. Pankaj Gupta, Manager of the Bank's Financial Solutions Group, and Aloysius Ordu, the director for Operations Policy and Quality in OPCS, also provided comments.
- During the meetings, participants offered comments and questions regarding the Bank's guarantee products, the proposed policy changes and on other aspects of the guarantee instrument. This summary focuses on the feedback received from participants.

Main Issues Raised

- **Participants emphasized the importance of flexibility of the instrument.** They valued the fact that guarantees can be flexibly adapted to specific project needs. One participant said this reform is important provided that the neediest countries are the ones who would benefit from it the most. Another participant suggested that the Bank explore the use of guarantees in sectors which have benefited less from private investments, such as the transport sector, by covering traffic risks (minimum revenue undertakings).
- **Participants stressed the potential for guarantees to be used in regional and multi-country projects, particularly in Africa.**
- **Participants noted the complementary aspects of guarantees with the Bank's other instruments, and stressed that it should not be a substitute for other types of lending.** One participant noted that reforming the policy was just one step. Making the instrument part of the daily work will be a greater challenge as guarantees serve a niche market, are highly specialized,

and require an understanding of the roles of MIGA, IFC, and the World Bank in providing different types of guarantees.

- **Participants noted the current low demand for guarantees and questioned how the Bank would increase demand.** One participant stressed the importance of both external and internal outreach for raising the profile and increasing the demand for the instrument. Participants noted that Bank staff may not have adequate incentives for using the guarantee instrument, which may account for its limited use. Some kind of internal incentive system should be created to motivate Bank staff to use this instrument, including changes in how they are counted against country allocations. For staff and potentially for clients, participants noted that investment loans may be more attractive. One suggestion was to use the amount of financing leveraged by a guarantee as some kind of incentive. Finally, participants noted that uptake of guarantees depended on the supply of bankable projects, and developing countries needed more help with the preparation of PPP projects.
- **Participants noted that Bank guarantees could be used to mobilize public funds, as well as private.** One participant asked whether the Bank needs to limit partial credit guarantees in IDA countries to those which have low risks of debt distress (IDA “traffic signal” is green). It was suggested that IDA countries with moderate risks of debt distress (“yellow light” countries) could also benefit from partial credit guarantees.
- **Participants expressed agreement with the proposed changes to introduce additional financing and project restructuring to guarantees which are currently available only for investment loans.**
- **One participant noted the potential for guarantees to play a countercyclical role.**

Participant List

	Name	Title	Organization	Country
1.	Ola Storberg	Senior Advisor to Executive Director	WB/EDS20	United States
2.	Thomas Feidieker	Advisor	WB/EDS05	United States
3.	Andzs Ubelis	Advisor	WB/EDS20	United States
4.	Martyna Kurcz-Jenn	Director International Finance Institution Relations	ALSTOM	United States
5.	Veronique Massenet	Advisor	WB/EDS04	United States
6.	Désiré Vencatachellum	Director, Operational Policies Department	AfDB	Mauritius
7.	Anita Ambroise	Senior Advisor	WB/EDS07	Canada
8.	Monica Dorhoi	Consultant	WB/IEGCC	United States
9.	Antonio Alexandre Rodrigues Barbalho	Sector Leader	MIGA	United States
10.	Stace Nicholson	Program Officer	JICA	Japan (US rep)
11.	Keiichiro Nakazawa	Head, USA Office	JICA	Japan (US rep)
12.	Michael Stanton-Geddes	Associate, Global Government Affairs and Policy	GE	United States
13.	Andy Dijkerman	Indep Consultant	-	France