

Inside Development

World Bank

The World Bank launched a one-stop guarantee shop. Here's how it's going

In a bid to increase private capital flows to the countries where it works the World Bank Group is streamlining and scaling its guarantee business.

By [Adva Saldinger](#) // 26 November 2024



Darren Marshall / Alamy

The World Bank's expansion of guarantees has been lauded by the private sector. Photo by: Darren Marshall / Alamy

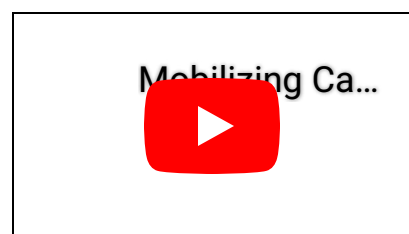
The [World Bank](#) is ramping up efforts to channel more private capital into the countries it serves by creating a central platform to streamline its guarantee offerings and committing to significantly increasing their use.

In July, the World Bank officially launched its guarantee platform, a one-stop shop for these financial products designed to mitigate risks by providing insurance against various challenges. These guarantees primarily target potential foreign investors, aiming to de-risk projects that might otherwise struggle to attract private financing. Additionally, the platform offers guarantees to governments, making it easier for them to access financial markets.

The development was influenced by [recommendations from the Private Sector Investment Lab](#), a group of CEOs convened by the bank President Ajay Banga to advise the bank on strategies to expand and expedite private capital for development.

In addition to launching the platform, Banga pledged to triple the bank's annual guarantee issuance — currently around \$8 billion a year — to \$20 billion by 2030. Progress toward that goal is already underway with \$3.5 billion of deals from July through September on the platform.

Those include renewable energy projects in [Uzbekistan](#), [Tunisia](#), and [Chile](#); increased lending for climate and [SMEs in sub-Saharan Africa](#); support for [Turkish](#) and [Moroccan](#) ports, and expanding mobile money services in [Tanzania](#).



The World Bank Group's Guarantee Platform. Via YouTube.

At the COP29 climate conference in Baku, Azerbaijan, the World Bank introduced a new guarantee product designed specifically for carbon market transactions. This innovation adapts existing protections to provide insurance tailored to the unique system of carbon trading, further expanding the bank's capacity to drive private capital toward climate solutions.

Clients looking for guarantees now have a central point of contact. Before July, the World Bank Group's branches — primary guarantee arm, the [Multilateral Investment Guarantee Agency](#), or MIGA, the [International Finance Corporation](#), and the World Bank itself — operated separate guarantee mechanisms. Navigating those systems was often complex for clients.

And while the bank has publicly aligned its guarantee mechanisms under a unified platform, significant work remains behind the scenes to standardize and streamline the processes that support these transactions. Variations across the bank's various divisions still pose challenges, Ethiopis Tafara, vice president and chief finance, risk, legal, and sustainability officer at MIGA, told Devex.

The expansion of guarantees has been lauded by the private sector. Jay Collins, vice chair of banking, capital markets, and advisory at [Citi](#), recently called it a "fantastic step forward," and Harrison Moskowitz, head of export and agency finance at [JPMorgan Chase](#), told Devex that MIGA was "innovative, very commercial and very successful."

However, not everyone shares this enthusiasm. Some civil society organizations have expressed skepticism, raising concerns about whether proper due diligence and analysis, especially regarding environmental and social factors, are being consistently applied to these transactions.

What's new

Since the July launch of the platform, efforts have been focused on integrating World Bank staff into MIGA operations, exploring ways to innovate, and addressing the complexities of merging previously disparate systems.

Each branch of the World Bank Group — MIGA, IFC, and the World Bank itself — previously operated with its own procedures and standards for guarantees. Now MIGA is tasked with updating internal processes to enable the centralized system to function seamlessly. Some changes may require board approval, but that is part of ongoing work, Tafara said. The final decision to approve guarantees still sits with the individual branch where the guarantee will be booked.

“We’re also cognizant of the fact that you don’t want to complicate things by virtue of having different teams doing the execution and diligence. So you have the one-stop shop. You have one team doing all of the diligence and execution, and that one team would then bring it to the three decision makers as to, are you prepared to book this on your balance sheet?” he explained.

A further challenge lies in harmonizing three different sets of standards that apply to guarantees from the bank, IFC, and MIGA. While broadly similar, these standards differ in ways that complicate the process. “We want to be sure we’re making them as harmonized as possible, in the interest of simplifying the process of getting guarantees,” Tafara said.

Getting all the behind-the-scenes changes ironed out will take some time, at least until July, he said.

Even as it works to align operations, MIGA is also focused on expansion. This growth will be driven by streamlined processes that make it easier to combine guarantees, leveraging MIGA’s expertise to enhance offerings, and innovating new products while promoting its services.

In addition to the recently launched carbon markets guarantee product, MIGA is exploring new possibilities such as providing portfolio guarantees alongside its current project-specific guarantees. It is also evaluating other potential product innovations and plans to expand its guarantee portfolio by actively promoting its offerings through training programs and roadshows.

MIGA has enough money to double its portfolio, but further growth may require additional funds. However, Tafara noted that MIGA operates on a sustainable model, using the revenue it generates to fund its ongoing insurance activities.

The private sector perspective

MIGA guarantees to enable commercial banks to lend larger amounts with longer tenors in regions they might otherwise avoid, Moskowitz told Devex.

“That is the value of MIGA support and is a very powerful enabler of financing,” he said, adding that J.P. Morgan has completed 13 transactions with MIGA guarantees since 2020.

One such deal, [announced earlier this year](#), involved MIGA providing a \$584.6 million guarantee to J.P. Morgan, [HSBC Bank](#), and [Standard Chartered Bank](#) for loans issued to [Banco Nacional de Panamá](#), the country’s top state-owned bank. The guarantee protects the international banks against the risk of the Panamanian bank failing to meet its financial obligations. The loans protected by the guarantee will support micro, small, and medium enterprises and mortgages for lower-income housing, with a gender target of 55% for the mortgages.

“The growth of MIGA’s relevance and the growth of MIGA’s platform will translate to a larger market, ultimately a larger financing amount that MIGA is supporting and consequentially higher development impact,” Moskowitz said.

While MIGA has actively introduced and scaled new products, other parts of the World Bank’s guarantee system have struggled with consistency. The new platform offers an opportunity to standardize and scale those programs, including partial credit guarantees, he said.

But the goals set by the bank — to reach \$20 billion by 2030 — may lack ambition, said Citi’s Collins at a recent event at COP in Baku.

“The most important tool in the private capital mobilization toolbox is actually guarantees,” he said. “It’s where the most bang is out of everything short of equity. It is extraordinarily enabling. With a guarantee, high mobilization rate, without a guarantee, low mobilization rate. It’s just that simple.”

Collins praised the World Bank’s embrace of guarantees as “a fantastic step forward,” and encouraged it to explore expanding product offerings and focus on originating more transactions, he added.

Concerns

Some civil society organizations have raised concerns about scaling up MIGA, citing instances where it has not always adhered to its own environmental, social, and disclosure rules. These issues were highlighted during an event at the World Bank annual meetings’ Civil Society Policy Forum.

“Civil society has an increased interest in MIGA because of the World Bank evolution roadmap and projections for MIGA to have an increased role in its climate finance,” said Jason Weiner, executive director of Bank Climate Advocates.

Weiner’s organization analyzed MIGA projects and found “alarming failures” where MIGA failed to follow its own policies related to climate change. The problems centered around MIGA’s environmental and social policy, access to information policy, and its performance standards, particularly concerning the quantification and reporting of greenhouse gas emissions, he said.

One concern was the lack of alternatives analysis, which is required by MIGA policies — only 31% of projects analyzed had any such analysis, Weiner said.

World Bank overhauls guarantee business to woo private investors

The new one-stop-shop platform for simpler access to loan and investment guarantees is part of the bank's plan to triple its annual guarantee issuance to \$20 billion by 2030. It will be available to clients July 1.

Daniel Ribeiro, technical and research coordinator of Justiça Ambiental in Mozambique, cited an example of gas projects in Mozambique where MIGA failed to evaluate whether alternative energy sources, such as wind or solar, might have been more cost-effective. This was despite other research at the time indicating that renewable energy options could have been viable alternatives, he said.

There were also concerns about transparency, with some assessments not being made public, making it difficult to understand how projects were evaluated and what measures had been taken.

“If we plan to expand, these basic components need to be addressed,” he said, adding that the World Bank needs to live up to its own standards.

Weiner called for MIGA to adhere to best practices and its own guidelines, urging the institution to publish more detailed and specific information, including exact numbers for greenhouse gas emissions.

“At the very least, we feel that MIGA should be improving its requirements and clarifying them to fully account for GHG emissions, to conduct a full and supported Alternatives Analysis, and then to avoid and mitigate emissions as far as possible,” Weiner said.



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Adva Saldinger is a Senior Reporter at Devex where she covers development finance, as well as U.S. foreign aid policy. Adva explores the role the private sector and private capital play in development and authors the weekly Devex Invested newsletter bringing the latest news on the role of business and finance in addressing global challenges. A journalist with more than 10 years of experience, she has worked at several newspapers in the U.S. and lived in both Ghana and South Africa.