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Managing PPP risks with a new guide on guarantees

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Just two years ago, Ghana was experiencing unstable commodity prices and a deteriorating macroeconomic situation. Yet, through a unique combination of World Bank guarantees nearly \$8 billion in private investment was mobilized for the [Sankofa Gas Project](#)—the biggest foreign direct investment in Ghana’s history. The transformational project helped address serious energy shortages and [put the country on a path to economic growth](#).

This is just one example illustrating how risk mitigation products play out in practice to encourage private sector investment and improve people’s lives.

A new guide released by the [Public-Private Partnership Resource Center](#) based in the [Singapore Hub for Infrastructure and Urban Development](#), the [World Bank Group Guarantee Products Guidance Note](#) summarizes key features of the guarantee and risk mitigation products offered by each of the World Bank Group institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), which together make up the [World Bank](#); the [Multilateral Investment Guarantee Agency \(MIGA\)](#); and the [International Finance Corporation \(IFC\)](#).

Increasing fiscal constraints and overwhelming demand make it more critical than ever to maximize investment in crucial, growth-boosting infrastructure in low- and middle-income countries. Public budgets and loans from multilateral development banks will not be enough.

“Crowding-in” private sector financing through risk mitigation and guarantee products that leverage the World Bank Group’s credit rating is a way to attract additional financing that may not have been available otherwise due to the risk profile of the project. Because many of these products have evolved over the years it is not always easy to understand each one’s unique attributes.

[The publication](#) highlights similarities and differences among them—in particular how these guarantee products can support Public-Private Partnerships (PPPs) for infrastructure projects in emerging markets. It originated from requests the Public-Private Partnership Resource Center has received over the years from client countries and staff for guidance on the range of the World Bank Group’s risk mitigation products. It is also available in [French](#) and [Spanish](#).

More examples of projects that have used risk mitigation products include:

- A combined MIGA/IDA guarantee in Lao PDR for [Nam Theun 2 Hydropower Project](#) allowed the largest investment in the country and the largest cross-border project financing in the East Asia and Pacific region.
- An IDA guarantee in Cameroon for the [Kribi Gas Power Project](#) enabled local currency financing in a market with little previous experience with local project finance to infrastructure projects.
- An IFC local currency risk sharing facility in Guatemala City credit-enhanced the [TransMetro Mass Transport System](#).
- A MIGA guarantee in China covered risks of transfer restriction and expropriation for the foreign sponsor (Suez Environnement S.A.) in the [Chongqing Water Project](#), which catalyzed foreign investment in a sector and country that has not always been easy for foreign investors to enter.

These examples illustrate several trends: **the range of risks covered by the World Bank Group for these products has increased significantly in recent years** from political risk, to commercial risk (payment risk, performance risk), change in law risk, currency risk, or political risk (such as expropriation).

Another recurring theme highlights the World Bank Group’s convening power—their presence in a project often provides the push needed for the private sector to become involved. Often, the Bank Group focuses the guarantees on “path-breaker” projects, which may catalyze further investment by allowing the government to establish a track record of good behavior with the private sector.

We hope this overview helps you navigate the various World Bank Group guarantee products. Please let us know your thoughts by providing comments below.

The Public-Private Partnership Resource Center is managed by the PPP CCSA team in the [World Bank Hub for Infrastructure and Urban Development in Singapore](#).

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