

APPENDIX B: WBG GUARANTEES STAFF SURVEY

As part of the evaluation of WBG guarantee instruments, IEG conducted a survey of WBG expert staff between February 6 and 25, 2008 (see attachment on page 106). The objective of the survey was to solicit views about the use and effectiveness of guarantee instruments. The survey questionnaire, which was e-mail based, was sent to 363 preselected staff on the basis of their current or previous experience with guarantees. The total number of responding staff was 206. The breakdown of staff and their respective response rate is shown in table B.1.

Table B.1: Staff Survey Responses

WBG	Total number of staff	Response rate (%)
World Bank	61	45.9
IFC	243	52.6
MIGA	59	84.8
Total	363	56.4

Source: IEG survey.

Note: IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; WBG = World Bank Group.

WBG staff are familiar with their own products but not with the guarantee products of other WBG institutions (see table B.2). Most Bank staff were familiar with their own instruments as International Bank for Reconstruction and Development (IBRD)/International Development Association (IDA) Partial Risk Guarantees (PRGs), IBRD Partial Credit Guarantees (PCGs), and Policy-Based Guarantees. Bank staff were also familiar with MIGA political risk insurance (PRI) as much as their own products; however, except for IFC PCGs (a little less than half), less than one-third of staff were familiar with IFC guarantees. As reported, more than

two-thirds of IFC staff were very familiar with many of their diversified products—PCGs, Risk-Sharing Facilities (RSFs), PRGs, and the Global Trade Finance Program (GTFP), but less than half knew about MIGA PRI. Only one-fifth of IFC staff were familiar with IBRD/IDA products. Compared with the Bank and IFC staff, MIGA staff were more familiar with the other two institutions' products, especially with Bank guarantees. However, less than half of MIGA staff reported being familiar with IFC guarantees. As is seen above, Bank and MIGA staff are familiar with products of the other institution, but not with those of IFC. In contrast, IFC staff are not familiar with products of either the Bank or MIGA.

According to the WBG staff, the most critical benefits of the WBG guarantee instruments were enhanced image of financial soundness and improved financing terms (rates and tenors). More than 85 percent of WBG staff felt that this was the case.

In addition to these two common benefits, staff also pointed out several other benefits. For IBRD/IDA PRGs and PCGs, most Bank staff reported that the WBG's role as an honest broker and IBRD/IDA's assistance in securing other investors and structuring finance were other critical benefits.

For IFC PRGs and PCGs, about 75 percent of IFC staff reported that IFC's technical and economic appraisal of the project and assistance in securing other investors and structuring finance were also important benefits. In MIGA, more than 70 percent of staff felt that the WBG's role as an honest broker and MIGA's assistance in securing other investors and structuring finance were additional benefits of their PRI product. Ability to provide

Table B.2: Staff Familiarity with WBG Guarantee Instruments

	World Bank (%)	IFC (%)	MIGA (%)
Familiarity with the guarantee product of own institution	IBRD/IDA PRG (96.4)	IFC PCG (87.4)	PRI (100)
	IBRD PCG (85.7)	IFC RSF (77.2)	
	IBRD PBG (65.4)	IFC PRG (67.8)	
		IFC GTFP (64.8)	
		IFC CLG (48.3)	
		IFC GOLF (28.8)	
Familiarity with the guarantee product of another WBG institution	MIGA PRI (85.2)	MIGA PRI (45.8)	IBRD/IDA PRG (83)
	IFC PCG (48)	IBRD/IDA PRG (22.7)	IBRD PCG (58.7)
	IFC PRG (28)	IBRD PCG (12.7)	IFC PCG (47.8)
	IFC GTFP (20)	IBRD PBG (7.1)	IFC PRG (43.8)
	IFC RSF (16)		IBRD PBG (41.3)
	IFC CLG (15.4)		IFC GOLF (37)
	IFC GOLF (11.5)		IFC RSF (28.9)
			IFC GTFP (26.1)
		IFC CLG (22.7)	

Source: IEG survey.

Note: CLG = credit-linked guarantee; GOLF = Global Offshore Liquidity Facility; GTFP = Global Trade Finance Program; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; MIGA = Multilateral Investment Guarantee Agency; PBG = Policy-Based Guarantee; PCG = Partial Credit Guarantee; PRG = Partial Risk Guarantee; PRI = political risk insurance; RSF = Risk-Sharing Facility; WBG = World Bank Group.

assistance in securing other investors and structuring finance were seen as additional critical benefits of WBG guarantee instruments by a majority of staff in all three institutions.

Staff had varied views on which products could be substituted by another. The survey results indicate that there is no clear consensus on which products can be substituted by the others across the institutions.

- **World Bank.** In the Bank, a significant number of opinions on substitutes were collected only for the PRG instrument. According to WBG staff who are most familiar with IBRD/IDA PRGs, this product can have as many as seven different substitutes within and outside its originating institution. Although about 30 percent of WBG staff responded that the product has no substitute, about 70 percent suggested substitutes. Here one-third reported that it can be substituted by

IBRD/IDA lending, one-fourth by MIGA's PRI, and one-fifth by IBRD PCGs (table B.3).

- **IFC.** In IFC, staff suggested substitutability of several instruments. About 15 percent of staff familiar with this product felt that it had no substitute; more than 85 percent reported that it was substitutable. From those, about 40 percent felt that it can be substituted by IFC's direct investment and about one-fourth by RSFs. Though not significant, there were also views suggesting substitutability of IFC PCGs by IBRD PCGs, IFC CLGs, PRGs, Global Offensive Liquidity Facility, and GTFP, and IBRD/IDA lending. As for RSFs, though about 20 percent of staff reported that the product has no substitute, another 20 percent reported that it can be substituted by IFC's direct investment, and about one-third suggested its substitutability by IFC PCGs and PRGs. An insignificant proportion of staff suggested substitutability of RSFs by GTFP. As for IFC PRGs,

Table B.3: Suggested Substitutes of WBG Guarantee Instruments

Suggested substitute	IBRD/IDA PRGs (%)	IFC PRGs (%)	IFC RSF (%)	IFC PRG (%)	IFC GTFP (%)	MIGA PRI (%)
IBRD/IDA lending	37.5				6.7	
MIGA PRI	25			12.5		
IBRD PCGs	18.8	4.5				
IBRD/IDA PRGs				12.5	6.7	26.0
IBRD PBGs						4.0
IFC PCGs	6.3		33.3	12.5		6.0
IFC RSFs	12.5	22.7		25.0	6.7	4.0
IFC PRGs	12.5	15.9	28.6	12.5	6.7	14.0
IFC direct investment	12.5	36.4	19.0		20.0	4.0
IFC credit-linked guarantees		18.2		25.0		2.0
IFC GOLF		6.8				
IFC GTFC			4.8			
None of the above	18.8	11.4	19.0	0	53.3	44.0

Source: IEG survey.

Note: GOLF = Guaranteed Offshore Liquidity Facility; GTFC = Global Trade Facility Program; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; PBG = Policy-Based Guarantee; PCG = Partial Credit Guarantee; PRG = Partial Risk Guarantee; PRI = political risk insurance; RSF = Risk-Sharing Facility; WBG = World Bank Group.

about two-thirds of staff reported their substitutability by IFC's direct investment. Although there were views supporting their substitutability by RSF, CLG, IFC PCG, IBRD/IDA and IFC PRGs, and MIGA PRI, the response

was insignificant. In terms of GTFP, about half of staff most familiar with this instrument supported its nonsubstitutability, whereas an insignificant proportion of staff suggested that this product could be substituted by

Table B.4: Percent of Surveyed Staff Who Reported That the Change Is Important

Important changes	IBRD/IDA (%)	IFC (%)	MIGA (%)
Improving coordination with other WBG institutions	77.8	49.1	89.1
Improving marketing of guarantees	96.3	81.3	97.9
Clarifying policies and guidelines, explaining when guarantees are appropriate	82.1	82.3	80.9
Offering more staff training	77.8	90.3	71.1
Reducing time and cost to process guarantees	89.3	90.1	89.4
Offering more flexible contract terms	77.8	83.2	89.4
Investing in new product development	77.8	83.0	91.3

Source: IEG survey.

Note: IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; WBG = World Bank Group.

Table B.5: Reasons for Droppages of Guarantee Projects

Dropage reason	IBRD/IDA (%)	IFC (%)	MIGA (%)
Inadequate compliance with environmental or social guidelines	16.7	1.9	5.0
Another WBG agency provided the guarantee	0.0	1.9	10.0
Intermediate commercial banks withdrew from project	11.1	20.8	10.0
Underlying project technically or financially unsound	16.7	15.1	15.0
Government objected to the project	0.0	7.5	17.5
Another multilateral or bilateral agency provided the guarantee	27.8	13.2	20.0
A private firm provided the guarantee	16.7	9.4	27.5
Other	33.3	18.9	35.0
Processing time too long for client	44.4	43.4	40.0
Client proceeded with the project but without any guarantee involved	66.7	41.5	47.5
Cost of guarantee was too high for client	11.1	81.1	50.0
Client dropped the underlying project	22.2	28.3	55.0

Source: IEG survey.

Note: IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; WBG = World Bank Group.

IBRD/IDA PRGs and lending and IFC's PRGs, RSFs, and direct investment.

- **MIGA.** As for MIGA's PRI, about 40 percent of staff supported the product's nonsubstitutability. From those staff that felt that it had substitutes, one-fourth felt that it can be substituted by IBRD/IDA PRGs, and one-fifth felt that it is substitutable by IFC PRGs and the Global Offshore Liquidity Facility. Though there were other views supporting substitutability of PRI by IBRD policy-based guarantees, IFC PCGs, RSFs, CLGs, and direct investment, the significance was low.

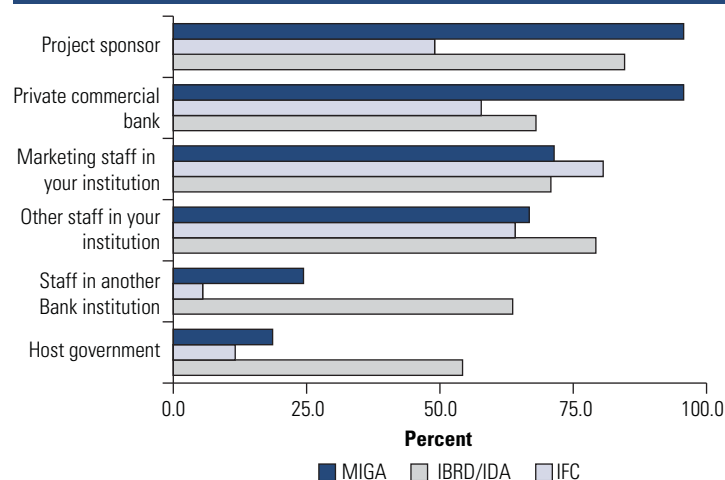
Changes Needed to Improve Instruments

A high proportion of staff felt that changes are needed to improve the WBG's guarantees instruments (table B.4). Overall, most staff felt that reducing time and cost of processing guarantees and improving marketing are important for improving WBG guarantee instruments. Whereas these changes were supported by about 90 percent of overall surveyed staff, investing in new product development, offering more flexible contract terms, clarifying WBG policies and guidelines to explain when guarantees are appropriate,

and offering more training to staff on guarantees were also strongly supported across institutions. In addition, MIGA and IBRD/IDA staff stressed the importance of improving the coordination within WBG institutions. Overall results suggest strong support for these changes in all three institutions.

According to WBG staff with experience, clients proceeding with the project without a guarantee and long processing times were the main reasons for dropped guarantee projects. About 65 percent of IBRD/IDA staff, 50 percent of IFC staff, and more than 80 percent of MIGA staff reported having experience with dropped guarantee projects (table B.5).

According to about one-third of IBRD/IDA staff, an involvement of another bilateral or multilateral agency in providing the guarantee was another decisive factor for the guarantee. About 40 percent of IFC staff took views in support of the two reasons mentioned, but about 80 percent reported that the droppages occurred because the cost of the guarantee was too high for the client. Moreover, clients dropping the underlying

Figure B.1: Originator of Guarantees

Source: IEG survey.

Note: IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency.

project and withdrawal of intermediate commercial banks from the project were reported by IFC staff as contributing reasons in one-fifth of dropped guarantee cases.

In MIGA more than 40 percent of staff shared views in support of the two common reasons, whereas 50 percent pointed out a too-high cost for the client and the client's droppage of the underlying project as reasons. About 20 percent of MIGA staff reported that the involvement of a private firm and a multilateral or bilateral agency in provision of guarantees was another reason for dropped guarantees.

Bank and MIGA staff reported that project sponsors/investors most frequently originated the request of guarantees (figure B.1). In contrast, in IFC, marketing staff were the ones to most frequently originate a guarantee. According to Bank staff, mostly project sponsors, its other staff, its

marketing staff, and private commercial banks originated guarantees. Compared with products of other institutions, Bank guarantees were also relatively frequently originated by host government and staff of another WBG institution.

In IFC, as reported by about 80 percent and 60 percent of staff, respectively, its marketing staff and other staff play an important role in originating guarantees. Private commercial banks and project sponsors also approach IFC for a guarantee. As IFC staff reported, host government and staff in another Bank institution are the ones that are least likely to originate its guarantees.

In MIGA, as reported by about 90 percent of staff, project sponsors and private commercial banks first approach MIGA for a guarantee. According to staff, its marketing staff and other staff also play an important role in originating guarantees.

Attachment: Survey Structure and Questions

The survey questions were structured to provide multiple choices as well as open-ended answers. All staff were asked the following questions:

SURVEY	
<p>1. How familiar are you with the following WBG guarantee instruments? (Check all that apply.)</p> <p>Answer Options</p> <p>IBRD Policy-Based Guarantees (PBG) IBRD Partial Credit Guarantees (PCG) IBRD/IDA Partial Risk Guarantee (PRG) IFC Partial Credit Guarantee (PCG) IFC Risk Sharing Facilities (RSF) IFC Partial Risk Guarantees (PRG) IFC Credit Linked Guarantees (CLG) IFC Guaranteed Offshore Liquidity Facility (GOLF) IFC Global Trade Facility Program (GTFP) MIGA Political Risk Insurance (PRI)</p> <p>Specify the level of familiarity: Not familiar / Barely familiar / Somewhat familiar / Very familiar</p>	<p>IBRD Partial Credit Guarantees (PCG) IBRD/IDA Partial Risk Guarantee (PRG) IFC Partial Credit Guarantee (PCG) IFC Risk Sharing Facilities (RSF) IFC Partial Risk Guarantees (PRG) IFC Credit Linked Guarantees (CLG) IFC Guaranteed Offshore Liquidity Facility (GOLF) IFC Global Trade Facility Program (GTFP) MIGA Political Risk Insurance (PRI) IBRD/IDA lending IFC direct investment None of the above</p>
<p>2. Select the WBG guarantee instrument that you are most familiar with.</p> <p>Answer Options</p> <p>IBRD Policy-Based Guarantees (PBG) IBRD Partial Credit Guarantees (PCG) IBRD/IDA Partial Risk Guarantee (PRG) IFC Partial Credit Guarantee (PCG) IFC Risk Sharing Facilities (RSF) IFC Partial Risk Guarantees (PRG) IFC Credit Linked Guarantees (CLG) IFC Guaranteed Offshore Liquidity Facility (GOLF) IFC Global Trade Facility Program (GTFP) MIGA Political Risk Insurance (PRI)</p>	<p>5. How might the delivery of this instrument be improved?</p> <p>Answer Options: Open</p>
<p>3. In your experience, how critical are the following benefits to clients for this guarantee instrument?</p> <p>Answer Options</p> <p>WBG role as honest broker Enhanced image of financial soundness Compliance with environmental and social standards Improved financing terms (rates and tenors) Your institution's technical and economic appraisal of the project Your institution's assistance in securing other investors and structuring finance</p> <p>Specify the level: Extremely critical / Somewhat critical / Not very critical / Not at all critical / No opinion</p>	<p>6. How important are the following changes for improving your institution's guarantee operations?</p> <p>Answer Options</p> <p>Improving its coordination with other WBG institutions Improving its marketing of guarantees Clarifying its policies and guidelines, explaining when guarantees are appropriate Offering more training to staff on guarantees Reducing the time and cost to process its guarantees Offering more flexible contract terms Investing in new product development</p> <p>Specify the level: Extremely important / Somewhat important / Not very important / Not at all important / No opinion</p>
<p>4. What other WBG instruments can substitute for this guarantee instrument?</p> <p>Answer Options</p> <p>IBRD Policy-Based Guarantees (PBG)</p>	<p>7. Have you worked on a guarantee project that was dropped before becoming effective?</p> <p>8. If you had a project dropped, identify which were the most likely reasons (select up to 5).</p> <p>Cost of guarantee was too high for client Client proceeded with project but without any guarantee involved Client dropped the underlying project Processing time was too long for client Intermediate commercial banks withdrew from project Government objected to the project Underlying project technically or financially unsound Inadequate compliance with environmental or social guidelines Another WBG agency provided the guarantee.</p>

Another multilateral or bilateral agency provided the guarantee.

A private firm provided the guarantee.

Other reasons (please specify)

9. Who typically first suggests that your institution's guarantees might be appropriate instruments for a project?

Answer Options

Host government

Project sponsor

Private commercial bank

Marketing staff in your institution

Other staff in your institution

Staff in another World Bank institution

Specify frequency level: Frequently / Occasionally /

Infrequently / Never / No opinion

10. What immediate change would you make to improve the WBG's guarantee program?

Answer Options: Open

11. What risk mitigation needs of clients are not met by your institution's guarantee instruments?

Answer Options: Open