Guaranteeing Success:

Making the World Bank Platform Reach the Countries That Need It Most

How to cite this paper: Raih Y., Ababou A., and Hurley R.: "Guaranteeing success: making the World Bank platform reach the countries that need it most ", Policy Note, Finance for Development Lab.
Link
Keywords: World Bank Guarantee Platform; policy-based guarantees; sovereign debt; debt-for-development swaps; guarantee pricing; concessional finance; debt sustainability framework; MIGA.
JEL Codes: F34, H81, F35, O19

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Policy Note 37

October 2026

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Acknowledgments: Thank you to, without incriminating, Mathilde Cohen, Ishac Diwan, Nadine Ghobrial, Martin Kessler, Vincent Launay and David Mihalyi for their suggestions and comments that have led to valuable improvements in the paper.

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Executive Summary

The World Bank Guarantee Platform has grown fast, and sovereign guarantees contributed to this success. In FY2026, the World Bank Group issued more than $25 billion in guarantees, four years ahead of its initial 2030 target. Sovereign guarantees contributed to this achievement: PBG+ operations, which are guarantees layering an IBRD or IDA first-loss with a MIGA second-loss, went from 2% to 18% of signings in a single year.

The next phase of growth should target not just volume but impact as well. Two-thirds of platform guarantees went to upper-middle and high-income countries. A single low-income country received only 9.5%, Rwanda. The Bank's comparative advantage lies in going where private finance doesn't. That means sovereigns with weak ratings, tight fiscal space and limited market access. Three design choices currently keep the platform away from them.

Eligibility: the missing middle

Rules to access the Platform exclude countries that need guarantees the most. This is particularly the case for low-income countries (LICs): to have access to a PBG+, their Debt Sustainability Analysis (DSA) must be at low or moderate risk of debt distress. IBRD-only borrowers face no such test. Countries like Kenya and Cameroon, rated at high risk, carry expensive commercial debt that PBG+ could help refinance but is unable to support. Nor can Zambia, which has largely completed its restructuring but remains rated high risk.

These are exactly the countries the Debt-for-Development swaps were designed for. The IMF and World Bank framework for Debt-for-Development swaps targets countries facing liquidity pressure rather than solvency crises. Moreover, it explicitly envisages swaps after a restructuring, as a top-up measure. However, two years on, the Bank has closed only D4D swaps in Côte d'Ivoire and Angola.

We offer two solutions to widen access to these useful tools. Proposal 1 suggests allowing countries with a "high risk" rating to request PBG+ provided their debt is subject to liquidity rather than solvency pressure – which the recently revised LICs Debt Sustainability Framework (LIC DSF) allows to better detect. Countries facing solvency risks would remain excluded. Proposal 2 concerns countries in debt restructuring for which PBG+ should be explicitly considered after most, but not all, negotiations have been finalised.

Price: necessary review of guarantee fees

IDA countries can pay more for a guarantee than IBRD borrowers. IDA charges a flat 75 bps for all guarantees. IBRD guarantee fee depends on the country's income and maturity. It can go as low as 30 bps. For the same instrument, countries like Rwanda (IDA, rated B+) paid 2.5 times what Argentina (IBRD-eligible, rated B-) was charged. This unexpected result defies the World Bank's pricing logic where the wealthier the borrower, the more it should pay.

These levels of fees are not explained by the risk of default. As demonstrated by the Global Emerging Markets (GEMs) Risk database, MDB sovereign loans to B-rated borrowers default at 0.64% a year, and average recovery is 95.1%. Although fees cannot be derived directly from this data set, it still shows

that credit risk accounts for only a small fraction of the final cost. Until the Bank publishes how its fee is built up, borrowers cannot see in advance what they are paying for.

The level of IDA guarantee pricing should be reviewed and set fairly against IBRD's and equivalent to an IDA credit. Proposal 3 calls for setting IDA fees no higher than the IBRD fee for the same maturity. It also suggests that IDA credits (loans) and IDA guarantees carry the same concessionality for the borrower. The same grant element in an IDA credit should be provided to lower the cost of an IDA guarantee.

Guarantee fees are paid upfront, which creates a cash-flow problem that needs to be solved. The IDA fee and the MIGA premium are now paid upfront, for good reasons. However, together they can reach 12% of loan proceeds on long maturities. This is a fiscal burden in the year of signing while savings come later. A liquidity operation therefore starts by worsening the borrower's debt ratios. Proposal 4 creates a donor facility to subsidise fees on high-impact D4D swaps and to test risk-sharing on the MIGA layer.

Scope: the most useful operations are off the table

The paper then focuses on the Platform's scope, which excludes operations in regional currencies that could offer large savings at low currency risk. Guarantees can be used to refinance a local or regional currency debt, when the currency is pegged to a reserve currency. Before the launch of the Platform, IDA already guaranteed a euro-denominated loan to retire short-dated CFA franc debt. Proposal 5 suggests reiterating that experience in currency unions that are credibly anchored to reserve currencies, such as the two CFA franc unions and the Eastern Caribbean Currency Union (ECCU).

Finally, the World Bank should broaden how debt swap savings are channelled. Currently savings generated by D4Ds flow to World Bank projects. However, the D4D framework permits delivery through other partners, which would allow leveraging more funding and make these operations more attractive. Proposal 6 suggests offering governments the option to channel commitments through qualified institutions such as the Global Fund, Gavi, or UNICEF.

Within reach

None of this needs new shareholder capital or a redesign of the Platform. Most proposals can be carried out through changes to World Bank policy, pricing methodology, legal documentation and practice. Together they would move the Guarantee Platform from counting volume to targeting impact.

Introduction – The Platform has momentum, now it can get direction

Two years after its launch, the World Bank Guarantee Platform has demonstrated that it can deliver for its clients. Designed to catalyse private capital at a scale, which direct lending alone cannot do, the Platform consolidates the Group's guarantee instruments under a single one-stop shop hosted by MIGA.

The flagship product for sovereigns is the "PBG +". It is a combination of the IDA/IBRD Policy-Based Guarantee (PBG) as first loss with a MIGA non-honouring guarantee as second loss. MIGA's participation crowds in commercial lenders as it can cover up to 95% of the total amount lent, lowering borrowing costs for sovereigns rated B- or above.

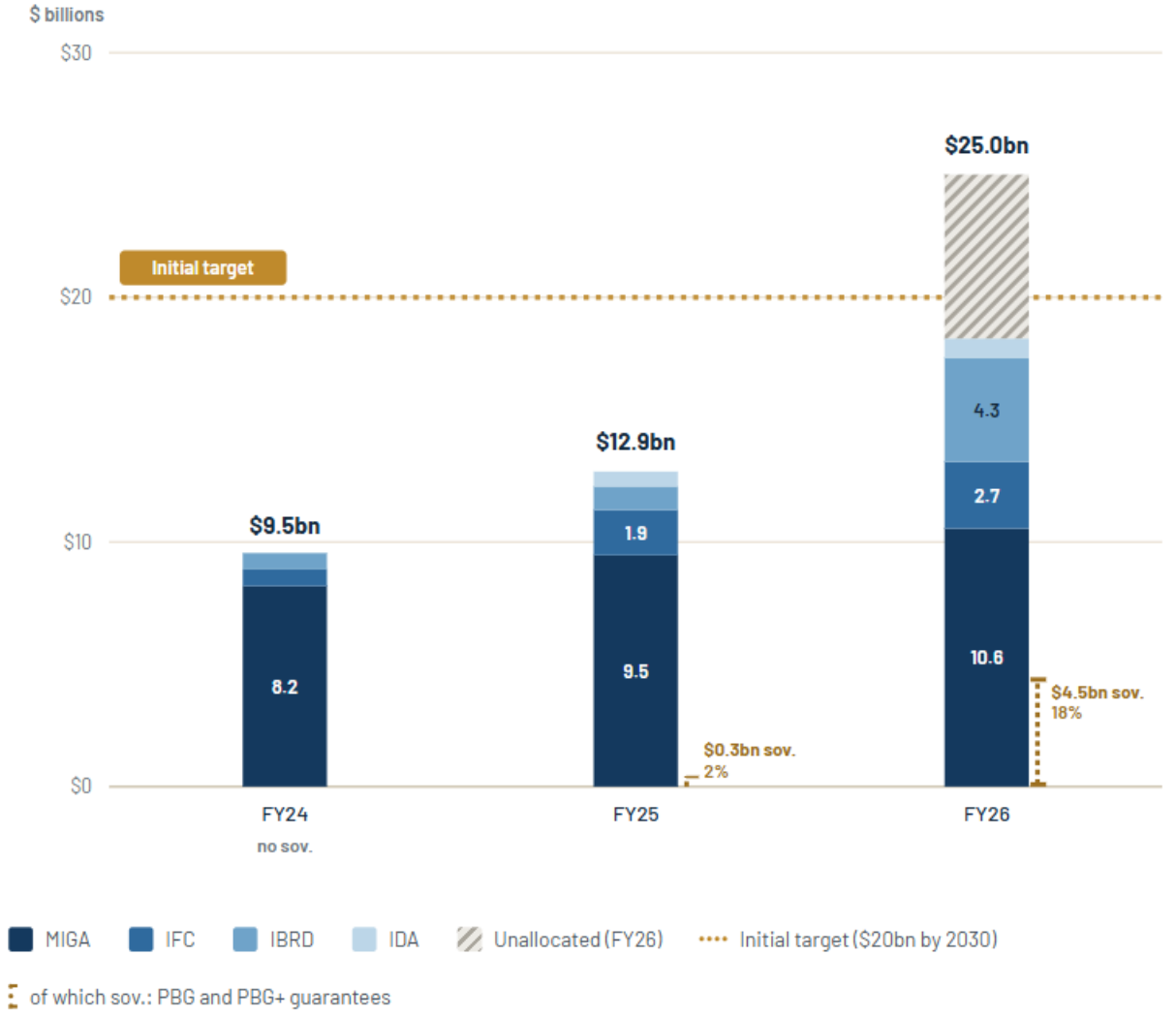
PBG and PBG+ help a government access cheaper commercial borrowing for two purposes: finance its budget or refinance its debt. The proceeds from the guaranteed borrowing can either provide additional fiscal space at more affordable rates from commercial lenders or help refinance existing debt obligations. In that second case, the operation can fall under the Debt-for-Development Swap (D4D) framework where part of the savings generated through the buyback operation is redirected toward development spending. It can also take the form of a standard liability management operation (LMO), where the savings, if any, flow to the government budget rather than an earmarked programme.

The Platform has already exceeded its volume target. In FY2026, the World Bank Group issued more than $25 billion in guarantees. This surpasses, four years early, the target of $20 billion in annual issuance by 2030 set by Ajay Banga. Most of the growth came from non-sovereign guarantees, but PBG+ operations went from representing a small share of all guarantees issued in 2025 (2% for fiscal year 2025) to a major driver of growth (18% in 2026).

Sustaining the strong growth of sovereign guarantees will be harder. The first five PBG+ operations were signed with Côte d'Ivoire, Angola, Panama, Rwanda and Argentina. These were willing governments with stronger debt management capacity, and the pool of eligible countries is narrowing. The World Bank will need to look further to find transactions where its support makes a material difference. Consolidating products under one platform will not be enough. It will require using the two levers President Ajay Banga has emphasised: wider eligibility and more efficient pricing. This paper offers practical recommendations on both, as well as on the design constraints that limit the Platform's reach.

Graph 1 – WBG Guarantee Platform reached its initial target 4 years early

$18.3bn issued across 77 projects in 40 countries in FY2025 and more than $25bn announced for FY2026. MIGA carries the Platform, while IBRD guarantees are the fastest-growing contributor.



Source: www.financesone.worldbank.org

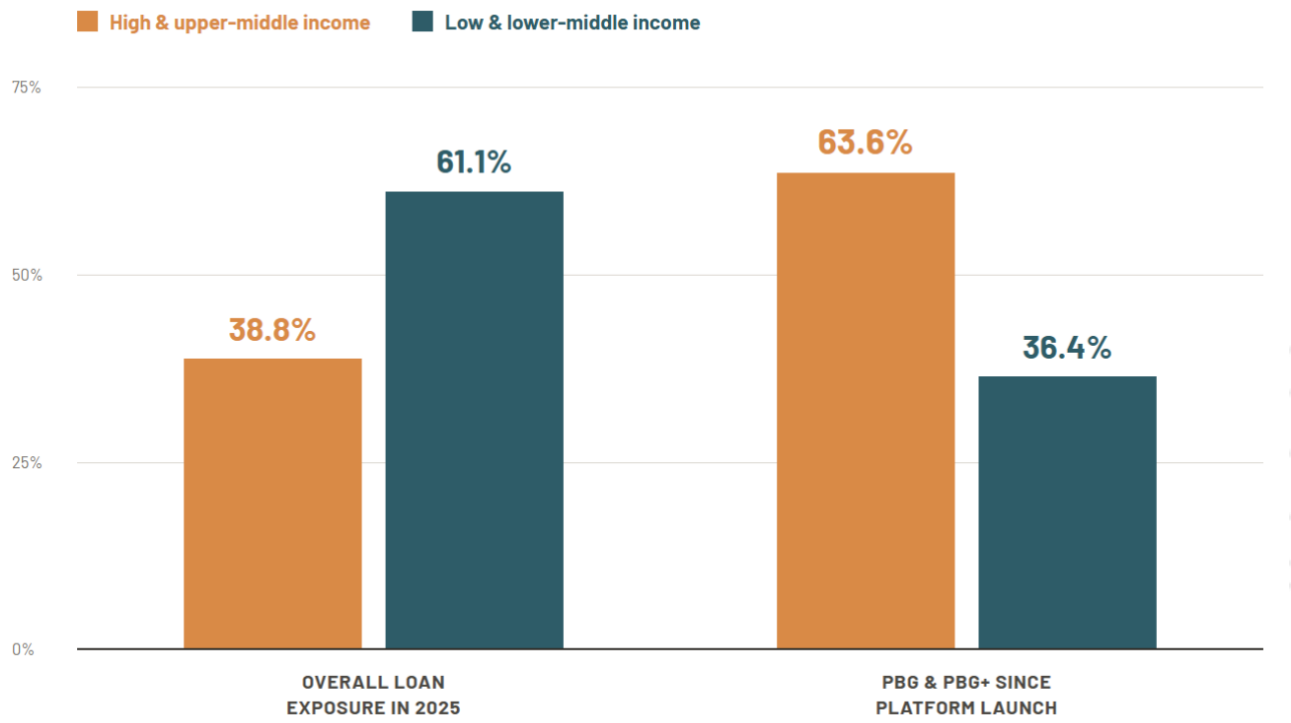
Volume should not be the only metric: what matters first is where it went and for what impact. The World Bank's comparative advantage is intervening where private finance doesn't: for sovereigns with weak credit ratings, constrained fiscal space, and limited market access. However, a closer look at the numbers shows the Platform's support is skewed toward wealthier borrowers: two-thirds of the guarantees went to upper-middle-income and high-income countries, while only 9.5% went to one Low Income Country (LIC), Rwanda. This breakdown is at odds with the World Bank's historical presence in lower-middle-income and low-income countries, which represented 61.1% of IBRD/IDA total exposure in FY2025.

This volume success only partly translated into Debt-for-Development swaps. D4D swap is a key tool of the IMF/World Bank three-pillar approach for countries with sustainable debt but facing liquidity pressures. Swaps are probably the most impactful use of the Guarantee Platform by turning savings generated by the credit enhancement into development spending. However, D4D has only been

deployed twice since the platform's launch, in Côte d'Ivoire and Angola, for relatively limited amounts compared to other commercial debt swap operations. D4D might not be the best use of PBGs for all borrowers, especially among LICs with small outstanding commercial debt to buy back (Rwanda, for instance). But others for which D4D would have made sense cannot access PBGs.

Graph 2 - The World Bank's guarantees are flowing uphill

IBRD and IDA loans still favour poorer countries. However, the Bank's PBG and PBG+ have leaned the other way, toward high- and upper-middle-income borrowers.



Source: www.financesone.worldbank.org

Our argument is that targeted reforms in three areas – eligibility, pricing and scope - can ensure that the Platform genuinely delivers on its commitment. Our paper focuses on the sovereign guarantees offered on the Platform (PBGs and PBG+). First, on the supply side, eligibility criteria for accessing these instruments should be expanded. Second, on the demand side, their pricing should be reviewed so that poorer countries do not pay more than wealthier ones. Third, to improve their efficiency, the scope of implementation should be widened to cover more impactful operations, and more efficiently. The proposals are designed to remain within the World Bank's operational control and ensure that scaled-up resources unlocked by the Guarantee Platform go where they are most needed, particularly in IDA countries.

1. Extending eligibility to countries who need guarantees the most

1.1. Who is eligible for sovereign PBG+

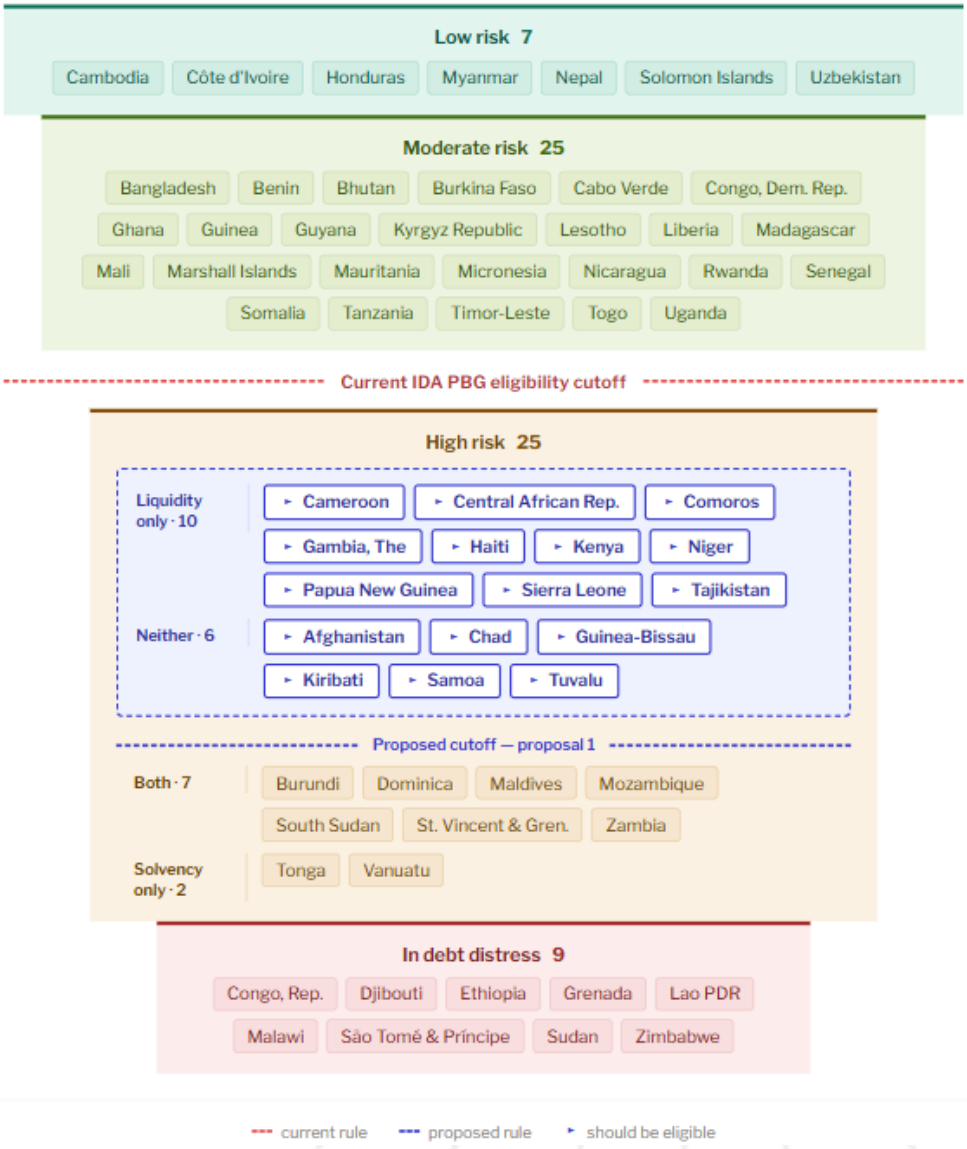
To access the PBG+, which can go up to 95%, a country must first qualify for the underlying PBG. PBGs, offered by IBRD and IDA, are delivered under the Development Policy Financing (DPF) framework alongside other forms of operations such as loans, credits and grants. Under the DPF Bank Policy (World Bank, 2017), all operations require an adequate macroeconomic framework and a satisfactory reform program (condition 1). IDA countries are subject to an additional and stricter criterion: the borrower must be rated at low or moderate risk of debt distress under the IMF-World Bank Debt Sustainability Framework (DSF) (condition 2). Countries at high risk of debt distress or already in debt distress are ineligible. IBRD countries are not submitted to this second requirement.

To allow for MIGA's participation, an additional layer of eligibility has to be cleared. On a standalone basis, MIGA's non-honouring cover is limited to sovereigns rated BB- or above. The IDA or IBRD's PBG, which absorbs the first loss, now allows MIGA to extend its cover to lower-rated sovereigns. These countries still need a credit rating of at least B- (condition 3). For countries at that rating, two additional conditions apply: IDA or IBRD covers up to 60% of the loan guaranteed as first loss (condition 3.1) and the financing must be used for a D4D or LMO (condition 3.2). This last condition ensures that guaranteed proceeds actively improve the borrower's debt profile rather than adding to it.

In practice, the PBG criteria (conditions 1 and 2) are the binding constraint for most IDA countries. The low-or-moderate-only rule is a strict one that excludes half of potential countries. And because MIGA's participation in a PBG+ depends on the IDA or IBRD first-loss position, that rule does not just limit the IDA tranche, it conditions the entire layered structure. Conversely, the PBG is favourable to IBRD or blend countries that are assessed under the Market-Access Country (MAC) DSF: even if they are facing a higher risk of distress than some LICs rated at high risk of debt distress, they will still be eligible (see below our comparison of Argentina and Rwanda).

Graph 3 - The eligibility cutoff for IDA countries is at the wrong place

Low and lower-middle income countries that are IDA-eligible and carrying a published LIC-DSF rating grouped by risk. Current eligibility rules exclude 25 countries at high risk, including some where a guarantee would be very beneficial.



Source: Author's compilation of IMF and WB DSAs

1.2. Debt-for-Development Swaps target solvent countries facing liquidity pressures

The Debt-for-Development swap framework is the most impactful application of the Policy-Based Guarantee. As a reminder, a D4D swap consists of having a highly rated institution, such as the World Bank, guarantee new commercial financing used to retire expensive legacy debt, reducing debt service over the life of the loan. A portion of the fiscal savings generated by this liability management operation is then pledged to a development programme in the debtor country.

The IMF-World Bank D4D approach framework (IMF and World Bank, 2024) identifies the instrument's intended beneficiaries precisely, and it includes countries ineligible for PBG+. Good candidates are countries that are (condition A) at moderate or high risk of debt distress with a sustainable outlook and (condition B) where the problem is near-term liquidity pressure rather than a solvency crisis. Countries in active comprehensive restructuring are excluded: swaps are not yet considered as an appropriate tool for restoring debt sustainability until they are formally assessed as in moderate risk of debt distress – a lengthy process. The framework does, however, leave open one post-restructuring use where swaps can be considered as a "top-up" measure once restructuring is complete, including for countries that remain rated at high risk while restructuring effects work through the debt profile. This aligns with the Paris Club doctrine on bilateral debt swaps with official creditors.

Under the current rules, only two countries have benefited from a D4D: Côte d'Ivoire and Angola. Together, these two operations refinanced $800 million in legacy debt, a modest result relative to what the U.S. Development Finance Corporation (DFC) has achieved in a comparable timeframe: between its first deal in Belize in 2021 ($553 million refinanced) and its most recent in Ecuador in December 2024 ($1.5 billion), DFC supported five operations totalling $5.2 billion in legacy debt retired. While the gap is large, the comparison is not perfectly fair since DFC's portfolio is mostly concentrated in middle-income borrowers – with the notable exception of Gabon - where structuring a swap can benefit from a stronger debt management office.

More could have been expected from the World Bank given its own advantages. The Bank runs standing country teams in nearly every eligible sovereign, holds long-running program relationships with their finance ministries, and has privileged access to data on the composition and terms of their debt. These are precisely the inputs a debt swap requires. If a US agency without a field presence can close a swap in an African frontier sovereign, an institution with teams on the ground and the data to match should be doing more, not less. Moreover, the World Bank's results fall short of the expectations its own announcements created: in July 2025, the World Bank president referred to a pipeline of nine debt swap candidates (Global Capital, 2025), one year later only two have closed.

1.3. The missing middle

The Platform's conservative design produces an inverse selection: it reaches countries that need it least and excludes those for whom the instrument would have the highest financial impact.

Under current criteria for PBG+, 27 low- and lower-middle-income (LLMIC) countries are eligible,[1]. Among this list of LLMIC candidates, 12 are countries where access to the PBG+ might offer limited additionality. This can happen when countries have already accessed the Platform and used it for the most impactful opportunities (Côte d'Ivoire, Angola, Rwanda, and the Kyrgyz Republic). Or when countries do not necessarily need it, for instance IDA-eligible at low risk of debt distress (Cambodia,

[1] The following IDA-eligible countries are at low or moderate risk of debt distress and have at least a B- credit rating: Bangladesh, Benin, Cabo Verde, Cambodia, Congo, Dem. Rep., Côte d'Ivoire, Ghana, Guinea, Honduras, Kyrgyz Republic, Nepal, Nicaragua, Rwanda, Tanzania, Togo, Uganda and Uzbekistan. Although according to Senegal's latest DSA the risk of debt distress is "moderate", any updated DSA will most probably deteriorate this assessment – country's eligibility has therefore been excluded.

Honduras, Nepal and Uzbekistan) that might be emphasising concessionality over volume. For IBRD-eligible countries with a credit rating close to investment grade (India, Morocco, Philippines and Vietnam), a clear signal that credit enhancement might not be necessary to access capital markets.

The current rules exclude two groups of IDA-eligible countries, despite them being the instrument's most natural beneficiaries. The first comprises countries at high risk of debt distress facing liquidity constraints rather than solvency issues. The second comprises post-restructuring countries that remain rated at high risk or below until their status is fully reflected in the DSF.

The first and most straightforward exclusion concerns illiquid countries at high risk of debt distress, where a D4D swap would address the exact pressure the Platform was designed to ease. The Guarantee Platform's eligibility criteria conflict with the World Bank and IMF Three Pillar Approach (IMF-WB, 2024), whose third pillar calls for new solutions, such as D4D, to reduce debt-servicing burdens and mobilise private finance. For illiquid-but-solvent countries whose principal constraint is not an unsustainable debt stock, having access to the Guarantee Platform would help refinance identifiable high-cost legacy commercial debt at better terms – and, as a result, address their liquidity challenges.

The newly revised IMF and World Bank Debt Sustainability Framework for LICs (LIC-DSF) offers a clear model to identify countries facing liquidity risks. The revised LIC-DSF (IMF-World Bank, 2026) clarifies the distinction between countries at risk of solvency and countries at risk of liquidity, which can anchor a more granular country categorisation for the purpose of accessing the PBG+ on the Platform. Specifically, it keeps only one solvency indicator (PV of external debt to GDP) for external debt sustainability assessment. A breach of that indicator in the baseline would justify a country being rated at high risk of debt distress and facing solvency risks – and as a result be excluded from the Platform. Conversely, a country that does not breach that indicator could still be rated as high risk of debt distress but wouldn't be facing solvency risk, suggesting that access to PBG+ would be appropriate. Applying the new LIC-DSF indicators retroactively to the latest available DSA forecasts[2], we find that 16 LIC countries currently rated at high risk are falling into that latest category: either breaching liquidity indicators only, or breaching neither liquidity nor solvency indicators. To be clear, not all the 16 additional eligible countries would make good candidates for PBG+, depending on their debt structure, growth prospects or income level.

Cameroon and Kenya would benefit from broader eligibility criteria. Both are at high risk because liquidity, not solvency, threshold indicators are breached in their most recent DSAs and in our estimates using the new LIC DSF framework. Both carry significant Eurobond liabilities contracted at high coupons, and both face acute debt service pressure. Neither of them is restructuring its debt nor intends to. As a result, they accumulate expensive commercial debt which could be put to better use. Their credit ratings, set at B- and B by Standard and Poor's, are also at least as strong as those of Argentina and Angola that benefited from the PBG+ but are not rated by the LIC DSF – showing that income (specifically being a LIC) rather than credit rating can dominate eligibility.

The second group are countries finalising debt restructuring but remaining rated at high risk, for which the Platform, particularly a D4D swap, would support the transition back to market access. The IMF-WB D4D framework explicitly identifies post-restructuring "top-up" operations as a valid use of the instrument: once restructuring is complete, a swap can support the transition back to market access and consolidate fiscal savings. The eligibility rules do not accommodate this logic and, as a

[2] Keeping the debt-carrying capacity assessment in line with the previous LIC-DSF framework.

result, the World Bank was not able to offer that option to countries. The World Bank could explicitly offer access to the Guarantee Platform from the outset of a restructuring as a top-up once a material share of the negotiations has concluded – a practice in line with the Paris Club debt swap policy. Waiting for an update to the DSA will keep the country treated identically to a country still in debt distress for an extended period of time, when post-restructuring buyback opportunities can be particularly attractive given their high exit yields – averaging about 10% according to the IMF (2025).

Three countries are (or were until recently) in this group: Zambia, Ghana and Ethiopia. While Ethiopia is going through the final stages of its restructuring (Kessler and Vessereau, 2026), Zambia and Ghana have largely completed theirs, mainly after their Eurobond exchanges in 2024. However, more than two years later, Zambia remains assessed as high risk of debt distress, and Ghana only moved to moderate in July 2026. As a result, both countries have been excluded from the Platform for more than two years, and at the time when they needed it the most, especially for a D4D swap. A good case in point is that of Zambia, which was unable to secure significant co-guarantees to carry out its recent debt swap operation, and had to mobilise scarce public resources on top of the $600 million loan from the African Development Bank. An early access to the Platform would have materially changed that outcome.

1.4. Two proposals to close the eligibility gap

A few adjustments would redirect the Platform's sovereign guarantee capacity toward IDA countries, where development impact is greatest. The mismatch documented above reflects operational choices within the Bank's control, not structural constraints. Although the pool of additional countries that would gain access under these reforms is relatively limited, the impact could be substantial because PBG+ is particularly well suited to their financing constraints. Four newly eligible solid candidates have been identified in this section: Cameroon, Kenya, Zambia, and Ethiopia. Senegal could even join this group in the future, when progress is made on its debt restructuring. We expect the development impact of that expansion to be markedly above the volume addition to the PBG+. And, importantly, transactions with those countries would sustain the momentum of PBGs observed since 2024 and redirect it toward IDA-eligible economies.

PROPOSAL 1
Open PBGs to IDA countries at high risk of debt distress when external debt is solvent

Countries at high risk of debt distress breaching the solvency threshold for external public debt would remain ineligible for the Platform. As the IMF argues (Chamon et al., 2022), a solvency problem might require broader debt relief, and a D4D or guarantee would be an inferior option for the country. Worse, it could postpone and complicate an unavoidable debt restructuring scenario.

Countries at high risk of debt distress that are not facing solvency risk should be eligible for PBGs. This will allow countries facing liquidity risks alone, or neither liquidity nor solvency risks, to access the Guarantee Platform. The use of PBGs could be limited to D4D and liability management operations that can precisely help them address their refinancing pressures.

This proposal can be applied before the reformed LIC-DSF is implemented. The Bank can amend the DPF Bank Policy now and base its solvency judgement alongside the rating provided under the current LIC-DSF. The reformed framework, expected to become operational in the second half of 2027, will make this assessment easier – by keeping a single external solvency indicator.

PROPOSAL 2
Allow top-up operations for countries credibly exiting a debt restructuring process.

The transition window would grant PBG access to countries meeting two conditions: a credible exit from a multilateral debt restructuring process and exclusive use of guarantees to support a D4D swap or an LMO.

The first condition could be fulfilled when a country undertaking a debt restructuring (e.g. under the G20 Common Framework) achieves an agreement in principle with its official bilateral creditors and has finalised negotiations with its private creditors (e.g. through a bond exchange).

The second condition, the use-of-funds restriction, ensures the instrument improves rather than adds to the borrower's debt profile. Together they cover both groups identified in section 1.3: high-risk solvent countries facing liquidity pressure, and countries exiting a debt restructuring that remain rated as high risk while debt relief agreements are signed and the DSA is updated. It requires no shareholder action, rather an amendment to the DPF Bank Policy and a Board decision on transition window parameters.

2. Reducing the costs of World Bank guarantees

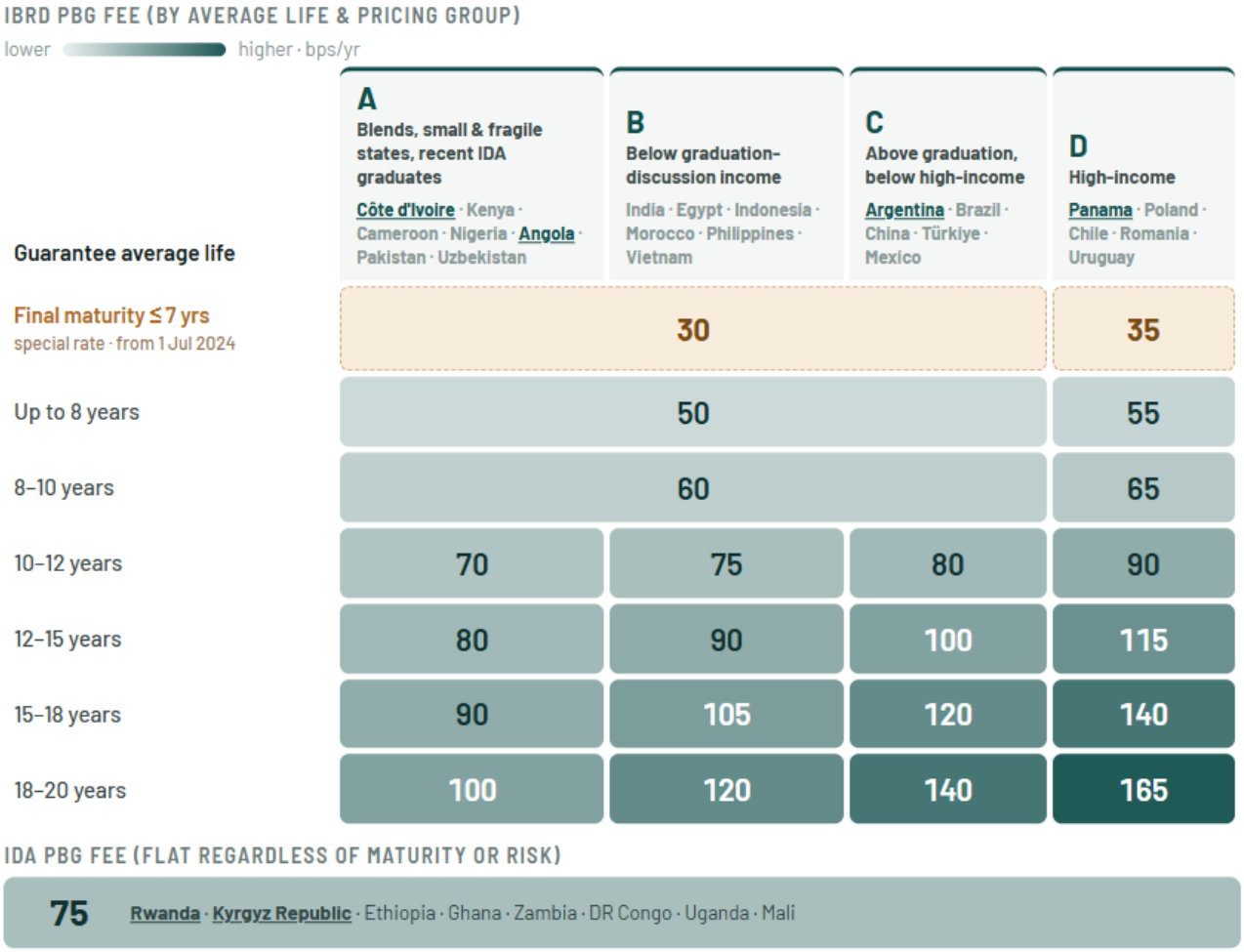
2.1. Who pays what: current pricing of IBRD and IDA guarantees

The World Bank prices PBGs on a loan-equivalency basis, not on a risk basis. The Bank's guarantee pricing framework states that fees are "determined based on the concept of loan equivalency" with IBRD loans and IDA credits. Concretely, for IBRD, the guarantee fee is aligned with the contractual lending spread and applicable maturity premium, but excludes the funding-cost component included in an IBRD loan: the recurring fee follows a published grid that rises with the guarantee's average life and the borrower's pricing group (A to D), from 50 bps at short maturities to 165 bps at the long end (World Bank, IBRD Guarantee Pricing, effective 15 October 2024). A special rate lowers this to just 30 bps (35 for the highest-income group) for guarantees with a final maturity of up to seven years, approved on or after 1 July 2024, such as Argentina's six-year guarantee. For IDA concessional guarantees, by contrast, the fee is a flat 75 bps, equal to the service charge on IDA credits, undifferentiated by risk or maturity.

This flat IDA fee is an anomaly from a fairness point of view. IBRD's own pricing already differentiates by national income: the maturity premium in its guarantee fee carries exemptions or discounts for some pricing groups and a surcharge for others, based on the Bank's per capita income classifications (IBRD Lending Rates and Spreads, 2026). IDA countries receive no equivalent differentiation and can end up paying more than wealthier IBRD countries, even when their credit rating is better.

Graph 4 - Guarantee fees for PBGs

IDA countries pay a flat 75 bps for a concessional guarantee, while richer IBRD borrowers on short maturities pay 50 bps (or even 30 bps under the 7-year special rate).



Bold, underlined = country that has used a PBG+ operation.
The 50–165 grid is priced by average life; the special rate is triggered by final maturity.
Source: World Bank, IBRD Guarantee Pricing (effective 15 October 2024); pricing groups per IBRD Lending Rates and Spreads, FY26.

That pricing logic seems to reflect a policy to preserve capital. Loan equivalency is internally defensible given how the Bank accounts for guarantee exposure: under IBRD's internal financial adequacy framework, a PBG draws on the same capital cushion as a loan of equivalent notional size. Capital consumption being equal, the institution has a formal basis for requiring comparable income contribution from both products.

2.2. Comparing PBG+ operations of Rwanda and Argentina

Recent operations in Argentina and Rwanda illustrate the pricing anomaly. Both were supported through a World Bank PBG+. Rwanda, a low-income IDA country rated B+ by S&P, took an IDA PBG and paid the flat 75 basis points. Argentina, an upper-middle-income sovereign recently upgraded from CCC+ to B-, two notches below Rwanda, and which has previously defaulted on a World Bank-guaranteed bond, received an IBRD guarantee on a six-year loan. Because its final maturity is under

seven years, the loan qualifies for the special guarantee rate, so its fee must have been just 30 bps. Rwanda therefore pays two and a half times as much as Argentina for the same instrument, despite being both poorer, with a GDP per capita of about $1,000, barely a thirteenth of Argentina's, and better rated. Maturities between the two guarantees differ substantially, but that does not close the gap. The IDA fee is flat at 75 bps whatever the tenor, so a six-year guarantee would have cost Rwanda the same.

Graph 5 - Same operation, 2.5x the fee

This defies the World Bank's own pricing logic. The IBRD clearly differentiates the price on loans and guarantees based on income: the wealthier is the client, the more it should pay (see graph 4). Guarantee pricing runs the other way. Because the IDA fee is fixed at 75 bps while a short-dated IBRD guarantee to a wealthier borrower can cost as little as 30 bps, the concessional window charges, in some cases, its poorest clients more than the non-concessional one charges richer ones.

Moreover, part of the World Bank's model rests on cross-subsidy: IBRD lends to upper-middle and middle-income countries at a margin, and part of that income is transferred each year to IDA to fund concessional support for the LLMICs (about 11% of the IDA21 direct donor contributions). When IDA borrowers pay more than IBRD ones, this redistribution logic is not just absent; it is reversed, with the poorest subsidising the higher income countries – a clear case of inequitable treatment that the World Bank should absolutely avoid.

2.3. Credit risk does not explain the level of guarantee fees

The GEMs data shows that MDB sovereign exposure is more limited than current fees imply. The most recent GEMs publication (October 2025) reports an overall average annual sovereign default rate on MDB lending of 0.77%. For the rating categories most relevant to platform transactions, average annual marginal default probabilities over a 15-year horizon are 0.03% for BBB-rated sovereigns, 0.58% for BB-rated, and 0.64% for B-rated. These figures are far below the 2.6 to 3.9% annual default rate that S&P records for B-rated sovereigns in the commercial market (S&P Global Ratings, 2025). The gap reflects the effect of preferred creditor status and MDB borrower selection. Recovery rates reinforce the picture. Across 46 resolved defaults in the dataset, the average recovery rate is 95.1%, and the median is 98.1%. The same logic applies to the full MDB sovereign loan book, since a country's risk profile is identical whether it takes a loan or a guarantee.

Priced solely on credit risk, the fee would be a fraction of today's charge. Applying the GEMs base case, with a loss given default (LGD) of 5%, the expected annual loss for a B-rated sovereign would be approximately 3 basis points. Under a conservative 20% LGD assumption, four times worse than the GEMs average, it reaches only 13 basis points. These levels remain an order of magnitude below current IBRD and IDA guarantee fees, which range from 30 to 165 basis points per annum. GEMs states that its data should not be relied upon to derive LGD metrics for modelling or pricing purposes (GEMs, 2025), and this illustration is not how the World Bank prices its guarantees.

The pricing applied does not track credit risk alone. When setting the fee schedule, the World Bank has to account for other costs to cover beyond future losses, such as liquidity and funding, administrative costs and institutional objectives (such as transfers of IBRD profits to IDA). Some of these costs only apply to loan pricing, such as the funding-cost component. How much of the rest the guarantee fee covers cannot be assessed from outside, since the Bank publishes the schedule but not its build-up.

2.4. MIGA pricing is different

MIGA prices its second-loss cover differently. The premium depends on the borrower's rating, the tenor and grace period of the loan, the size of the first loss ahead of it, and how much exposure MIGA already has to the country. MIGA passes a large share of each exposure to private reinsurers, so its pricing has to work for the market.

MIGA does most of this through treaty reinsurance. A treaty is a standing agreement under which reinsurers commit in advance to take a fixed share of every policy MIGA writes, up to agreed limits and on the terms MIGA sets. MIGA does not have to negotiate each deal with reinsurers one at a time. This makes MIGA more of a price maker than a price taker. Its entry into the market has pushed down what commercial insurers charge for sovereign second-loss cover, and MIGA can still price below those lower levels.

MIGA's cover is still not cheap, and its pricing is counterintuitive. The second loss is the more remote risk, because IDA or IBRD absorbs losses first. Yet the MIGA premium is generally higher than the first-loss guarantee fee. This comes down to how each is funded: IDA and IBRD price off their own balance sheets, while MIGA's price has to be acceptable to its reinsurers. The MIGA premium therefore remains expensive next to the concessional first-loss fee. It is worth examining whether donor or philanthropic capital could help lower it without undermining the reinsurance model.

2.5. Lowering the cost of guarantees is feasible and would make PBG+ more appealing for borrowers

Given IBRD's current capital position, lowering the guarantee fee would not limit the growth potential of the Guarantee Platform. Following the 2021 G20 Capital Adequacy Framework review, IBRD lowered its equity-to-loans floor from 19% to 18%, yet the actual ratio still stands at around 21%, "meaning that it has not actually used the headroom it has been given" (Paduano, 2025). That buffer represents several billion dollars of excess usable equity above the floor. At that level of headroom, a lower-priced guarantee enabling a transaction that would not otherwise happen is a net revenue gain, not a cost: it draws on slack capacity that would otherwise sit idle. If lower fees convert even half the pipeline of the nine D4D candidates into closed transactions, total fee income could exceed current levels despite a lower per-transaction rate. The binding constraint is pricing and process, not balance-sheet capacity.

For IDA, the capital argument does not apply, but the level of fees still matters. IDA guarantees are drawn against country allocations, the same pool that funds grants and credits. Only a quarter of a guarantee counts against the envelope, so a country can mobilise up to four times the volume per allocation dollar. That relief, however, stops at the allocation: guarantee fees have not been lowered

and remain at the same level as an IDA credit. The 75 bps fee is not a marginal charge for an IDA country: it is paid on top of the commercial borrowing cost, and even if the guarantee manages to lower the interest rate significantly, it will remain more expensive and have a shorter duration than a concessional IDA loan, with a maturity up to 40 years.

The MIGA premium also adds up to the all-in cost of PBG+. MIGA now also charges its fees upfront, as the present value of the expected fee stream. This represents a large, front-loaded cost imposed at the very moment the operation is meant to relieve liquidity. Together, upfront fees from IBRD/IDA and MIGA can reach up to 12% of loan proceeds on long maturities. And given that under the Debt Sustainability Framework, these costs are recorded in the year of the signing as financing costs, while savings accrue from the second year, which deteriorates the borrower's ratio and complicates potential ongoing discussions with the Fund. Add the high transaction costs that IDA countries, which need technical capacity to handle complex deals such as swaps, face, and a guaranteed operation ends up being expensive precisely where affordability matters most.

The PBG+ has the potential to attract additional donor support to strengthen the World Bank value proposition. Debt swaps can generate significant grant-equivalent fiscal resources over time, using multilateral balance-sheet capacity to supplement increasingly constrained Official Development Assistance (ODA)(Ababou, 2025). A mechanism in which donors subsidise part of the World Bank and MIGA guarantee fees could make the trade-off towards a D4D swap more salient for lower-income countries, especially given that fees are due upfront. It could also deliver substantial value for money to donors aligned with the use of proceeds and target geographies. A revised and equitable pricing policy that incentivises the deployment of the PBG+ towards low- and lower-middle-income countries can help strengthen the case to donors.

PROPOSAL 3
Adopt a concessionality equivalence principle for IDA guarantee pricing

As a first step, the IDA guarantee fee should be no higher than the IBRD fee for the same maturity. As set out in section 2.1 above, IBRD pricing differentiates by maturity and income group while IDA countries receive no equivalent differentiation and pay a flat fee of 75 bps. At average maturities of up to ten years, an IDA country therefore pays more for a guarantee than any IBRD borrower. A comprehensive review of IDA guarantee pricing should correct this.

More fundamentally, scarce IDA allocations should provide a comparable level of concessional support whether deployed through a loan or a guarantee. The current pricing framework does not establish any link between the concessionality embedded in an IDA guarantee to that of an IDA credit. Loan equivalency makes the Bank neutral whether it lends or guarantees, and the same neutrality principle should apply to borrowers. The World Bank has made efforts to make IDA guarantees more attractive by charging 25% of the face value of an IDA guarantee against the country's allocation - so one dollar of IDA allocation can support up to four dollars of guarantee. This is justified by IDA credit tenor of up to 40 years, while guarantees have been for 15 years or less. Now, the World Bank could go further on pricing.

We propose a simple principle: the concessionality of an IDA credit should be equivalent to that of an IDA guarantee. Currently, a longer IDA credit has a higher grant element, while a longer guarantee generates savings, but the fees build up over time. Concretely, IDA could calculate the grant-equivalent

subsidy associated with an IDA credit and make an equivalent subsidy available when that allocation is deployed through a guarantee. If, for example, an IDA credit provides $50mn in grant-equivalent value relative to comparable IBRD terms, the same $50mn of concessional support could be used to reduce the upfront guarantee fees.

Ultimately, this would make the trade-off between credits and guarantees more transparent and fair. It would ensure that countries are not penalised for choosing the instrument that mobilises more private financing over highly concessional lending, while avoiding the reverse risk that the poorest countries cross-subsidise those closer to market access. The principle matters most where market access is itself the policy objective, which is also where the eligibility proposals in Section I apply.

PROPOSAL 4
A donor-funded facility to support impactful D4D operations.

The World Bank, together with bilateral donors and philanthropies, should establish a facility that partially subsidises the guarantee premium on Debt-for-Development swaps. The facility would buy down the premium for D4D operations in IDA countries where financial leverage and the development case are the strongest. Each dollar of subsidy would pass straight to the borrower as an extension of the underlying development program. The simple mechanism is inspired by interest-rate buy-downs used in blended-finance operations and could be catalytic by lifting a clear obstacle for take-up by the poorest borrowers. Structured this way, it targets these lower income borrowers and the highest-impact use, leaves IDA's general fee base intact, and relies on donor contributions rather than a change to Bank pricing policy.

While a fee buy-down would be the simplest mechanism, grant capital is scarce and should be used where it can unlock the greatest amount of additional financing. Donors could also explore whether limited risk-sharing arrangements inside the PBG+ structure could reduce the cost of the MIGA layer itself, particularly for IDA-country operations. Rather than using grant resources only to pay guarantee fees after they have been set, concessional capital could be used to absorb or share part of the risk that currently has to be priced for private reinsurance. If designed carefully, such an approach could lower the premium passed on to the borrower while preserving MIGA's market-facing reinsurance model. Because the commitment would be contingent rather than spent upfront, the same pool of donor capital could potentially support multiple transactions over time, making it more efficient than a straight grant subsidy. This option could be explored with the World Bank, MIGA and interested donors as a complement to, not a substitute for, a targeted fee buy-down facility.

3. De facto guarantee parameters leaving aside impactful operations

On paper, the guarantee framework places no formal limit on the type of debt it can cover. The Bank Policy on DPF and the D4D approach framework define what a guarantee can support by reference to the borrower's eligibility and the use of proceeds. Neither restricts cover to a particular instrument or a particular currency. Loans, bonds, and local-currency obligations all fall within the stated scope.

In practice, the platform has attached guarantees exclusively to commercial bank loans. During the first phase of PBGs, which started in 1999 with Argentina and Colombia, bonds were the main instrument guaranteed by the World Bank (Landers and Aboneaaj, 2022). However, since the guarantee on Ghana's 2015 Eurobond, which it defaulted on in 2022, only sovereign loans have been covered. There is a practical reason for this. A World Bank guarantee pays missed instalments on the original schedule and cannot be accelerated, even if the debt it covers is. Bank lenders rarely accelerate, so this works with a loan. Bondholders can accelerate, and in a default they hold a claim on the whole bond while the guarantee keeps paying on the old timetable. Ghana had to resolve this through a consent solicitation during its restructuring (Lazard and White & Case, 2025).

Beyond the fact that guarantees are not used to issue a bond, two additional restrictions limit the reach of the Guarantee Platform. First, the Platform does not reach local and regional-currency debt. Second, development spending committed by borrowing countries as a result of a D4D can only be channelled to World Bank programs, never through third-party institutions

3.1. Regional and local-currency debt

Excluding PBG operations for local or regional currencies is a missed opportunity. This forgoes a set of high-impact operations, above all retiring the short-dated, expensive domestic debt that drives rollover risk and the sovereign-bank nexus in many economies. This exclusion appears to be specific to the World Bank, when regional development banks such as the African Development Bank (AfDB) or the Inter-American Development Bank (IDB) have supported operations that ranged from domestic and regional debt (IDB in Barbados) to bonded debt (AfDB in Zambia).

Using the Platform to guarantee local-currency debt directly makes little sense. First, it would expose the World Bank to a currency risk it cannot easily hedge. Second, the business case is weak: domestic investors may have little appetite for a bond with a lower yield than their sovereign's own risk. At best, a guarantee could be used to lengthen the maturity at which issuers usually borrow, a rather limited impact for MDB resources.

PBGs could help raise external financing to refinance domestic debt. In that case, the World Bank takes no currency risk, and no domestic investor is asked to hold guaranteed paper. It is the more promising route and the World Bank has already used it: in 2018 an IDA PBG of up to €155 million ($180 million) backed a euro-denominated commercial loan for Benin, used to refinance expensive short-dated domestic (CFA) debt, lengthening maturities from under four years toward ten and generating budget savings of about €31 million, roughly 2% of revenue (World Bank, 2018). Because the CFA franc is pegged to the euro under the French Treasury's convertibility guarantee, the Bank judged the residual currency risk minimal.

The case is stronger since local-currency financing is increasingly more important for developing economies. Domestic debt in local currency has risen sharply as external financing became less accessible: in 2024, more than half of LMICs saw their domestic debt increase faster than their external debt. Because local currency debt generally has shorter maturities and higher yields, it is a strong candidate for D4D with high potential savings. This is particularly useful in contexts where the debt management office needs to rebalance its exposure away from domestic debt or to lengthen the maturity of its portfolio.

The benefit goes beyond the savings generated by a single transaction. Retiring debt rather than rolling it over signals a credible ability to repay, so the sovereign is no longer a captive borrower forced to refinance with a handful of domestic banks at whatever rate they offer. By improving the funding conditions, the pricing compresses across the domestic yield curve, including non-guaranteed future issuances. Allowing proceeds from guaranteed debt to fund local- or regional-currency buybacks would be genuine additionality.

Regional currencies with a credible peg to a hard currency are good candidates and make these operations low risk. Conducting these operations in monetary unions that have held parity with a hard currency for decades would carry low currency risk for both parties. For the borrower, refinancing domestic debt with external debt would not increase the currency exposure if convertibility is guaranteed. For the guarantor, the World Bank, it would not need to hedge its exposure on a non-reserve currency.

The two CFA franc unions are where buybacks can be useful, but where the credit risk is high. Members of the West African (WAEMU) and Central African (CEMAC) monetary unions share a currency pegged to the euro and backed by a French Treasury convertibility guarantee. Because the peg holds the CFA franc and the euro at a fixed parity, refinancing CFA-denominated debt with euro-denominated guaranteed financing doesn't change the borrower's currency risk. The operation relieves the domestic market without materially adding to currency mismatch, a trade-off that would not hold for a floating-currency sovereign. Unlike the Eurozone, WAEMU and CEMAC have no central bank that can act as a lender of last resort and backstop the issuance. External credit enhancement could partly fill that gap. However, the credit risk is higher: several WAEMU and CEMAC member countries are currently facing acute debt stress, and carving them out of a World Bank regional operation could be complicated.

The Eastern Caribbean offers a second candidate, with a precedent already in place. The Eastern Caribbean Currency Union (ECCU) has shared a currency pegged to the US dollar since 1976, issued by a single central bank, and its members have raised short-dated debt on a common Regional Government Securities Market since 2002. The structure is therefore close to WAEMU's: one currency, one monetary authority, several sovereign issuers – some being IDA eligible under the small state exception - and a shared primary market. Within the region, Barbados, which is not part of the union but maintains its own peg to the US dollar, has already shown the mechanics work. In 2024, a US$300 million guarantee package, US$150 million each from the IDB and the European Investment Bank (EIB), supported a long-tenor local-currency loan that retired more expensive debt and generated about US$125 million in fiscal savings for water resilience (IDB, 2024).

The volume is modest but could play a catalytic role for member countries. Regional securities outstanding stood at about €33 billion in the WAEMU and $14 billion in the CEMAC region at the end of 2025. Refinancing 1% of the total outstanding in both regions, a reasonable target, would amount to roughly €470 million. This amount is slightly bigger than the size of the guarantee offered to Côte

d'Ivoire in the D4D deal. However, the value lies not only in the headline number but also in having guarantees deployed in countries where it matters, lengthening their debt profile and easing rollover pressure.

PROPOSAL 5
Use guarantees for refinancing sovereign debt in pegged monetary unions.

The platform should allow sovereign guarantees for monetary unions with a credible peg to a reserve currency. The ECCU and the two CFA franc unions are the flagship cases. The peg to the USD and the euro keeps the residual currency risk to the borrower limited and manageable. In the absence of any clear exclusion of such operations, this adjustment does not require shareholder action and could, once more, be implemented at the operational level of the World Bank.

Two constraints would need to be solved. First, the allocation of resources among several countries: either a regional operation is funded through national envelopes, or it draws on the IDA regional windows (which have limited credits). The allocation might be made more difficult by the fact that an operation such as an open tender might end up attracting the paper from the weakest issuer. Second, where the regional market lacks the mechanics for targeted repurchases, the Bank can both time operations to maturities and support the development of liability-management tools in the regional market.

3.2. Using third-party institutions

The use of existing World Bank operations to anchor the use of proceeds has been one of the strongest features of the emerging D4D model. Rather than creating a new offshore vehicle, trust fund, governance structure and monitoring system for each transaction, the Bank can build on programmes that have already undergone fiduciary, sector and implementation due diligence. Côte d'Ivoire illustrates the potential efficiency gains particularly well: the transaction used an existing, well-performing education Program-for-Results (PforR) to monitor the additional education outcomes financed by the swap and the operation moved from the first discussion on the PBG structure to commercial-loan disbursement in about six months. The success was replicated in Angola where the D4D followed a similar pattern through an existing Investment Project Financing operation.

At the same time, requiring D4D swaps proceeds to be channelled through an existing World Bank operation would create a de facto constraint that is not required by the Bank's own conceptual framework. The World Bank D4D framework explicitly supports greater use of the more flexible approaches and notes that implementation may involve "other national and international partners (e.g., NGOs, international agencies)". The accompanying World Bank technical note adds that, even where a PforR is used for monitoring, this "would not close the option of third-party verification/support (…) by NGOs and other agencies". The Bank's comparative advantage in a D4D operation - providing credit enhancement, assessing the economics of the swap, and helping establish a credible results and accountability framework - does not necessarily imply that the Bank must itself finance or implement the expenditure program.

This flexibility would be consistent with four decades of debt-swap practice, which has produced a wide range of implementation models in response to different institutional, political and financial

constraints. Traditional bilateral swaps have redirected debt-service payments into domestic funds (e.g. the US-Peru debt-for-nature swap) or have channelled resources into established multilateral vehicles (e.g. Debt2Health program at the Global Fund). More recent examples of debt swaps have set up independent special purpose vehicles or trust funds to channel debt swap resources to projects (e.g. Belize debt swap in 2021). The relevant design question is therefore not whether debt-swap resources must be channelled through a World Bank operation, but which institutional arrangement can deliver the agreed results at the lowest total transaction cost while preserving country ownership, additionality, fiduciary integrity and credible verification.

PROPOSAL 6
Allow D4D commitments to be delivered through qualified partner institutions

Where the government requests it, the World Bank should accept D4D commitments delivered through an institution other than its own operations, provided three conditions hold: the channel has established fiduciary and results systems in the relevant sector (such as the Global Fund, Gavi or UNICEF); the Bank retains its role in agreeing the results framework and securing independent verification; and the channel brings demonstrable additionality, such as matching funds or pre-existing co-financing commitments. This is most likely to add value where another guarantor shares the risk, where the government already has co-financing commitments with bilateral partners (e.g. US bilateral health MoUs), or where a matching window multiplies the swap's resources (e.g. the UNICEF Child Nutrition Fund).

Conclusion

The World Bank Guarantee Platform is one of the Bank's most consequential recent evolutions in its institutional and financial model, reflecting a broader shift from deploying its own balance sheet efficiently to using guarantees to leverage much larger volumes of private capital. This World Bank pivot is likely to represent a blueprint for a wider shift across development finance institutions toward greater use of guarantees and risk-sharing instruments. The African Development Bank has recently been championing a pan-African guarantee platform and derisking initiative as part of its New African Financial Architecture for Development (NAFAD), working closely with the African Trade & Investment Development Insurance (ATIDI). Similarly, we expect the World Bank Guarantee Platform to influence DFIs such as the EIB or the US DFC – that have been expanding the use of their balance sheets for sovereign credit enhancement.

We believe the recommendations set forth are operationally and administratively within reach. They do not require a fundamental redesign of the Guarantee Platform, new shareholder capital or a broader institutional overhaul. Taken together, they would help shift the platform's focus from maximising guarantee volumes toward maximising additionality and development impact, particularly in lower-income countries.

While this paper focuses on practical reforms to strengthen the Guarantee Platform, it leaves aside other questions about the role of guarantees and their impact on the composition of sovereign debt. We do not examine the trade-offs between lending and guarantees, including which instrument represents the most effective use of World Bank capital – both from a financial and a macroeconomic

standpoint. Finding the optimal guarantee structure across IBRD/IDA/MIGA, and the appropriate coverage level, is also beyond our research scope. Our contribution focuses primarily on sovereign guarantees, and we give much less attention to project-level guarantees, political-risk insurance, and other products that sit within the broader Guarantee Platform. We do not assess either the impact of replacing private debt with an exposure to the World Bank. Since the Bank carries a preferred creditor status, PBGs increase the share of debt that sits outside the restructuring perimeter and might further complicate the process.

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