



BRICS
Brasil 2025

COOPERATING FOR AN INCLUSIVE AND SUSTAINABLE WORLD

**GUIDELINES ON THE BRICS
MULTILATERAL GUARANTEES (BMG)**

BRASÍLIA, JUNE 2025

1. CONTEXT

The global community is falling behind in achieving the Sustainable Development Goals (SDGs) and the commitments outlined in the Paris Agreement. The current pace of progress remains insufficient to meet the 2030 targets, and a significant shortfall in development and climate finance continues to hinder efforts to address poverty, inequality, and climate change.

Bridging this gap requires a collective effort from governments, financial institutions, and the private sector to mobilize resources and scale up financing effectively. While public finance remains an essential driver, it is not enough—private sector engagement must be expanded through innovative financial instruments and stronger partnerships to unlock large-scale investment flows and facilitate a just and effective transition to a sustainable global economy.

As a group of major emerging economies, BRICS serves as a key coordination platform, bringing solutions that reflect the priorities and realities of the Global South. With their collective financial strength, shared development challenges, and commitment to multilateralism, BRICS countries can develop innovative mechanisms to bridge financing gaps and ensure a more equitable and sustainable global financial architecture.

2. GUARANTEES AS A KEY TOOL FOR SUSTAINABLE FINANCE

Guarantees are among the most effective instruments for mobilizing private capital, playing a pivotal role in addressing the financing gap for sustainable development and climate action. By mitigating risks and enhancing creditworthiness, guarantees help attract institutional investors and commercial lenders to strategic sectors such as renewable energy, climate resilience, and sustainable infrastructure.

Despite their proven effectiveness, guarantees are typically provided by Multilateral Development Banks (MDBs) and bilateral donors, often focusing on lower-income countries. However, BRICS economies share common challenges in attracting large-scale private investment for infrastructure, climate adaptation, and sustainable development. Given the scale of financing required, BRICS can act as a coordinating mechanism, leveraging its Global South perspective to craft tailored solutions that de-risk investments, strengthen financial resilience, and accelerate capital mobilization.

The trajectory of the World Bank Group offers valuable lessons. The idea of creating an agency that would offer guarantees against all risks first emerged in the 1970s. At that juncture, it became clear that developing countries needed more foreign investment to stimulate growth. However, many investors were reluctant due to the high risks associated with political instability, expropriation, civil wars, restrictions on currency conversion, and the repatriation of profits, among other factors.

Against this backdrop, the World Bank decided to adopt a more cautious approach to offering guarantees. The solution was to use its own structure to incubate expertise—learning by doing and developing solutions to address different types of risk. Over time,

this incubation process fostered institutional learning and the accumulation of valuable technical experience, enabling further progress. The creation of MIGA represented the culmination of this maturation process, signaling the World Bank's readiness to engage more directly with the private sector and to respond to the increasingly complex demands of development financing in a globalized economy.

It is significant to note that over a decade passed between the initial discussions about guarantees in 1971 and the creation of a specialized agency like MIGA in 1988. It took that long for MIGA to be established as an independent facility.

The proposal is to adopt the World Bank's incubation process as a reference model for achieving the goal of using guarantees to improve investment outcomes.

The key proposition is that, initially, this pilot project will be established and structured using capital and administrative resources already available at the NDB, without requiring additional contributions from shareholders. Importantly, all contingent liabilities under the pilot would remain off-balance sheet and will be managed according to internationally recognized accounting standards, such as IFRS, thereby ensuring consistency with global best practices.


3. INCUBATING THE BMG WITHIN THE NDB AS A PILOT INITIATIVE

To enhance private sector investment and financial resilience, BRICS nations propose the incubation of the BRICS Multilateral Guarantees (BMG) within the New Development Bank (NDB) as a pilot initiative. This approach will allow for a structured testing phase to assess the facility's feasibility, operational model, and financial sustainability.

As the financial institution created by BRICS to promote sustainable development, the NDB provides the ideal platform to experiment with the BMG's guarantee mechanisms, evaluate its impact, and refine its structure based on real-world applications. By integrating the BMG within the NDB on a pilot basis, BRICS countries can validate its effectiveness in mobilizing capital, mitigating risks, and attracting investments before committing to a long-term framework.

The BMG pilot will be designed in full alignment with the NDB's existing mandate, legal framework, and capital adequacy norms. The scope will initially focus on NDB member countries, with potential for expansion in line with future growth in the Bank's membership.

Risk mitigation will be ensured through strict underwriting standards, a gradual and phased approach to project onboarding, and transparent governance. The volume of guarantees during the pilot is estimated to leverage public capital at a 1:5 to 1:10 ratio to attract substantially higher volumes of private investment.



4. OBJECTIVES

The BMG, incubated within the NDB, will focus on:

- Testing and refining guarantee instruments, ensuring they effectively mobilize private capital and reduce investment risks.
- Providing an initial demonstration of viability, allowing for structured evaluation before full-scale implementation.
- De-risking investments to attract international and local investors, leveraging public capital to mobilize significantly larger financial flows.
- Enhancing creditworthiness and lowering financing costs, improving the risk profile of strategic BRICS projects.
- Strengthening financial resilience and South-South cooperation, enabling BRICS nations to take greater control over their development financing strategies.
- Aligning with SDGs and climate commitments, supporting sustainable projects and accelerating the transition to a green economy.
- Complementing the NDB's strategic objectives by expanding the range of non-lending instruments without increasing disbursement requirements.


5. APPROACH

The pilot phase of the BMG within the NDB will allow for:

- **Controlled testing of guarantee mechanisms:** The pilot framework will enable the evaluation of different guarantee models and their impact on private sector mobilization and credit enhancement.
- **Gradual scaling based on performance:** The initiative will begin with select projects, expanding only after assessing feasibility and effectiveness. This gradual approach will also help safeguard the Bank's credit profile.
- **Greater credibility and lower financing costs:** The NDB's institutional credit rating can be transferred to projects, reducing country and project risk premiums.
- **A diverse range of guarantee instruments:** Offering credit guarantees, first-loss protection to address different investment risks.
- **Leveraging public capital for maximum impact:** Partnering with MDBs, national development banks, and private financial institutions to enhance the effectiveness of guarantees.

- **Robust governance and transparency:** Implementing a rules-based governance structure to ensure efficient risk allocation and accountability.
- **Comprehensive risk management:** Identifying and addressing key risks such as credit risk, legal/regulatory inconsistencies, capital and liquidity pressure, and reputational concerns—through strict underwriting, legal review, and monitoring systems.
- **Impact measurement and adaptation:** Establishing a monitoring and evaluation framework to assess financial sustainability, risk exposure, and mobilization effectiveness, with adjustments as needed.

6. DELIVERABLES

- **Guidelines on the BMG:** Preparing a concept paper for submission and endorsement by BRICS Leaders – by July 2025.
 - **Preliminary feasibility and policy framework analysis:** Conducting an initial study on the scope, governance, guarantee types, and financial instruments for the BMG pilot – by October 2025.
 - **Pilot project selection and implementation:** Identifying an initial set of projects to test the facility's guarantee mechanisms – by November 2025.
 - **Monitoring and evaluation framework:** Developing a structured review process to assess outcomes and determine pathways for scaling – by December 2025.
 - **Stakeholder engagement process:** Engaging BRICS members, international financial institutions, private sector actors, and development agencies to gather input and ensure alignment – throughout the year.
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