The World Bank Group's Experience with the IDA Private Sector Window

An Early-Stage Assessment

July 8, 2021

IEG Independent Evaluation Group | WORLD BANK GROUP World Bank • IFC • MIGA

WHAT WORKS

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Abbreviations

BFF	Blended Finance Facility
EAP	East Asia and the Pacific
ECA	Europe and Central Asia
ESG	environmental, social and governance
FCS	Fragile and Conflict-affected Situations
FCV	Fragility, Conflict & Violence
FDI	Foreign Direct Investment
FY	fiscal year
GTFP	Global Trade Finance Program
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDD	integrity due diligence
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IPSVE	Small and Medium Enterprise Ventures Envelope
LAC	Latin America and the Caribbean
LFF	Local Currency Facility
MIGA	Multilateral Investment Guarantee Agency
MGF	MIGA Guarantee Facility
MNA	Middle East and North Africa
PRI	political risk insurance
PSW	Private Sector Window

RMF	Risk Mitigation Facility
RSF	risk sharing facilities
SAR	South Asia Region
SLGP	Small Loan Guarantee Program
SME	Small and Medium-sized Enterprise
SSA	Sub-Saharan Africa
WCS	Working Capital Solutions

All dollar amounts are U.S. dollars unless otherwise indicated.

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Management Response

World Bank Group Management Comments to the IEG Report

Management of the World Bank Group thanks the Independent Evaluation Group (IEG) for the opportunity to provide comments on the draft IEG report, *The World Bank Group's Experience with the IDA Private Sector Window: An Early Stage Assessment*. The report offers a balanced review and analysis of the Private Sector Window (PSW) in its early years of implementation.

World Bank Management Comments

Management generally agrees with the conclusions of the assessment and is in broad agreement with the report's main suggestions. Management is particularly reassured by the finding that the PSW governance, including processes and criteria for assessing the use of concessionality, is robust. The fact that the PSW provides financing at a subsidized rate relative to market-based pricing is a key feature to ensure competitiveness (without market distortion) and affordability. Management will carefully look at the opportunities for mid-course correction identified by the report. Among these are the need to review and consider internal and external factors affecting the usage of the PSW, exploring how to scale additionality and how to enhance institutional coordination and upstream work to address non-financial risk.

Management believes that the report provides insights that help inform the Bank Group's efforts to strengthen outcome orientation. The non-financial risks that have constrained the uptake of the PSW may be addressed, at least in part, by upstream reforms and knowledge engagement that follow indirect pathways which support the achievement of high-level development outcomes. Management is cognizant that in a dynamic context, the Bank Group must clearly articulate how it will select the tools and instruments available to each institution and how to best coordinate an effective response to client needs.

Management is pleased that the report acknowledges the additionality provided by the PSW, yet the analysis would benefit from further clarifications. The report states that the additionality provided by PSW takes two basic forms: risk mitigation and limiting risk exposure for IFC and MIGA. However, the report does not make clear how "risk" is being mitigated by the PSW beyond limiting IFC & MIGA's own exposure. More detail is required to fully understand how PSW is adding a new layer of risk mitigation at the project level and whether any of these risks are non-financial in nature.

Management agrees that non-financial risks may be addressed and mitigated through upstream reforms as well as through improved inter-institutional coordination. The report discusses how the uptake in resources available under the PSW has been constrained by the existence of non-financial risks such as enabling environment, institutions, and governance. These risks can be sizable in the FCS context and the report has identified initiatives being taken by the IFC to mitigate these risks through 'upstream' reforms. Despite the importance of these risks, the report is largely silent on how closer institutional coordination between the IFC and the World Bank helps mitigate the risks. Some of the areas mentioned are those firmly in the domain of the World Bank, on which extensive work is being done in FCS countries. Closer collaboration between the World Bank and IFC helps reduce non-financial risk to enhance the utilization of the PSW. It would be helpful if the report could discuss how policy dialogue through the World Bank's ASAs and DPFs and joint analytical products between the World Bank and IFC (e.g., Country Private Sector Diagnostic (CPSD), Infrastructure Sector Assessment Program (InfraSAP)) are effectively leveraged to address non-financial risks.

Management believes that the report's analysis of low utilization of PSW in IDA18 does not exhaustively identify all contributing factors. Figure 3 shows that IFC and MIGA commitments in PSW-eligible countries have not increased in the last two years. Management suggests comparing this realization to the counterfactual of total IFC and MIGA commitments in PSW-eligible countries in the absence of PSW. Commitments may have been poised to decline in any case because of the COVID shock. If so, the PSW may have had a stabilizing effect. It would also be useful to include a discussion on the average length of the IFC and MIGA's project preparation activities. If in PSW-eligible countries such timeline is longer than in the totality of the countries where IFC and MIGA operate, it would be useful to provide an analysis of the factors contributing to the extended project preparation timeline, perhaps including a breakdown by sectors.

IFC Management Comments

IFC management thanks the Independent Evaluation Group (IEG) for the report, *The Bank Group's Experience with the IDA Private Sector Window: An Early Stage Assessment* and congratulates IEG team on a well-written note.

This topic is timely given its relevance to IFC Capital Increase Package Commitments and key pillar of IFC's 3.0 strategy of creating markets and mobilizing private investment, particularly in International Development Association (IDA) and Fragile and Conflict-affected States (FCS) markets. The IDA Private Sector Window (PSW) is an important tool for IFC, providing support in higher risk markets and reinforcing market solutions that would otherwise not happen. It has become even more timely in the context of COVID-19 given that IFC responded to the crisis with the support of PSW especially in the financial sector.

IFC congratulates the IEG team on a well-written report and we are pleased that IEG recognizes the positive outcomes of PSW related to scope additionality, rigorous approach on concessionality, and governance. We also agree with other broad findings of the assessment, including the significant focus of PSW on FCS countries and the role of Upstream in increasing the PSW pipeline. The evaluation confirms that PSW targeted higher risk projects compared with the average IFC portfolio. It also confirms that COVID-19 PSW support was relevant for immediate response to existing clients. In addition, the report confirms that the criteria, processes, and governance in place for determining the subsidy and pricing are robust.

We agree with IEG that not enough time has elapsed since the end of IDA18 to assess development outcomes of IDA PSW-financed projects at this stage. However, the report would have benefitted from stronger representation of what is being done under IDA19, i.e., adding more current experiences with the PSW to date, beyond IDA18 examples. Additional references to the significant IDA19 PSW pipeline that was developed in advance of and during the first year of IDA19, and commitments under IDA19 to date, would also have been helpful. Looking to the IDA19 PSW would shed light on how IFC is incorporating lessons from the IDA18 experience to drive increased utilization, in particular through pipeline build up, deployment of Upstream resources and broader sectoral focus. While we note that the main focus of the report is IDA18, it is very important to differentiate between IDA18 and IDA19, and the progress we continue to make.

IFC acknowledges IEG's findings on utilization of the IDA18 PSW, the complex operating environment of the PSW and the important role of collaboration across the World Bank Group, ensuring the implementation of Cascade approach. The report highlights the important role of PSW in enabling Bank Group teams to work more closely together and increase mutual understanding. Regarding the reference to reduced benefit of collaboration due to delegation in paragraph 27, in fact, IFC observed that delegation has not reduced the benefits of International Bank for Reconstruction and Development (IBRD), IDA , and IFC collaboration; rather we find that developing programmatic platforms continues to benefit from collaboration, and is in line with the PSW governance, IDA representatives will also review sub-projects for delegated programs.

IFC agrees with IEG's conclusion on the relatively slow start of PSW under IDA18, however, we would have welcomed a comparison with other Blended Finance facilities, such as GAFSP. In IFC's experience, it generally takes 2-3 years for a blended finance facility to reach a steady utilization pace, hence, we consider it therefore reasonable for PSW to have taken as much time to reach the same level. It is also important to note that there was no pipeline of PSW projects at the beginning of IDA18. This was a different situation in IDA19, where at the start of the cycle there was already a pipeline of potential opportunities of around $1.6 billion endorsed/approved by the Blended Finance Committee (BFC). Furthermore, IFC would like to note the continued importance of the robust governance process, while having greater flexibility to allow for full PSW utilization. For instance, this flexibility has proven instrumental for mobilizing PSW support for the COVID-19 response and will remain even more important to increase investments in the most challenging IDA and FCS markets and reach riskier clients.

IFC management acknowledges the positive recognition of IFC's additionality provided by the PSW in supporting high-risk projects with clients in markets and sectors beyond what would have been feasible without the PSW as well as in targeting higher risk projects compared to the average IFC portfolio. In terms of IFC's additionality, IFC would like to highlight that the leverage ratio of blended finance resources to IFC's own account and other third party resources is usually higher in Middle Income Countries (MICs) versus Low Income Countries (LIC) and IDA/FCS countries. Another important factor to consider when analyzing the leverage ratio, is the type of product used to provide blended concessional support. For example, performance-based incentives, which generally achieve a higher leverage ratio, are not an instrument available under the PSW.

IFC is pleased to see IEG's positive assessment on the use of concessionality and the role that program governance plays in setting it. IEG concluded that these processes and criteria used are robust. It is to be noted that while some projects can require a significant amount of embedded subsidy, in particular Guarantees and the Local Currency Facility (LCF), the overall level of implied subsidy remains small, less than 5% on average. It is also important to note that the concessionality/subsidy is not being provided as a grant to the private sector but embedded in the financial structure that provides more favorable terms without charging a commercial compensation for these features.

IFC welcomes the suggestion to consider providing Technical Assistance/Advisory Services through a small allocation from PSW to increase project pipeline. We agree with the points made on the prevalence of 'non-financial risks', in particular in FCS, which would deserve to be addressed by the mobilization of public resources like IDA, and of the role and importance of technical assistance in enabling IFC to grow its FCS engagement. Provision of advisory services through PSW could help address some of the non-financial risks related to the projects in FCS and IDA countries in a more consistent manner, and help unlock projects that could benefit from PSW, and thus increase private sector investment utilization. PSW could build on the experience of other Blended Finance Facilities, such as GAFSP and Global SME Finance Facility, which combine a blended finance allocation with advisory components, which helps unlock investment opportunities and helps increase development impacts of the investments made. The point could be further strengthened by drawing on the experience from other Blended Finance Facilities that have instruments available which address behavioral constraints, such as performance-based incentives. Such analysis could also help explain the difference in leverage of PSW compared to other Blended Finance Facilities as mentioned in the report.

IFC appreciates the linkage with Upstream, which role is to complement the availability of funds and instruments that may be required in FCS and low-income IDA markets. This very important work can help identifying cross cutting constraints as well as sector specific reforms and private investment opportunities. It complements Blended Finance (and the IDA PSW) in IFC's effort to help create and develop markets. During IDA18, the Upstream Department was still nascent, and it takes time for an Upstream project to materialize and lead to Upstream-enabled mainstream IFC investments (including with the support of Blended Finance/IDA PSW). Some IDA18 PSW projects qualify under Upstream definition, but they were not the result of systematic collaboration between the Blended Finance, Upstream and Industry Departments. Starting IDA19, collaboration has become more systematic and should bare fruits in IDA20.

IFC fully agrees with the IEG recommendation on the need to revisit use of IDA's capital leverage. This is crucial particularly for projects facing different challenges (lack of security coverage, insufficient future cash-flows, foreign exchange risk, etc.) for which it is often not possible to offer multiple de-risking tools through different PSW facilities.

MIGA Management Comments

MIGA management welcomes the opportunity to comment on IEG's Early Stage Assessment (Report) of the World Bank Group's Experience with the IDA Private Sector Window (PSW). MIGA management appreciates that the Report aims to examine the IDA18 Private Sector Window, focusing on the critical dimensions of usage, additionality, concessionality, and governance, with the objective "to provide some evaluative insights from the early implementation of the PSW in IDA18 (FY18-20) and identify some relevant issues and trade-offs to inform the current work of the IDA PSW and enhance its relevance in supporting private sector investment in the future."

MIGA management thanks IEG for the insights provided in the Report and hopes that IEG finds the feedback below useful.

MIGA management congratulates IEG on a well-written report and welcomes the recognition of the positive contribution of PSW to additionality, concessionality, and governance. We agree with many of the broad findings of the assessment, and we particularly appreciate the recognition of the MIGA Guarantee Facility's role in supporting MIGA's continued expansion in PSW-eligible countries (e.g. increase in average share of PSW-eligible countries in MIGA's new guarantee issuance from 20% in FY10-17 to 22% in FY18-20 after the introduction of the PSW-MGF, a 10% increase). Similarly, we welcome the recognition of MIGA's usage of the MGF to facilitate projects with high potential for development impact in high-risk contexts, particularly in PSW-eligible FCS countries, as reflected in the higher ratings obtained by PSW-MGF supported projects in MIGA's ex-ante development impact assessment framework (IMPACT). Also, we appreciate that IEG has highlighted that MIGA has used the facility as a first-loss guarantee and as a form of reinsurance to limit exposure in high-risk contexts, but without subsidy to clients.

MIGA management welcomes that the main analysis in the Report recognizes the distinct objectives, characteristics and mechanisms of the various PSW facilities, and well as the differences in their implementation across the four identified key dimensions of usage, additionality, concessionality, and governance. We appreciate that the concluding part of the Report (Section 6 – Summary and Suggestions) aims to synthesize these aspects and that the four facilities share some similarities. However, we consider that further differentiation among the four facilities in the concluding insights would made them more actionable and facilitate communication to key audiences.

MIGA management welcomes IEG insights regarding the present role and potential future role of the PSW in addressing E&S and governance/integrity risks, as these are often the main obstacles faced by MIGA when underwriting projects in IDA countries. For example, MIGA management agrees with IEG's suggestion to consider expanding the role of PSW to the provision of technical assistance to clients. While MIGA does not have a set of advisory products, de-facto MIGA often embeds advisory in its work. Therefore, we would welcome the innovation proposed in the Report (that "in future, the

PSW could be structured to allow funding of advisory services from a small part of its overall allocation”). If IDA20 PSW included this flexibility, it would allow MIGA to better support clients in PSW-eligible IDA and FCS countries and further maximize the expected impact of MIGA operations in those countries.

Finally, MIGA would like to emphasize that any unused funds originally allocated to the PSW at the beginning of IDA18 were returned to IDA 18 for deployment during IDA18. It would be helpful if this were communicated to stakeholders.

Report to the Board from the Committee on Development Effectiveness

The Committee on Development Effectiveness met to consider the Independent Evaluation Group (IEG) report entitled *The World Bank Group's Experience with the IDA Private Sector Window: An Early Stage Assessment* and the draft World Bank Group management comments.

The committee welcomed the early-stage assessment, deeming that its findings and lessons on the implementation of the private sector window (PSW) during fiscal years 2018–20 were timely and identified relevant lessons to inform the discussions for the 20th Replenishment of the International Development Association (IDA). Members appreciated management's overall agreement with the conclusions of the assessment, the reassurance that it had already started applying many of the report's lessons in IDA19, and its commitment to look at the opportunities for midcourse correction identified by the report. Members were pleased to learn that the PSW governance, including processes and criteria for assessing the use of concessionality, was found to be robust.

Members emphasized the key role of the instrument in mobilizing private sector engagement in countries, and called for enhanced collaboration among Bank Group institutions to increase its usage. They encouraged management to address the challenges posed by nonfinancial risks that limit the supply of bankable projects in PSW-eligible countries. Members also stressed the need to ensure the PSW's effectiveness because of the relevance of private sector investment to achieve development objectives, and because of the opportunity costs of using IDA funds.

1 | Purpose and Scope of the Early-Stage Assessment

This report is an early-stage assessment of the World Bank Group's experience with the International Development Association (IDA) Private Sector Window (PSW). The Independent Evaluation Group (IEG) prepared it at the request of IDA Deputies to inform the 20th Replenishment of IDA (IDA20). The objective is to provide some evaluative insights from the early implementation of the PSW in the 18th Replenishment of IDA (IDA18), fiscal years (FY)18–20, and identify some relevant issues and trade-offs to inform the current work of the IDA PSW and enhance its relevance in supporting private sector investment in the future.

This assessment examines four interrelated due diligence features of the PSW: usage, additionality, concessionality, and governance. The report focuses on the implementation of the PSW during its pilot in IDA18 (FY18–20). It examines the PSW's usage and patterns of deployment relative to its intended allocations and objectives. The PSW additionality is defined as "when existing IFC [International Finance Corporation] and MIGA [Multilateral Investment Guarantee Agency] instruments are not deemed sufficient to address investment requirements" (World Bank 2016). This definition, which the PSW adopted, comprises two dimensions: scale (IFC and MIGA's growth in PSW-eligible countries) and scope (IFC and MIGA's entry into new or frontier markets and sectors or deployment of new instruments).[1] IEG examined the Bank Group's approach to concessionality in the PSW,[2] which seeks to minimize market distortion while ensuring that projects are commercially viable. The assessment also considers PSW's current governance system and associated processes, examining whether these have enabled or constrained the deployment of the PSW.

The scope of the assessment excludes the analysis of development outcomes of PSW-supported projects. The first set of PSW-supported projects were approved in 2017, and thus not enough time has elapsed to have ex post evaluations of those IFC and MIGA projects to assess their development outcomes. The findings are based on a literature review, a portfolio analysis, interviews with stakeholders, and a document review of project cases for 27 PSW-supported projects and several projects declined for PSW support. Project cases were selected considering coverage of all four PSW facilities discussed in the next section, both IFC (23) and MIGA (5) operations, diversity of sectors, and countries (including both IDA-only and fragile and conflict-affected situations [FCS]). Appendix A provides more details on the scope and methodology for the assessment.

2 | The IDA Private Sector Window

The PSW is IDA's first blended finance instrument to support private investments in IDA-only and IDA-eligible FCS countries.[3] With IDA18 (approved in FY17), the PSW—on a pilot basis—became IDA's first use of concessional resources to support private investments.[4] PSW's total allocation under IDA18 was $2.5 billion of a total IDA18 envelope of $75 billion. The 19th Replenishment of IDA (IDA19), approved in FY19, allocated $2.5 billion of a total IDA19 envelope of $82 billion. The PSW funds are available for IFC and MIGA to use as leverage in their private sector investments in IDA-only and IDA-eligible FCS countries, with a focus on FCS (World Bank 2017a). The PSW aims at mobilizing private investments in high-risk markets by transferring financial risks from IFC and MIGA operations to IDA (World Bank 2018).

The PSW's objective is to mobilize private sector investments in underserved sectors and markets in the poorest and most fragile IDA countries. This objective is motivated by the recognition that "the private sector lies at the center of a sustainable development model and that expanding support to the private sector will be critical for achieving the Sustainable Development Goals and the IDA18 objectives" (World Bank 2017a).

The PSW reflects Bank Group collaboration and the Maximizing Finance for Development objectives. It also supports IFC's Capital Increase Package commitments (a capital increase of $5.5 billion for IFC, approved by the Development Committee during the 2019 Spring Meetings) and is a key pillar of IFC's 3.0 strategy, which aims to tackle difficult development challenges by creating markets and mobilizing private investment.[5] The PSW reflects MIGA's past and current strategic priorities, which focus on scaling up investments in low-income IDA and FCS countries.[6]

The establishment of the PSW recognizes the challenges posed by the risks and unpredictability involved in IDA and FCS that inhibit private sector investment. IFC and MIGA use the IDA PSW to address those challenges in two ways: to de-risk an investment or to limit IFC and MIGA's own exposure to project risk. The IDA PSW subsidy element can be reflected as a lower required rate of return to investee companies or limiting IFC and MIGA's risk exposure in IFC and MIGA's IDA PSW–eligible private sector investments. Thus, IDA provides de-risking to IFC and MIGA projects in the form of credit enhancement or risk-sharing instruments (a co-investment or first loss layer) to support IFC investments and MIGA guarantees. The PSW is expected to follow a minimum concessionality principle to ensure that no more subsidy is used than required for the projects to be viable. In other cases, the risk of an investment might be acceptable to IFC and MIGA when the size of the investment is small, but the proposed investment size is larger than prudent risk limits allow these two organizations to hold. In such cases, PSW can take on the same risk as IFC and MIGA, limiting their risk exposure in the investment (table 2.1).

Table 2.1. How the Private Sector Window Is Designed to Work

	Objective	By Offering	Results In	Leads To
Use of concessional funds (subsidies)	Improve the risk-reward profile of private investments (with IFC and MIGA involvement) that are unable to proceed on strictly commercial terms	» First-loss guarantees » Co-investment with IFC (including subordinate loans) » Solutions to mitigate local currency risk	Credit enhancement *through*: » Risk mitigation (mitigating the risk of possible losses to investors) » Limiting IFC and MIGA risk exposure	» Reduction in pricing that makes the project commercially viable » Increased size of investment

Source: Independent Evaluation Group.

Note: IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency.

The PSW was set up to promote collaboration, leveraging the strengths of the three participating Bank Group institutions (IDA, IFC, and MIGA). IDA would provide sector knowledge, policy dialogue, and financial strength; IFC would offer capabilities in project development, structuring, and mobilization platforms, along with its global client relationships; and MIGA would provide expertise in political risk, structuring, underwriting, pricing, claims management, reinsurance, and client relationships (World Bank 2018).

By leveraging IFC and MIGA's relevant experience, the PSW could allow IDA to use blended finance. Blended finance involves the use of limited amounts of concessional donor funds (in this case, IDA) to mitigate specific risks, improve the risk-reward profile of pioneering private investments that are unable to proceed on strictly commercial terms, and allow IFC and MIGA to limit their exposure to specific risks. The PSW aims at leveraging IFC and MIGA's business models and client relationships. For the first time, IFC and MIGA would be responsible for the execution of the operations using IDA funds (that is, their origination, structuring, and management). IFC and MIGA's policies, procedures, accountability, and governance mechanisms would be applicable to the PSW (IDA 2017).

IDA18 approved four PSW facilities (table 2.2):

» A $1 billion Risk Mitigation Facility (RMF) that provides project-based guarantees without sovereign indemnity to crowd in private investment in large infrastructure projects and public-private partnerships;

» A $500 million MIGA Guarantee Facility (MGF) that seeks to expand the coverage of MIGA guarantees through shared first-loss and risk participation;

» A $400 million Local Currency Facility (LCF) that provides long-term local currency hedging solutions; and

» A $600 million Blended Finance Facility (BFF) that mitigates financial risk by providing loans, equity, and guarantees to IFC investments across sectors at lower interest rates and longer tenors. IFC administers the RMF, LCF, and BFF, and MIGA administers the MGF.

The rest of this assessment is structured as follows: Section 3 discusses the implementation and usage of the PSW facilities, section 4 provides findings on additionality and concessionality, and section 5 briefly reviews aspects of PSW governance. Conclusions and implications are offered in section 6.

Table 2.2. PSW Facilities for IDA18 (FY18–20)

PSW Facility	Indicative IDA18 Allocation ($)	Instruments	PSW Objectives	Examples of Use
Risk Mitigation Facility	1 billion	Project-based guarantees targeting private participation in infrastructure	Crowd in private participation in infrastructure by providing guarantees to cover key noncommercial risks and where existing instruments may not be commercially suitable	Mazar-i-Sharif Independent Power Producer Project (Afghanistan): *Development, construction, operation, and maintenance of a 58-megawatt greenfield, indigenous gas-based power plant*
Blended Finance Facility	600 million	Guarantees, loans, and equity investments jointly with IFC	Support IFC-led, high-impact investments in SME finance and entrepreneurship and agribusiness—and possibly pioneering investments in other key sectors such as manufacturing, social sectors, energy access, distributed power generation, and telecommunications and technology—and local entrepreneurship through funds	Global Trade Finance Program COVID-19 Crisis Response (PSW-eligible countries: *Support IFC global trade platform with pooled first loss, excess risk)* SME Ventures Platform, IPSVE (several): *Co-financing with IFC SME Ventures program* Small Loan Guarantee Program (several): *Pooled first-loss layer to enable SME lending by commercial banks*
Local Currency Facility	400 million	Local currency funding to IFC projects	Allow IFC to provide financing in local currency in IDA and FCS countries where local currency solutions are underdeveloped or missing, targeted to markets in which currency hedging options are absent or very limited.	Baobab MicroCredit (several): *Multicurrency facility to six African affiliates of the Baobab Group*
MIGA Guarantee Facility	500 million	Expands MIGA guarantees through first-loss and risk participation	Bridge gaps in the availability of coverage for MIGA-eligible noncommercial risks and crowd in private investment in IDA-only and FCS countries	Ghoubet Windfarm (Djibouti): *Covering guarantee holder's equity, quasi-equity, and/or shareholder loans and senior loans investment into a 60-megawatt wind power project*

Source: Independent Evaluation Group.

Note: The Indicative IDA18 allocations are the original allocations; those allocations were changed during the course of IDA18 on the basis of pipeline assessment and IDA priorities. The IDA19 PSW (FY20–22) changed the allocation among facilities as follows: Risk Mitigation Facility ($600 million), Blended Finance Facility ($800 million), Local Currency Facility ($600 million), and MIGA Guarantee Facility ($500 million). COVID-19 = coronavirus; FCS = fragile and conflict-affected situations; IDA = International Development Association; IFC = International Finance Corporation; IPSVE = IDA Private Sector Window Small and Medium Enterprise Ventures Envelope; MIGA = Multilateral Investment Guarantee Agency; PSW = Private Sector Window; SME = small and medium enterprise.

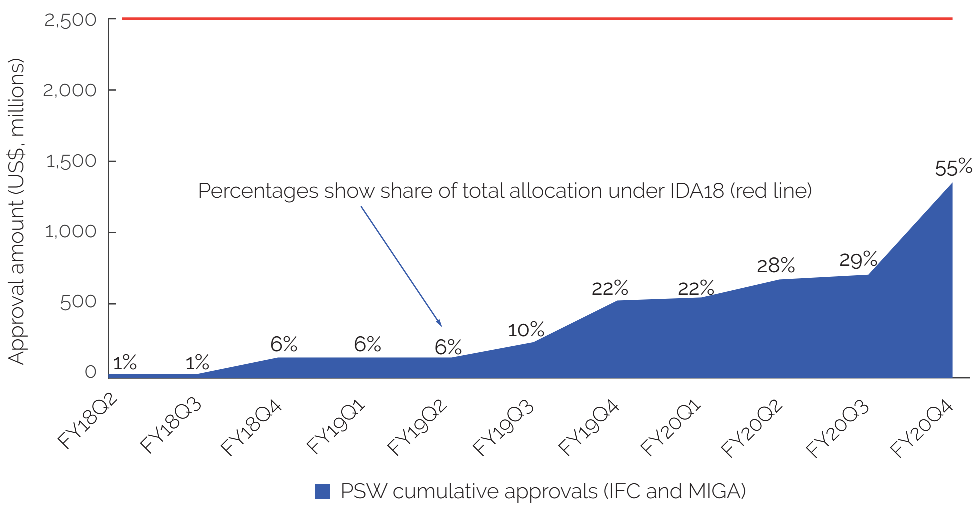
3 | Usage and Implementation of the PSW in IDA18

The IDA18 PSW was not used fully, and usage has been slow. Only half (55 percent) of allocated funds have been used, and half of the approvals occurred in the last quarter of FY20. Under IDA18, which spanned FY18–20, $1.37 billion in PSW funds were approved for investment, equal to 55 percent of the IDA funds allocated ($2.5 billion) for the PSW. Most approvals occurred in the final quarter of FY20 (figure 3.1), coinciding with the World Bank Group's coronavirus (COVID-19) crisis response. Of the total approved by the Board of Executive Directors, $537 million has been committed to clients. This amounts to 39.2 percent of Board approvals and 21.5 percent of total IDA18 PSW allocation, although additional commitments of approved amounts continue. In addition to the IDA PSW commitments, IFC and MIGA commitments or gross exposure totaled $1.2 billion, and other private funding totaled $1.9 billion.

Of the $2.5 billion PSW allocation under IDA19, which spans FY21–22, $374 million was approved for investment as of February 2021. Of that amount, only $87 million has been committed to clients (five projects), representing 23.3 percent of approvals and 3.5 percent of the total allocation. Added to the PSW commitments are IFC and MIGA associated commitments totaling $100 million.

The PSW BFF was used the most, and the RMF was used the least (table 3.1). Forty percent of the original IDA18 PSW resources were allocated to support financing of large infrastructure projects under the RMF, followed by the BFF for $600 million (24 percent), the MGF for $500 million (20 percent), and the LCF for $400 million (16 percent). Actual facility use diverged significantly from the original allocations, with BFF and RMF accounting for 64 percent and 2 percent, respectively, of the total approved. RMF usage was limited to a single infrastructure investment in Afghanistan, where PSW was used to provide breach of contract insurance to IFC. The MGF used half ($246 million) of the allocated IDA resources.

Figure 3.1. Cumulative IDA18 PSW Approvals



Source: Independent Evaluation Group staff calculations.

Note: FY = fiscal year; IDA = International Development Association; IDA18 = 18th Replenishment of IDA; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; PSW = Private Sector Window; Q = quarter.

More than one-fifth of the total IDA PSW 18 approved envelope was related to IFC's COVID-19 response in the final quarter of FY20. Twenty-two percent of the total IDA18 PSW allocation ($545 million) and 40 percent of IDA18 PSW approvals were used to support the IFC COVID-19 response. The COVID-19 response focused on providing market liquidity through financial sector programs, including existing programs and platforms such as the Global Trade Finance Program COVID-19 Crisis Response and COVID-19 Working Capital Solutions.

Support for the financial sector projects accounted for almost two-thirds of approvals since the launch of the PSW IDA18, with a 79 percent IFC share; the share of IFC infrastructure projects, which take longer to work through the project cycle, has only been 9 percent. Overall, financial sector projects accounted for 65 percent of IDA support ($886 million). Following the financial sector by size of overall approvals are infrastructure (22 percent); manufacturing, agribusiness, and services (8 percent); and funds (6 percent). However, these numbers mask a large divergence between IFC and MIGA.

Although IFC's PSW approvals were concentrated in the financial sector (79 percent of approvals), no financial projects were approved for the MGF. By contrast, infrastructure accounts for only 9 percent of IFC PSW approvals but 84 percent of MIGA's. This sector distribution for IFC diverges from the comparator group of PSW-eligible countries, where infrastructure projects amount to 28 percent, and the financial sector projects account for less than half of IFC's outstanding portfolio.

Table 3.1. IDA18 PSW Allocations and Approvals by Facility

Allocations and Approvals	Blended Finance Facility	Local Currency Facility	Risk Mitigation Facility	MIGA Guarantee Facility	All Facilities, Total
Initial indicative IDA18 allocation ($, millions)	600	400	1,000	500	2,500
Board-approved IDA18 PSW support ($, millions)	872	219	33	246	1,370
Number of PSW projects by facility,[a] approved	25	20	1	12	58
IFC original commitments ($, millions)	—	—	—	—	641
IFC original commitments ($, millions) long-term finance					597.8
IFC disbursements ($, millions), own account, long-term finance[b]					223.5
MIGA maximum aggregate liability gross exposure at issuance ($, millions)	—	—	—	—	567

Source: Independent Evaluation Group staff calculations.

Note: The initial allocation of PSW funds to the four facilities was indicative of the possibility of reallocating funds between facilities. IDA = International Development Association; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; PSW = Private Sector Window.
a. Some projects are supported by more than one facility. In addition, there are four programs in the total project count that comprise 21 subprojects.
b, Disbursed as of August 21, 2020.

The large share of IFC approvals in the financial sector reflects in part the deployment of short-term finance instruments as part of the COVID-19 Crisis Response,[7] which accounted for the majority of PSW approvals (reaching $545 million, or 40 percent of total IDA approvals during FY18–20). The remainder of the financial sector support was for nonbanking financial institutions (the Small Loan Guarantee Program [SLGP], $120 million), microfinance institutions ($91.5 million), and housing and mortgage finance ($68.6 million) (table 3.2).

Table 3.2. Sectoral Distribution of PSW Facility Approvals

IFC Industry Group and MIGA Sector	IFC: BFF, LCF, RMF ($, millions)	Share (percent)	MIGA: MGF ($, millions)	Share (percent)	Overall Shares, All Facilities (percent)
Financial institutions	885.85	79	0	0	65
Funds	75	7	0	0	6
Infrastructure	97.5	9	194.9	84	22
Manufacturing, agribusiness, services	66.45	6	36.2	16	8
Total	1,125	100	246	100	100

Source: Independent Evaluation Group staff calculations.

Note: BFF = Blended Finance Facility; IFC = International Finance Corporation; LCF = Local Currency Facility; MGF = MIGA Guarantee Facility; MIGA = Multilateral Investment Guarantee Agency; PSW = Private Sector Window; RMF = Risk Mitigation Facility.

Factors Contributing to the Low Usage of PSW Facilities

The limited usage and patterns of deployment of the PSW under IDA18 is likely due to several factors. These include the set of strict eligibility criteria for the use of the PSW, the ability of IFC and MIGA to leverage existing programs and client relationships, the limited availability of a pipeline of projects suitable for PSW funding, gestation periods of projects in different sectors, the start-up of PSW in IDA18 with requisite staff training and communication, the design of the instrument (which is intended to address financial risks), and the approval processes involved.

The selection of PSW-enabled transactions follows three eligibility criteria and five blended finance principles, which represent a demanding set of conditions (World Bank 2017a). The eligibility criteria are as follows: (i) The use of PSW resources is limited to IDA-only and fragile or conflict-affected IDA gap and blend countries, as confirmed at the beginning of IDA18; (ii) all PSW-supported activities need to be aligned with IDA's poverty focus and special themes,[8] Bank Group country strategies, and the Bank Group's approach to supporting private sector investments and creating markets; and (iii) projects that use PSW funds (and blended finance projects, more broadly) should aim at maximizing additionality and market sustainability while minimizing concessionality (and related market distortions) by meeting the following five principles:

- Rationale: The use of blended finance should involve a contribution beyond what is available from the market, and its use should not crowd out private investment.
- Crowding in and minimum concessionality: Blended finance should catalyze market development and mobilize private sector resources. Any concessionality provided by blended finance should not be greater than necessary.
- Commercial sustainability: The impact that blended finance achieves in each project should be sustainable and commercially viable.
- Reinforcing markets: Blended finance addresses market failures effectively, and it efficiently minimizes the risk of market distortion or crowding out of private investment.
- Promoting high standards: The use of blended finance should also address issues in areas of corporate governance, environmental impact, integrity, transparency, and disclosure (IFC 2017).

Multiple programmatic efforts by IFC (some of which were already in place) facilitated the rapid rollout of PSW in the financial sector versus other sectors. IFC responded to COVID-19 by using PSW through multiple programmatic efforts already in place, including $250 million through the Global Trade Finance Program (GTFP) and $215 million through Working Capital Solutions (WCS), both implemented through local financial institutions with which IFC has ongoing relationships. Without these two financial sector programs in place, which streamline the approval process, the rollout of IDA18 PSW would have been smaller in scale.

Existing client relationships have also facilitated the rollout of financial sector programs. Existing programs (such as GTFP and WCS) combined with COVID-19 response flexibility have allowed rapid deployment of short-term finance for existing clients in PSW-eligible countries where those programs were already operating, but PSW support for those short-term programs is time limited as a part of COVID-19 response. In these cases, existing relationships with local financial institutions were key to converting concepts into commitments rapidly, but those programs will have limited impact in the future as the global pandemic eases. Similarly, a new PSW first-loss guarantee for IFC equity investments has allowed the rapid deployment of private equity funds in PSW-eligible countries, but those were limited in scale.

Support to infrastructure encountered several challenges related to pipeline development and institutional issues. The rollout of the PSW reinforced a shift in focus by both IFC and MIGA toward doing more business in IDA and FCS countries, but it also required time to develop a pipeline of infrastructure projects eligible for the PSW products when market forces were moving against private investment in these markets, as evidenced by a decrease in foreign direct investment flows to IDA and FCS countries. Infrastructure projects typically have longer gestation periods, especially in PSW-eligible countries. In these countries, IFC infrastructure projects take an average of 629 days to process, compared with 444 days for IFC financial sector projects – relative to the three-year IDA cycle.[9] This is evidenced by the single project that used the RMF under IDA18 (supporting the first independent power producer in Afghanistan).[10] So it will require additional efforts to develop a pipeline of bankable projects before this facility is used effectively.

The PSW might have also encountered institutional issues related to the similar role of existing risk-mitigating instruments across Bank Group institutions and the use of PSW. The product of the RMF (project-based guarantees) has some similarities with guarantee instruments offered by IDA (partial risk guarantees), which also seek to support infrastructure projects. Similarly, the RMF political risk insurance (PRI) product is essentially the same as MIGA's PRI, but only available to IFC. All Bank Group institutions have their own guarantee products, and this may lead to confusion among clients about their distinguishing features compared with the PSW RMF. This issue may be aggravated further by the confusion among clients about the current array of risk mitigation instruments among international financial institutions, whose complexity and lack of any standardization is too burdensome and costly for the private sector in developing economies (WEF 2016).

The limited usage of the PSW reflected the efforts related to its start-up. As a new instrument, the PSW was designed to require coordinated activity across up to four institutions: IDA, the International Bank for Reconstruction and Development (IBRD), IFC, and MIGA. Implementation required establishing governance structures, developing product and staff rules and guidelines, and educating staff in the use of the different products across several facilities. Developing these processes and systems and raising staff awareness took more time than planned.[11]

The PSW is designed to de-risk IFC and MIGA financial risks in IDA-only and IDA-eligible FCS but not to de-risk other nonfinancial risks and constraints limiting the supply of bankable projects in high-risk markets. PSW is not designed to address nonfinancial risks, the lack of bankable projects, and the limited pool of sponsors and clients with which IFC and MIGA can work. Nonfinancial risks include the poor quality of the investment climate in IDA countries and especially in FCS, as well as reputational risks related to environmental, social and governance (ESG) and integrity due diligence (IDD). Some nonfinancial risks affect all sectors of the economy (for example, quality of the macro and fiscal policies, quality of public sector governance, regulatory barriers to trade) and some affect specific sectors (for example, constraining regulation on investment in infrastructure, including lack of competition and large presence of state-owned enterprises, lack of regulation, and institutional capacity to support public-private partnerships in infrastructure).

IFC has committed resources to increase upstream activities, which might address nonfinancial constraints to develop a pipeline of projects in IDA countries. Unless and until those efforts bear fruit, however, developing a pipeline of commercially viable projects in PSW-eligible countries will remain a challenge. The development of upstream work might expand the use of PSW by addressing policy and regulatory constraints that prevent private investment, especially constraints that affect firms operating in specific sectors, including those that are eligible for PSW. Box 4.2 includes some examples of effective upstream work carried out by IFC and of World Bank, IFC, and MIGA collaboration to address nonfinancial constraints such as in the Côte d'Ivoire Housing Program or the Tina River Hydropower Project in the Solomon Islands. IFC has committed to increasing investments in FCS through upstream activities aimed at developing conditions in these countries that will make private investment more viable and attractive.[12] The establishment of an Upstream Department in FY20 combined with human resource incentives for upstream efforts are intended to increase the flow of PSW-eligible projects over time.[13]

Some interviewees pointed to the cumbersome nature of the PSW approval process and the additional project documentation required by IDA. However, the approval process (involving IFC, MIGA, IDA, and IBRD staff) does not seem to be a factor limiting the usage of PSW for IDA18. IEG compared IFC projects with and without IDA PSW support in PSW-eligible countries to assess whether PSW processes affect costs and processing times. Based on the small number of data points in IDA18, the appraisal and supervision cost for IFC PSW-supported projects is somewhat higher than that for investments in PSW-eligible countries overall, but the difference is small. For each $1,000 of investment, IFC's cost for PSW-supported projects is, on average, $31 versus $25 for investments in PSW-eligible countries. Similarly, an analysis of IFC project processing times did not show a significant difference between the PSW-supported investments versus investments in PSW-eligible countries. The initial findings on cost and processing, however, reflect the characteristics of the IDA18 approvals portfolio and its concentration in IFC financial sector projects and programmatic approaches (some of which were already in place), which typically involve more streamlined appraisal processes.[14] Interviews with staff pointed to some duplication of work among teams from the different Bank Group institutions as an area to simplify the approval process. Providing IFC and MIGA with delegated authority on PSW (which is the case for non-PSW blended finance projects in IFC and MIGA) would streamline the process, but it is not clear that it would address the limited investment pipeline, and it may reduce benefits resulting from IDA, IBRD, IFC, and MIGA collaboration.

4 | Additionality and Concessionality of the PSW

This section provides analysis and findings on additionality and concessionality, two key and interrelated features that are critical to the relevance and effectiveness of the PSW. PSW additionality relates to the ability of IFC and MIGA to go beyond what their existing instruments would allow in addressing the higher risks of clients in PSW-eligible countries. Concessionality relates to the minimum level of concessional financing needed to make a PSW-supported investment commercially viable.

The PSW is expected to facilitate IFC and MIGA to increase their business volume in eligible countries. As a separate instrument, and with a mandate to invest in specific countries without an expectation of financial sustainability, the PSW provides a higher tolerance for risk than either IFC or MIGA. Thus, the PSW is expected to be utilized for investment or risk-sharing in combination with IFC and MIGA under the condition that such investment or risk-sharing provides some additionality—often through providing concessional finance—to IFC or MIGA investments and guarantees. Through that additionality and concessionality, PSW makes the risk of IFC and MIGA's eligible investments acceptable and the projects financially viable.

Additionality

Demonstrating additionality is a key eligibility criterion for PSW-supported projects. The PSW approval documents define additionality as "when existing IFC and MIGA instruments are not deemed sufficient to address investment requirements" (World Bank 2016). PSW additionality includes both dimensions of scale and scope. On the dimension of scale, PSW should allow IFC and MIGA to increase their level of investment in PSW-eligible countries, with a focus on FCS markets, and to crowd in additional private investment into those investments. Regarding scope, PSW investment should allow IFC and MIGA to increase the range of investments in terms of clients, sectors, instruments, and countries. It also emphasizes market impacts. In the reviewed sample of PSW projects, at times, both scale and scope were present in an investment.

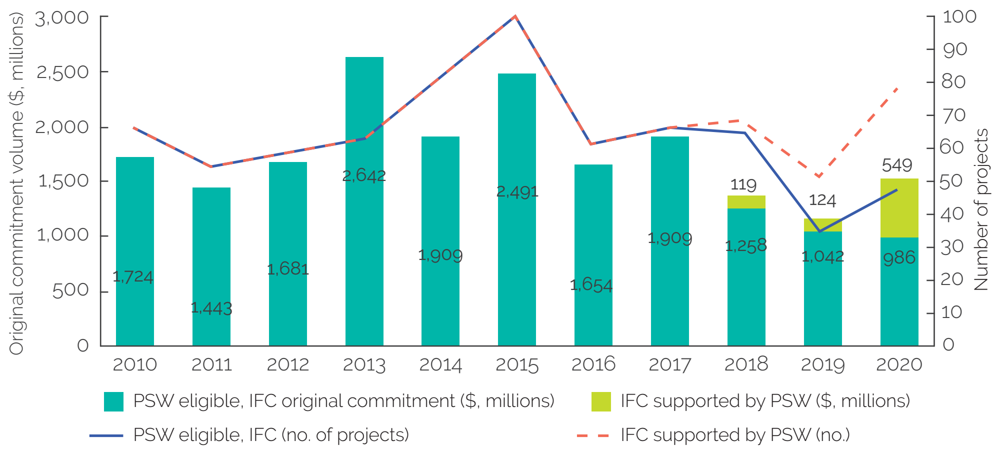
The PSW Mid-Term Review notes that the understanding of PSW additionality has evolved based on the implementation experience. It notes that, "in practice, judgement is required in assessing if there is sufficient additionality to merit PSW financing and support. The question of whether a project can take place without PSW support does not always have a simple answer," and a counterfactual is often difficult to establish (World Bank 2018). This proved challenging during the start-up of the PSW.

Building on the Bank Group's additionality framework for PSW, IEG assessed additionality at the portfolio level and for sampled projects guided by the PSW Performance and Results Framework in results indicators (World Bank 2017a 54f). IEG assessed the additionality in two ways. First, it used indicators established in the PSW approval documents regarding scale and scope additionality at the portfolio level and through a document review covering a purposive selection of 27 projects representative of the four PSW facilities, Bank Group institutions (IFC and MIGA), and diversity of sectors and countries (including IDA-only and FCS markets). Second, it examined changes in the credit rating and pricing of IFC projects and programs with and without the PSW, as assessed by the Blended Finance Committee (BFC).

Regarding scale additionality, IFC commitments in PSW-eligible countries have not increased since the introduction of the PSW. The PSW has not resulted in higher IFC investment volumes in eligible countries, and the share of investments in PSW-eligible countries has also remained flat. As figure 4.1 shows, an increasing share of commitments in this group of countries is supported by the PSW (green bars). The share of IFC investments in PSW-eligible countries averaged 14 percent during FY10–17 and 13 percent during the implementation of the IDA PSW in FY18–20, compared with largely flat FDI flows to IDA and FCS countries between 2015 and 2019.

MIGA's guarantee volume in PSW-eligible countries has been volatile over the past decade but has stabilized since FY16. The share of PSW-eligible countries in MIGA's new guarantee issuance averaged 20 percent between FY10 and FY17, and it has been 22 percent for FY18–20 after the introduction of the PSW (figure 4.2).

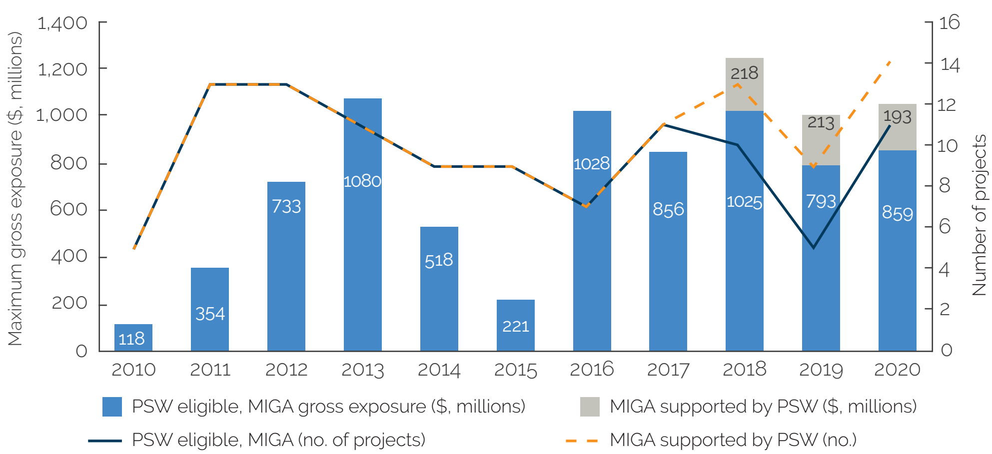
Figure 4.1. IFC Commitment Volumes and Number of Projects in PSW Eligible Countries for Long-Term and Short-Term Finance, Own Account



Source: International Finance Corporation and Independent Evaluation Group staff calculations.

Note: IFC = International Finance Corporation; PSW = Private Sector Window. The commitment and project data exclude regional projects that may benefit PSW-eligible countries partially.

Figure 4.2. MIGA Guarantee Issuance and Number of Projects in PSW-Eligible Countries



Source: MIGA and Independent Evaluation Group staff calculations.

PSW has had a significant focus on FCS—$330 million of the $1,370 million approved IDA amounts in IDA18 have been allocated to FCS countries, one of the PSW's priorities (World Bank 2020d). This is equivalent to 24 percent of PSW approvals and 45 percent of all projects.

Although an additionality objective of the PSW is to crowd in private capital, the PSW has mobilized less private capital than other blended finance instruments; the MGF achieved better mobilization. Of the IDA18 PSW approvals of $1,370 million, $537 million (or 39 percent) was committed by the end of FY20 with a lower mobilization ratio of private investment than other IFC blended finance instruments (table 4.1). MIGA and IFC committed or issued guarantees totaling $1,232 million in projects involving PSW support. In addition, committed private funding of $1,949 million was mobilized. This means that every dollar of IDA committed funding leveraged $2.20 in funds from IFC and MIGA and $3.60 in funds from private investors (see table 4.1). For IFC, overall, blended finance projects have achieved a leverage ratio of eight times: for each dollar of blended finance, IFC has invested an additional $4, with private parties also investing $4. For the IFC PSW facilities, the leverage ratio has been only four times: for each dollar of PSW investment, IFC has invested an additional $2.00, and other investors also invested $2.00[15]. The leverage of the MGF is higher, with each PSW dollar leveraging $3.90 in MIGA guarantee exposure.[16] In addition, MIGA leverages PSW amounts through reinsurance in the private insurance market.

The additionality provided by PSW takes two basic forms: risk mitigation and limiting risk exposure for IFC and MIGA. First, potential investments identified by IFC and MIGA in eligible countries are often too risky for those two institutions to support at any level at pricing that would make the investment commercially viable. In those cases, PSW can provide either loan, equity, or guarantee support to the investment in a form that is junior to the other investors, or acts as a first loss; mitigating the risk of possible losses to IFC and MIGA.[17] However, this does not mean that in the riskiest markets, even with PSW support, these projects can necessarily go ahead – as they must meet internal risk appetite of the institutions regardless. The use of concessionality – the provision of financing at a subsidized rate relative to market-based pricing or provision of de-risking features without charging for them – by PSW is critical to this additionality. In other cases, the risk of an investment might be acceptable to IFC and MIGA in small amounts, but the proposed investment size is larger than prudent risk limits allow these two organizations to hold, and the additionality provided by the PSW is in the form of exposure limitation.

Table 4.1. PSW Approvals and Client Commitments by PSW Facility, ($, millions)

Facility	IDA Funds Approved by the Board of Directors	Funds Committed by IFC or MIGA
Blended Finance Facility	872	222
Local Currency Facility	219	136
MIGA Guarantee Facility	246	179
Risk Mitigation Facility	33	0
Total IDA PSW	1,370	537
Total IFC commitments		531
Total MIGA guarantees (gross)		701
Total IFC and MIGA		1,232
Other private funding		1,949
Subsidy estimate		89

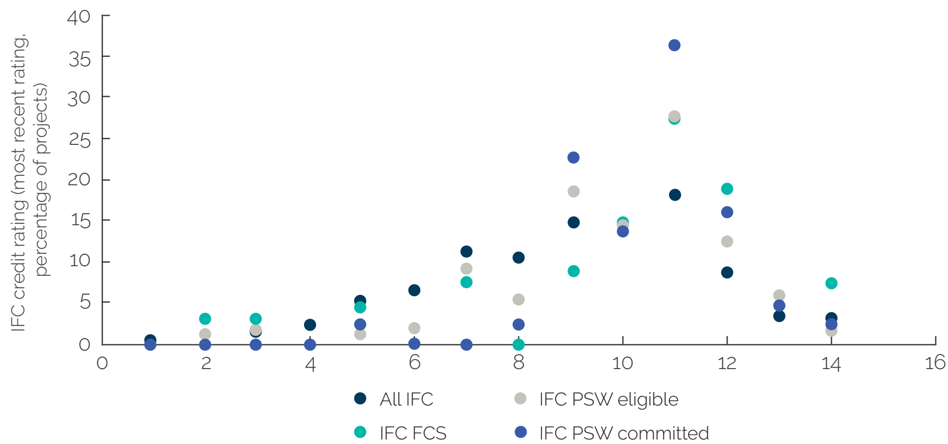
Source: World Bank Group: PSW Operations and Results Summary, end of June 2020.

Note: IDA = International Development Association; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; PSW = Private Sector Window.

PSW participation appears to have enabled IFC and MIGA to support high-risk projects with clients in markets and sectors beyond what would have been feasible without PSW. IEG reviewed a sample of 27 projects to assess the specific additionality aspects for each. An analysis of IFC credit ratings and pricing showed that PSW support often led to improvements in credit risk ratings.[18] IFC reports an average improvement in credit ratings of five notches—from Credit Rating 11 to Credit Rating 6—as a result of using PSW in a project. For some projects, the reduction was as high as six notches and for others as low as two notches. These reductions allowed a reduction in pricing, reflecting the lower risk to IFC. The risk reduction documented in the sample represents direct empirical evidence of PSW additionality. For MIGA, the PSW did not result in an internal upgrade of project risk ratings.

Overall (and as expected), PSW has targeted higher-risk projects compared with the average IFC portfolio. Figure 4.3 shows the distribution of IFC credit risk ratings among IFC projects for different country groupings. Investments supported by PSW or in PSW-eligible countries are concentrated to the right of the chart (higher ratings indicate higher risk), implying that overall and as expected, PSW targeted higher-risk projects. For MIGA, the PSW was also used in higher-risk countries (figure 4.4). The two highest MIGA risk ratings (D and C minus) accounted for 40 percent of MIGA's PSW-supported projects. This compares to a share of 46 percent of D or C minus-rated projects in MIGA's portfolio in PSW-eligible countries overall, and 48 percent of projects in FCS.

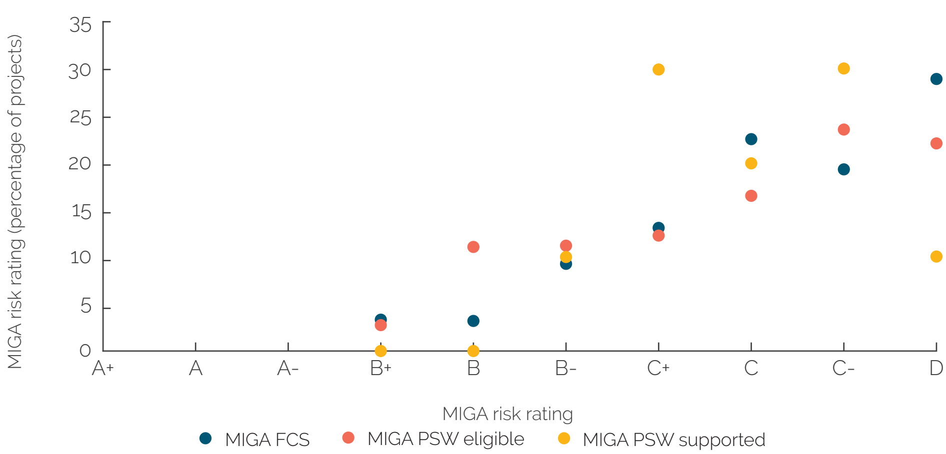
Figure 4.3. IFC Credit Rating Distribution



Source: International Finance Corporation and Independent Evaluation Group staff calculations.

Note: FCS = fragile and conflict-affected situations; IFC = International Finance Corporation; PSW = Private Sector Window.

Figure 4.4. MIGA Risk Rating Distribution for Transfer Restriction Coverage



Source: MIGA and Independent Evaluation Group staff calculations.

Note: FCS = fragile and conflict-affected situations; MIGA = Multilateral Investment Guarantee Agency; PSW = Private Sector Window.

PSW funds for trade finance and short-term working capital were relevant in the immediate aftermath of the COVID-19 crisis for existing IFC clients; they provide an example of PSW concessionality and additionality. IFC used IDA18 PSW in two short-term finance programs in its COVID-19 crisis response strategy: GTFP ($400 million committed) and the WCS ($185 million committed). Both programs had been used successfully globally by IFC before COVID-19, but usage in PSW-eligible countries had been limited because of the risk in those countries. When COVID-19 struck, short-term finance quickly became scarce and more expensive as global banks moved to limit their exposures, especially in PSW-eligible countries. IFC reconsidered its own ability to continue to provide credit to banks in these countries, especially at previous rates, given the increased uncertainty prevailing at that time. But IFC withdrawal would have left these markets with very limited access to short-term finance at a time when such finance was critical. By using PSW support to limit potential losses to IFC, which included a subsidy element equal to 3 percent of the total project cost, the risk rating of IFC's exposure for these products was reduced sufficiently to allow IFC to reduce the spread charged to GTFP clients by 43 basis points, which is a reduction of 26 percent from the level without the PSW subsidy. In the context of short-term finance, this is a significant reduction for clients, especially in a time of crisis. Through its concessionality, PSW was able to provide the additionality needed to keep these two short-term finance programs going at a time of heightened market risk perceptions. PSW-eligible countries have seen an increase in usage of GTFP lines from an average $858 million during FY17–19 to $1,711 million in FY20. However, the GTFP COVID-19 crisis response was limited to existing relationships with financial institutions and did not allow expansion of trade finance to new clients.

IFC long-term finance investment for the financial sector and for small and medium enterprises have also been a significant component of IDA18 PSW and illustrate the additionality that its concessionality can provide. IFC supported investments involving long-term finance and using PSW funding ranging from larger IFC programs (IDA PSW Small and Medium Enterprise Ventures Envelope [IPSVE] and the SLGP) to many smaller investments in various sectors. Across these investments, the PSW subsidy played an important role in allowing an expansion in both the scale and scope of IFC investments. Box 4.1 provides examples from the sample of projects IEG has reviewed for this assessment, which illustrate the variety of roles that PSW has played and the additionality that it has provided.

Box 4.1. Additionality and Concessionality in Small and Medium Enterprise Venture Funds and the Small Loan Guarantee Program

The International Development Association Private Sector Window Small and Medium Enterprise Ventures Envelope (IPSVE). IPSVE is a programmatic approach to private equity investment in small and medium enterprises (SMEs) in Private Sector Window (PSW)-eligible countries. A decade earlier, the International Finance Corporation (IFC) initiated the SME Ventures (SMEV) program to catalyze the nascent private equity industry targeting SMEs in IDA fragile and conflict-affected countries. Private equity can play an important role in funding SMEs and supporting local entrepreneurship, but because of the small number of experienced fund managers in these countries and the inherent riskiness of SME private equity, the extent to which IFC has been able to leverage its own investment in these funds using SMEV has been limited by the low-risk appetite of other investors, including other development finance institutions and impact investors. As a result, the private equity (PE) penetration ratio (PE/Gross Domestic Product) in PSW-eligible countries is extremely low. Independent Evaluation Group evaluations of SMEV projects indicate that developing a private equity industry requires a long-term approach to develop the private equity ecosystem, especially experienced fund managers. Both SMEV and IPSVE are aimed at developing this market.

IPSVE aims at making private equity funds in PSW-eligible countries more attractive to investors by including PSW as a subordinated equity investor, generally with an investment equal in size to that of IFC. This subordination will improve the expected return to other investors, making it easier to meet minimum fund size, and should result in IFC catalyzing more investment in these funds than would otherwise be the case. The approved IPSVE envelope is for PSW investment of up to $50 million—IFC is expected to match that amount, and other investors would provide up to $400 million. Thus far, IFC has committed $51 million for IPSVE. A set of IFC advisory services targeting both the regulatory environment and support for fund managers and target investees is included in the program.

(continued)

Box 4.1. Additionality and Concessionality in Small and Medium Enterprise Venture Funds and the Small Loan Guarantee Program (cont.)

Small Loan Guarantee Program (SLGP). Access to finance remains a binding constraint for SMEs in emerging markets, a constraint that is even more acute in PSW-eligible countries. SLGP is a programmatic approach to risk mitigation on small loan exposures. The program aims to scale up IFC's ability to take SME risks in difficult markets to expand lending to key underserved populations. Phase I of SLGP consists of $333 million in risk sharing facilities (RSF) with banks, whereby IFC would assume 50 percent of the risk on their SME loan portfolios. The IFC portfolio of these RSFs will be backed by a single pooled first-loss guarantee of $50 million provided by IDA PSW Blended Finance Facility. Through pooling these RSFs under the PSW first-loss guarantee, IFC will be able to maintain a lower credit risk rating for the portfolio than what would be applied to each of the underlying facilities, making it possible to maintain a fixed price target of 200–225 basis points across all RSFs for both IFC and PSW. This portfolio approach, combined with PSW support, will encourage client banks to use the RSF and reduce funding costs for the final borrowers. Without the first-loss guarantee from PSW, the program would not be viable because, as IFC history has shown, the IFC RSF pricing would increase to a level that would no longer be attractive to client banks. The PSW subsidy for the program represents 9 percent of the total SME portfolio.

IFC is developing a pipeline to reach 10 to 20 banks in PSW-eligible countries in phase I of the program, which is expected to reach up to 12,500 SMEs. Phases II and III will be subject to demand and the availability of additional PSW first-loss funds. The program also includes an IFC advisory services component for client banks (to improve their credit assessment skills with SME borrowers) and for final borrowers (to help prepare them to work with banks). If the program is successful, it will show that SME lending is commercially viable in PSW-eligible countries. At the end of fiscal year 2020, IFC had committed $42.8 million under SLGP to five financial institutions.

Source: Independent Evaluation Group staff reviews.

Infrastructure projects often face environmental, social, governance, integrity, institutional and regulatory risk that can be only partly mitigated by PSW funds and need to be addressed by broader upstream sector and regulatory support.[19] These risk issues have sometimes slowed or halted projects, but in some cases, they have also resulted in coordinated activities by IFC, MIGA, and IBRD and investments in truly frontier conditions. One example of such a project is the Mazar-i-Sharif Independent Power Producer Project in Afghanistan (see box 4.2 for details). Given the challenges of developing an independent power producer in Afghanistan, IFC and MIGA worked with IBRD in upstream activities to develop the framework needed for private investment and then added PSW to provide political risk coverage for IFC and exposure limitation for MIGA. This involved strengthening the capacity of the government's off-taker. This project increased both the scope and scale of IFC and MIGA in Afghanistan. The Upper Trishuli Hydropower Project in Nepal and the Tina River Hydropower Project in the Solomon Islands (see box 4.2 for details) are additional examples of where a coordinated effort among IFC, MIGA, and IBRD—including upstream activities and risk mitigation by PSW—allowed infrastructure projects to proceed.

Box 4.2. Linking Upstream Support and Private Sector Window Risk Mitigation

Côte d'Ivoire Housing Program. The Côte d'Ivoire Housing Program is a joint venture program (of the International Finance Corporation [IFC] Manufacturing, Agribusiness, and Services and the Financial Institutions Group) of up to $100 million equivalent to support the construction and commercialization of 2,100 affordable houses. The program will provide funding to participating banks to finance selected housing developers and provide mortgages to home buyers, and advisory services to banks (related to mortgage lending) and housing developers (related to the use of green materials). In the first phase, IFC will provide long-term loans totaling $40 million, with the PSW Local Currency Facility providing a currency swap into the local currency for the total amount of the IFC investment. In addition, up to $1.68 million in funding in the form of grants to the developers will come from the UK-IFC Market Accelerator for Green Construction, reflecting the stipulated use of green construction materials by developers. The total PSW subsidy for the Local Currency Facility is expected to be 9 percent of the total project cost. The project received an excellent (100) IFC Anticipated Impact Measurement and Monitoring rating.

(continued)

Box 4.2. Linking Upstream Support and Private Sector Window Risk Mitigation (cont.)

The project is expected to have both financial and nonfinancial additionality. Financially, it will provide long-term local currency finance to participating banks, which is very limited in Côte d'Ivoire. Through a combination of this lending and the accompanying advisory work, the project will also help establish standards for mortgage lending and a framework for the housing developers to create sustainable residential communities. In conjunction with the project, IFC has been collaborating with IBRD on affordable housing in West Africa, and the Côte d'Ivoire Housing Program is expected to benefit from housing reforms in the fiscal years 2019–21 development policy operations. However, the Côte d'Ivoire Housing Program was canceled, illustrating the challenges of operating in this high-risk environment.

Mazar-i-Sharif Independent Power Producer Project, Afghanistan. Afghanistan is a fragile and conflict-affected state with significant need for power and private sector investment. The Mazar-i-Sharif Independent Power Producer Project will be the country's first independent power producer and, if successful, may be transformational in developing a new market for private investment in the country's infrastructure.[a] The project involved collaboration among the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), IFC, and the Multilateral Investment Guarantee Agency (MIGA) on the $96 million investment.

Upstream activities by IBRD and IFC took place over several years leading up to the actual structuring, and IBRD provided advisory services to the government related to the development of local gas supplies for the project and to increasing downstream capacity to off-take the power produced by the project. IFC provided advisory services to both the sponsor and the government to improve the regulatory framework for private investment in the sector.

The investment's financial structure involves an equity investment from a group of private investors, with debt finance from IFC and a syndicate of concessional lenders that IFC composed. To make the investment less risky and therefore more palatable, IDA provided a partial risk guarantee for the payments due to the project from the state-owned power distributor for power provided. In addition, the IDA PSW Risk Mitigation Facility provided both IFC and Asian Development Bank, another lender, with political risk insurance. The Board approved MIGA's political risk insurance for the sponsors and one

(continued)

Box 4.2. Linking Upstream Support and Private Sector Window Risk Mitigation (cont.)

lender, with support from the IDA PSW MIGA Guarantee Facility. PSW support reduced the risk of default for lenders and equity investors and allowed the lenders to reduce their interest rate, but pricing for the political risk insurance was based on the MIGA pricing model and was market-based, and involved no subsidy from PSW. IFC's investment and MIGA's guarantee have not yet been committed or issued.

Tina River Hydropower Project, the Solomon Islands. As a small island nation in the south Pacific, the Solomon Islands has traditionally relied on high-cost, imported refined petroleum fuels. IBRD, IDA, IFC, and MIGA worked collaboratively to structure and develop a 15-megawatt hydropower project that will provide the country with a sustainable and lower-cost source of electricity and set a precedent for private investment in infrastructure in the country.

The project took more than a decade to develop and involved World Bank and IFC advisory services to the authorities that set the stage for the first private investment of this kind in the country. IFC advisory services supported a competitive process to identify a viable developer and equity investor and to structure the financing arrangements. MIGA provided political risk insurance to the equity investor with the support of a PSW first-loss sharing arrangement, thereby reducing the risk and cost of the equity funding. With the successful upstream activities and private equity funding secured, the World Bank supported the government in arranging concessional finance

Source: Independent Evaluation Group staff reviews.

Note: a. Only 30 percent of the population in Afghanistan has access to electricity, and most of the power supply is imported from neighboring countries.

MIGA has employed PSW as a first loss layer (risk reduction) and as a substitute for reinsurance (limit enhancement). Given that MIGA identified a limited addressable market with its traditional products in PSW-eligible countries, the FY21–23 MIGA Strategy argues for innovation around product application in partnership with IFC (for example, in trade finance) and to leverage IFC and IBRD upstream activities (MIGA 2020).

PSW risk mitigation has been used on projects with high ex ante development impact ratings. For PSW-supported projects, the development rationale is important and is linked closely to the additionality and concessionality rationale. IEG analysis of the IFC Anticipated Impact Measurement and Monitoring scores of PSW-supported projects indicates that they have a modestly higher score on average (57) than IFC overall (50) or PSW-eligible countries (54), based on 36 PSW-supported projects (IFC 2020b).

Reviewed PSW projects illustrate multiple ways in which PSW-supported projects are expected to achieve development impact. It is too early to assess the development results and impact of PSW-supported projects, but as discussed in more detail in boxes 4.1 and 4.2, at approval, the projects were expected to have development impact through multiple channels but with the general theme of improving competitiveness. The short-term finance projects (GTFP and WCS) were both targeted at relieving an acute shortage of finance caused by the pandemic, supporting a strong recovery once the pandemic passes, and developing the ability of local financial institutions to work with these products, which are viewed as fundamental to private sector development. Other projects in the financial sector dealing with long-term finance products (SLGP and IPSVE) were also expected to promote the development of local institutions in their respective sectors and promote the development of viable SMEs, with the expectation that, over time, this would demonstrate the viability of investments in these markets and make the markets more competitive. PSW-supported infrastructure projects (for example, the Mazar-i-Sharif Independent Power Producer Project), as the first private investments in the sector, were expected to have demonstration effects and to relieve critical power shortages and increase competitiveness. LCF projects have enabled sponsors to access local currency funding markets, which helps to hedge currency risk and may, in the future, lead to direct access to these markets.

Technical assistance is often a part of the additionality of PSW projects, being a critical component for project development and capacity building of clients in high-risk markets but also a source of subsidized support. As described in box 4.2, multiple PSW-supported projects involved collaboration between Bank Group members, often on advisory work with the government (for example, Mazar-i-Sharif Independent Power Producer Project). In other projects, IFC alone provided advisory work to clients. Currently, PSW is not structured to provide technical assistance funding for project development and capacity building of either private clients or the government. However, these are relevant activities that can enhance the PSW pipeline. IFC has provided funding for technical assistance for several PSW projects and has a substantial administrative budget for upstream development, some of which is targeted at PSW-eligible countries and projects. Furthermore, an IEG synthesis of IFC's experience with blended finance operations concluded that advisory services played a critical role in enhancing the development footprint of IFC blended finance projects, underlining further the importance of linking advisory and investment work. The report pointed to the role of subsidized advisory services in addition to the financial subsidy in reducing project risks. Such nonfinancial additionality was present in innovative ventures involving less-experienced clients and stakeholders (farmers, cooperatives), requiring capacity building advisory services or close hand-holding by IFC. In the future, the PSW could be structured to allow funding of advisory services for IFC and MIGA from a small part of its overall allocation.

Concessionality

PSW subsidies make IFC and MIGA investments in eligible countries commercially viable and sustainable by de-risking them or by spreading the risk among financiers. When used properly, PSW subsidies are critical to the instruments' financial viability. Without the subsidies, the investments would not be commercially viable. However, embedding subsidies in the financing that are greater than the minimum required for viability would violate one of the founding principles of PSW and could distort markets. The analysis of the extent to which concessionality has been minimized to avoid market distortion is beyond the scope of this assessment.

The measured subsidy provided by the PSW is determined by the difference between the return charged by PSW and the return required by IFC or MIGA for a similar level of risk on a stand-alone basis. That return differential is used to calculate the value of the subsidy as a percentage of the total project cost. Overall, the average subsidy provided by PSW during IDA18 has been 2.5 percent of total project cost,[20] which is equal to $213 million in subsidy for $8,368 million in total project cost for IDA Board approvals (World Bank 2020c). In terms of IDA PSW resources, the share of the subsidy is 15.5 percent. That average, however, hides the range in subsidies provided by PSW, which can be zero when the PSW additionality is in providing exposure limitation for IFC or MIGA. The highest subsidies have gone to projects using the LCF (for example, the Côte d'Ivoire Housing Program described in box 4.2), with those subsidies in some cases exceeding 20 percent of total project cost, reflecting the inherent risk associated with local currency finance.

The basic approach to pricing PSW products is to assess the risk of IFC based on its normal pricing model, which then translates into a required spread on the product that allows IFC to earn a risk-adjusted return in line with its regular, nonconcessional investments. With a first-loss guarantee or subordinated loan, the PSW product's impact is to improve the IFC product's expected loss, thereby reducing the required IFC pricing. In those cases, the PSW product is priced to cover expected losses (with zero expected return on capital), with pricing determined by the IFC pricing model. The subsidy reflects the difference between the zero expected return on the PSW funding and the normal expected return for IFC.

The impact of this concessionality on the rates charged by IFC can be significant. For example, in the case of the SLGP (box 4.1), which used PSW as a first-loss guarantee, the resulting reduction in the risk held by IFC allowed it (based on its normal pricing model) to reduce the spread charged to borrowers by as much as 700 basis points, making the IFC loans commercially viable for IFC client financial institutions and their client borrowers or investees.

When PSW is providing a swap for local currency, the swap rate provided by PSW allows IFC to provide local currency solutions at a subsidized rate, with IFC earning its normal rate of return, but the PSW swaps have been priced less than the amount required to cover the expected losses. IFC has used local currency funding by PSW most frequently for funding microfinance institutions, where exposure to exchange rate risk is unhealthy. In PSW-eligible countries, obtaining local currency funding can be expensive or often unavailable, especially for long-term credit, and so the subsidy from PSW LCF can be significant both in its size and its impact on PSW additionality.

For one African microfinance institution, with which IFC implemented five PSW-funded investments, the subsidy from the PSW local currency product was 5.7 percent of the total project cost—well above the PSW average. Box 4.2 provides another example of an African financial institution (Côte d'Ivoire Housing Program) that benefited from the LCF facility.

MIGA has used PSW in two ways: as a first-loss guarantee, and as a form of reinsurance without any PSW subsidy to clients but with a risk reduction to MIGA through risk exposure limitation. MIGA has used first-loss guarantees more commonly, in which cases PSW has taken a significant portion of any first losses, with MIGA sharing in those losses and providing second loss coverage. In these cases, the pricing on both the MIGA and PSW products has been identical and based on the standard MIGA pricing model. As a result, no PSW subsidy to the client has been involved. For cases in which PSW is providing reinsurance, typically standard MIGA pricing has been used, and therefore there has also been no PSW subsidy involved but just a reduction in risk for MIGA through the exposure limitation provided, thereby allowing it to participate. In general, PSW's value to MIGA has been in the exposure limitation that it provides. In many of the reviewed projects, PSW pricing on MIGA projects has been based on MIGA's pricing model, and so there has been no subsidy. The extent to which PSW is acting as a substitute, in these projects, to reinsurance provided by the market is unclear.

IEG reviewed project documents for the sample of IFC and MIGA projects it reviewed to assess the use of concessionality and the role that program governance plays in setting it and concluded that these processes and the criteria used are robust. IEG reviewed BFC approval notes and minutes, which reflect the governance structure, processes, and involvement of different departments in the PSW approval process for the use of concessionality. For MIGA, IEG reviewed project documents and minutes of the relevant project review meetings. Based on that review, IEG concluded that the systems, processes, and criteria are robust and involve active debate over the required subsidy in the internal approval process through the involvement of the IFC BFC (and the Blended Finance Department)the IDA PSW Secretariat of the Development Finance Vice Presidency, and the IBRD country director in the case of IFC. MIGA does not have a separate blended finance department. Its review process involves the IDA PSW Secretariat and the IBRD country director in its established project review meetings.

Based on existing evidence after project implementation, IEG was not able to assess whether subsidies were kept to a minimum to avoid distorting the markets. IEG's document review provided evidence of innovative instruments (venture funds) or project structures deployed in countries where such investments were rare and none had existed before, implying little if any market distortions or effects on other market participants. However, empirical project and country case studies would allow for the assessment of financing constraints and available alternative sources of capital (if any), their prices, and tenors for similar projects. This counterfactual analysis was beyond the scope of this assessment. Similarly, given the recent commitment of most PSW-supported projects, this assessment could not provide insights on the beneficiaries of IFC and MIGA client projects and determine whether reductions in price because of concessional funding were passed on to beneficiaries, such as investee companies.

5 | Governance

The PSW involves a unique governance structure (appendix D). The PSW project approval process reflects IFC and MIGA's approval processes, with some modifications because of the inclusion of the Development Finance Vice Presidency and Country Management Unit in the decision-making process. In the case of IFC, which has a history of working with blended finance, PSW projects follow the usual blended finance process, with approval by the BFC, including IDA and IBRD representation in the BFC for PSW projects (represented by the IDA Secretariat and the IBRD country director). The PSW approval process, including the inclusion of IDA and IBRD staff, is unique for IFC blended finance work. The involvement of staff from across the Bank Group was seen as ensuring coherence of approvals with PSW criteria and the minimum concessionality principle. There is modest evidence of higher cost for IFC's appraisal and supervision of projects involving PSW support, and some evidence of duplication of efforts and feedback from staff indicated that the process is cumbersome.

In MIGA's case, PSW projects follow the normal guarantee approval process in the Early Management Screening and Project Risk Committee meetings but with IDA and Country Management Unit representation. Some staff indicated that the inclusion of additional documentation for PSW is an incentive against using the PSW, while others mentioned that involvement of World Bank, IFC, and MIGA fosters a common understanding and ownership of PSW-supported projects. The availability of viable projects in PSW-eligible countries is more important in determining the MIGA pipeline of PSW projects.

Delivery of the PSW itself involves relatively moderate administrative costs that IDA, IFC, and MIGA share. Total PSW administrative expenses for IDA18 (FY18-20) for all three organizations were $11.2 million, representing 0.6 percent of total IDA18 PSW pipeline volume (or 2 percent of IFC and MIGA commitment and gross exposure volumes). Of this total, IDA's portion of the expenses was $1.7 million, IFC's PSW expenses for IDA18 were $8.3 million, and MIGA's IDA18 PSW administrative expenses were $1.2 million. IDA18 PSW revenues were $2.2 million, partially offsetting these expenses.

The PSW Mid-Term Review and an audit of the PSW by Group Internal Audit pointed to the need to manage the trade-offs between costs and accountability carefully. The Mid-Term Review highlighted the potentially large number of small projects (typical for FCS and low-income IDA countries) to be processed under the PSW and pointed to the increased use of programmatic platforms and large-scale infrastructure projects to improve efficiency and control costs. The Group Internal Audit report recommended improving the measurement of the cost for delivering the PSW across all three institutions, which would help assess the efficiency and operational effectiveness of the PSW business model.

6 | Summary and Suggestions

The PSW is IDA's first blended finance instrument to provide concessional support for private investments. For the first time in 2017, IDA18 included an allocation of $2.5 billion for the PSW. The PSW involves the use of limited amounts of concessional donor funds to mitigate the risk of financial losses for lenders and equity investors, aiming to improve the risk-reward profile of pioneering private investments that are unable to proceed on strictly commercial terms and to allow IFC and MIGA to limit their exposure to these risks.

IFC and MIGA's usage of the PSW has been well below the original IDA18 allocated amounts, especially for the RMF that was expected to provide guarantees to support infrastructure projects. Instead, a large share of IDA18 PSW for IFC-managed PSW facilities was approved for the financial sector—including short-term finance and programmatic efforts—through the BFF.

- The limited usage of the PSW in IDA18 is due to several factors. These include the set of strict eligibility criteria for PSW use, the ability of IFC and MIGA to leverage existing programs and client relationships, the limited availability of a pipeline of projects suitable for PSW funding, longer gestation periods of projects (especially in the infrastructure sector), the start-up of PSW in IDA18, and the design of the instrument, which is intended to address financial risks.

- Multiple programs facilitated the rapid rollout of PSW in the financial sector by IFC, including as part of the COVID-19 crisis response. PSW has facilitated a rapid expansion of existing financial sector programs as part of the global IFC COVID-19 crisis response. Existing programs (GTFP and WCS), combined with COVID-19 response flexibility, allowed the rapid deployment of short-term finance for existing clients in countries where those programs were already operating. Existing relationships with local financial institutions were key to converting concepts into realized investments rapidly, but those programs are likely to have limited impact in the future as the global pandemic eases.

Additionality of the PSW has been mixed, with no improvements in scale (IFC and MIGA growth in target markets), but there is some evidence for positive effects on scope (entering new frontier markets and sectors).

» Scale: IFC commitments and MIGA guarantee issuance in eligible countries have remained relatively flat since the introduction of the PSW, averaging 13 percent and 22 percent of total commitments for IFC and MIGA, respectively, during FY18–20.

» Scope: PSW participation enabled IFC and MIGA to support high-risk projects or allowed IFC and MIGA to increase exposure in projects in markets and sectors beyond what would have been feasible without PSW. For example, PSW has supported the expansion of private equity funds in eligible countries by taking first-loss positions in markets where similar funds previously had trouble attracting investors. Infrastructure projects often face more institutional and regulatory risk than projects in other sectors, which can be mitigated only partly by PSW funds and need to be addressed by broader upstream sector and project development support, such as in the Mazar-i-Sharif Independent Power Producer Project.

Concessionality of the PSW—the determination of the subsidies needed to make IFC and MIGA investments more commercially viable by de-risking them—is based on rigorous criteria and processes. Ex post evidence on whether the granted subsidies may have distorted the markets was not available for this assessment. The basic approach to pricing PSW products is to assess IFC and MIGA products' risk based on their normal pricing model, which then translates into a required spread on the product that allows IFC and MIGA to earn a risk-adjusted return in line with its normal investments or guarantees. IEG's document reviews of PSW-supported projects and programs and of the process by which the implied subsidy is determined concluded that the criteria to determine the subsidies and the process in place to approve them was robust. The process involves an active debate between IFC's Blended Finance Department, the IDA PSW Secretariat, the BFC members, MIGA management, and the IBRD country director on the required subsidy. However, this assessment did not conduct empirical work to assess ex post whether concessional financing may have distorted markets or whether price reductions were passed on to beneficiaries.

Issues for Further Consideration

Based on the assessment of the PSW's performance, it is important for the Bank Group (and partners) to reflect on how to address the issues and trade-offs related to its limited deployment in IDA18 to date and consider complementary efforts and instruments that may be required in IDA-only and FCS markets. The risk mitigation the PSW provides addresses one of the factors constraining investment in eligible countries, but this is not the only constraint. The PSW is designed to de-risk IFC and MIGA financial risks but not to address other risks and constraints limiting the supply of bankable projects in high-risk markets. De-risking financial risk is one aspect to help address constraints to private investments in PSW-eligible markets, but achieving sustainable private investments depends on complementary efforts and an ecosystem conducive to private enterprise. Project development in countries with uncertain or underdeveloped regulatory regimes and poorly functioning institutions and markets often presents greater challenges than traditional financial risks that PSW can address by de-risking financial risks, and perhaps greater even than the political risks that MIGA is able to insure against.

The low use and other findings identified in this early assessment raise some implications for the future of the PSW. As previous IEG evaluations have concluded, the Bank Group and development finance institutions broadly have been challenged to increase the flow of investments in FCS and low-income IDA markets, despite some product innovation (such as the PSW) and increased availability of blended finance resources. Investing in high-risk markets involved high costs of doing business and requires patience to achieve results. Was the slow start-up of the PSW inevitable and should have been expected? What is the likelihood of PSW picking up activities in the future? Are financial risks just one constraint to private investment in FCS and low-income IDA countries, or are nonfinancial risks such as weak governance, inadequate regulation, and legal structures, and reputational risks related to environmental, social, and integrity issues as big a constraint as financial risks?

Further reflection is also needed on the complementary efforts that should accompany the PSW risk mitigation instruments in the future. The following considerations, based on the findings in this assessment, are offered to motivate the debate.

- » Project development and preparation. IFC's increased focus on upstream work, seeking to strengthen project development and preparation capabilities, can be a useful initiative to help increase the flow of PSW-eligible projects over time. Until these efforts bear fruit, developing a pipeline of commercially viable projects in PSW-eligible countries will remain a challenge. How can upstream work be better linked with de-risking instruments such as the PSW? In addition, what would it take for IFC and MIGA to increase the pipeline of PSW-eligible investments, especially in underserved sectors such as infrastructure? What are the key institutional parameters that determine the bankability of a project for IFC and MIGA, with PSW's support, and can they be adjusted?
- » The extent of concessionality. The PSW has followed strict selection criteria, including processes that emphasize minimum concessionality. However, in some markets, nonfinancial risks may be so high that more concessionality may be required to unlock private investment; this, however, will have implications on market distortions and on the balance of commercial versus concessional finance. What is the appropriate balance of blending concessional and commercial funding?
- » Nonfinancial risks. Nonfinancial risks related to governance, uncertainty, or underdeveloped regulatory regimes and poorly functioning institutions and markets are characteristics of most FCS markets and will be hard to overcome in the short or medium term. But can the Bank Group and development finance institutions develop and deploy new approaches and instruments to mitigate these risks?
- » Realism of expectations. Promoting private sector investment in high-risk countries, such as FCS, presents a major challenge, requires patience, and involves a higher cost of doing business. This calls for realism of what the PSW (and similar initiatives) can achieve and flexibility when setting targets.
- » The role of technical assistance. Technical assistance is often a part of the additionality of PSW projects and is a critical component for project development and capacity building of clients in high-risk markets. In some cases, IFC

has provided funding for technical assistance to support project development and capacity building of private clients receiving PSW support. Early evidence suggests that the inclusion of technical assistance in the projects may have helped increase and sustain the PSW pipeline. Past IEG assessments of IFC's work in FCS have also pointed to the importance of combining advisory and investment work to achieve development results (World Bank. 2019b). IDA and IFC may want to consider structuring the PSW to allow funding of technical assistance and advisory services from a small part of its overall allocation to increase the number of PSW projects accompanied by technical assistance.

» Leveraging IDA's capital. Decisions on risk management and leveraging IDA's capital could be revisited based on the IDA project experience. The decision to forego leverage on the PSW capital allocation and set aside 100 percent of its exposure because of the limited experience with PSW facilities may need to be reconsidered because it imposes constraints on the optimal use of IDA capital.

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[1] See appendix C for a list of countries eligible for Private Sector Window (PSW) support during the 18th Replenishment of the International Development Association (IDA18).

[2] For IFC, concessionality is based on the difference between (i) a reference price (which can be a market price, if available; the price is calculated using the International Finance Corporation's [IFC] pricing model, which comprises three main elements of risk, cost, and net profit; or a negotiated price with the client) and (ii) the concessional price being charged by the blended concessional finance co-investment. (see IFC: What is Concessionality and How Is It Calculated?) IFC calculates the level of concessionality as a percentage of total project cost: net present value of (reference price – concessional price)/total project cost = level of concessionality (expressed as a percentage of total project cost).

[3] Under IDA19, country eligibility for the PSW was expanded to IDA Gap and Small State Blend countries for a period of 2 years limited to 15 percent of the total PSW envelope.

[4] IFC and Multilateral Investment Guarantee Agency (MIGA) Blended Finance Facilities (other than the PSW) include the Global Agriculture and Food Security Program, the Global SME [Small and Medium Enterprise] Finance Facility, the MIGA Conflict-Affected and Fragile Economies Facility, the MIGA West Bank and Gaza Investment Guarantee Trust Fund, the IFC Women Entrepreneurs Opportunity Facility, and climate finance facilities.

[5] In endorsing the capital increase, the Development Committee recognized that private sector investment in low-income countries and fragile states requires special attention, noting, "as the main driver of investment, innovation, and jobs, the private sector needs to play a much greater role in development.... the World Bank Group must continue to crowd in private sector resources.... IDA's increased focus on jobs and economic transformation, including through the innovative Private Sector Window, is encouraging investment in IDA countries."

[6] The 19th Replenishment of IDA (fiscal years [FY]20–22) and its overarching theme, "Ten Years to 2030: Growth, People, and Resilience" called for mobilizing and scaling up private investment (especially in high-impact priority areas, such as the digital economy, infrastructure, and agribusiness and manufacturing linking to value chains), closing gender gaps in private sector operations, and providing local currency solutions to reach more local businesses.

[7] Such as the Global Trade Finance Program.

[8] IDA18 special themes include Jobs and Economic Transformation; Gender and Development; Climate Change; Fragility, Conflict, and Violence; and Governance and Institution.

[9] IFC processing times are measured from the date of the concept note to disbursement, covering long term finance investments committed during FY10-20. For MIGA, projects in PSW-eligible countries take significantly longer to execute (442 days from definitive application to contract effectiveness, versus MIGA's average of 358 days).

[10] The project has been approved, but IFC funding and the MIGA guarantee have not yet committed or issued.

[11] The Board approved the first PSW-supported project in December 2017, more than five months after the PSW's inception.

[12] IFC 3.0; and IFC Strategy and Business Objectives, FY21–23. This commitment includes $80 million in budget resources to upstream activities in FY21, with an additional $135 million in funding from other sources.

[13] IFC's "Human Resources Strategy FY20-22: Careers with Impact" aims to align incentives and principles, encourage strategic partnerships across Bank Group entities, and reward both efforts and outcomes—particularly for long-term projects—with more targeted rewards for exceptional work demonstrated in IDA countries and fragile and conflict-affected states (FCS).

[14] Overall, IFC and MIGA face high costs of doing business in high-risk markets. IEG analysis shows that IFC's cost in FCS countries is 2.5 times higher per $1,000 of committed investments than in non-FCS countries. This ratio is even higher for investments in IDA FCS countries. MIGA's data indicates that its cost of executing projects in FCS and IDA countries is 1.9 times the average cost.

[15] Based on internal documents reviewed by IEG.

[16] Comparing PSW mobilization/leverage with other blended finance programs is difficult as each program has a different mandate, employs different instruments and operates in different markets.

[17] There is a hierarchy of positions, ranging from the most senior to the most subordinate, within the financial structure of an investment. When the investment produces cash flows, those flows are allocated to investors based on their seniority, with the most senior having first claim on the cash and junior investors having their claims serviced only when the claims of senior investors are satisfied. Normally, the most junior investor would be common equity. This hierarchy of claims is most important during liquidation, when the value of the assets being liquidated is likely to be less than the value of the debt claims, leaving the equity investors with nothing.

[18] Like private sector financial institutions, both IFC and MIGA have internal credit rating systems that are calibrated, based on experience, for use as a critical part of the pricing process, project supervision, and provisioning requirements.

[19] Such risks are considered nonfinancial risks, but they affect the investment's financial risks.

[20] IFC reports an average subsidy share of 5.8 percent relative to total project cost for concessional finance in low-income IDA and FCS countries. For more information, see https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/bf/bf-details/concessionality-calculation.

APPENDIXES

Independent Evaluation Group

The World Bank Group's Experience with the IDA Private Sector Window

Appendix A. Approach and Methodology

This report assesses four interrelated International Development Association (IDA) Private Sector Window (PSW) due diligence features: usage, additionality, concessionality, and governance. These features were derived from a review of the 18th Replenishment of IDA (IDA18) PSW approval documents and the 2018 PSW Mid-Term Review. The report examines the usage and patterns of the PSW's deployment relative to its intended allocations and objectives. The PSW additionality is defined as "when existing IFC [International Finance Corporation] and MIGA [Multilateral Investment Guarantee Agency] instruments are not deemed sufficient to address investment requirements" (World Bank 2016). The definition adopted by the PSW comprises two dimensions: scale (IFC and MIGA's growth in PSW-eligible countries) and scope (IFC and MIGA's entry into new or frontier markets and sectors or deployment of new instruments). IEG examined the process and justification of concessionality.[1] The evaluation also looks into PSW's current governance system and associated processes, examining whether they have enabled or constrained the deployment of the PSW. The report does not examine development outcomes or effects on beneficiaries of PSW-supported projects, given the lack of evaluative data for IFC and MIGA projects supported by the PSW.

The Independent Evaluation Group (IEG) used a mixed methods approach to distill its findings. The findings are based on a literature review, a portfolio and data analysis, interviews with stakeholders, and a document review of project cases for 27 PSW-supported projects and several projects rejected for PSW support. Project cases were selected considering coverage of all four PSW facilities, both IFC and MIGA operations, and a diversity of sectors and countries (encompassing both IDA-only and fragile and conflict-affected states [FCS] markets). For its assessment, IEG built on the PSW Performance and Results Framework detailed in World Bank (2017a, 54ff).

The methods include the following:

- Review of literature, strategy, and program documents, and IEG evaluations relevant to the PSW or similar instruments, including the Global Agriculture and Food Security Program and blended finance operations.
- Analysis of the approved PSW portfolio (fiscal years [FY]18–20) and of World Bank Group and external databases. This analysis covered the universe of approved IDA18 PSW projects to distill findings on uptake, distribution, and characteristics of the portfolio.
- Interviews of key personnel knowledgeable about the PSW in the World Bank, IFC, and MIGA.
- Case-based analysis for a purposive sample of IDA PSW projects, consisting of desk-based document reviews (table A.1). The case-based analysis illustrates the implementation of the PSW at the project level, considering diversity by PSW facility, sector, and country, and different typologies (country classification as IDA or IDA-FCS, and size of investment).

Table A.1. Reviewed Projects

Project ID	Project Name	Date	Country	Instrument	Facility	Approval ($, millions)	Commitment ($, millions)
42084	3B Hotel	04/10/2019	Rwanda	Subordinated	BFF	1.7	3
41185	Ayiti Leasing	08/29/2018	Haiti	Subordinated	BFF	5.5	2
41841	CI Housing	02/6/2019	Côte d'Ivoire	LCF	LCF	45	
44011	GTFP	04/30/2020	Multiple	LE and FL	BFF	250	
41910	IPSVE	06/10/2019	Multiple	FL Equity	BFF	50	
41287	IPSVE-Capria	08/29/2018	Multiple	FL Equity	BFF	IPSVE Programb	12
42633	IPSVE-ARF3	11/18/2019	Multiple	Equity	BFF	IPSVE Programb	15
41432	IPSVE-Cepheus	08/9/2018	Ethiopia (and greater East Africa)	Equity	BFF	IPSVE Programb	15
41435	IPSVE-Zoscales	04/18/2019	Ethiopia (and East Africa)	Equity	BFF	IPSVE Programb	9
35413	Mazar IPP	01/9/2019	Afghanistan	RMF and MGF	RMF and MGF	59	21.2
14303 (MIGA)	MIGA Djibouti Wind	11/8/2019	Djibouti	MGF	MGF	48.4	91.6
39718	Rikweda	03/8/2018	Afghanistan	FLG (50 per-cent)	MGF	3.1	7.5
41251	SLGP ABE SME RSF	06/22/2018	Multiple (8 West Africa)	FLG (30 per-cent)	BFF	SLGP Program.a	
42304	SLGP NSIA	02/6/2019	Côte d'Ivoire, Guinea, Benin, Senegal, Togo	FLG (30 per-cent)	BFF	SLGP Program.a	11.383
40973	SLGP PPCB RSF	04/17/2019	Cambodia	FLG (30 per-cent)	BFF	SLGP Program.a	7.5
41672	SLGP RSF TEB-Koso-vo	09/23/2020	Kosovo	FLG (30 per-cent)	BFF	SLGP Program.a	

(continued)

Project ID	Project Name	Date	Country	Instrument	Facility	Approval ($, millions)	Commitment ($, millions)
42031	SLGP RSF Union	07/17/2019	Nigeria	FLG (30 percent)	BFF	SLGP Program.a	12.5
42601	SLGP RSF Yoma	02/24/2020	Myanmar	FLG (30 percent)	BFF	SLGP Program.a	
41091	SLGP SIB SME RSF	05/9/2018	Côte d'Ivoire	FLG (30 percent)	BFF	SLGP Program.a	8.9
42221	SLGP Sogesol Haiti	04/9/2019	Haiti	FLG (30 percent)	BFF	SLGP Program.a	2.5
42618	SLGP2	04/3/2019	Multiple	FLG (30 percent)	BFF	70	Program subprojects
41038	SLGPI	04/12/2018	Multiple	IFC RSF; PSW FL BFF	BFF	50	Program subprojects
35701	Upper Trishuli	05/24/2018	Nepal	Subordinated	BFF and MGF	102.8	168
44346	WCS IDA PSW	06/8/2020	Multiple	Pooled First-Loss Guarantee	BFF	215	Program subprojects
39996	Baobab Microcredit	03/13/2019	Multiple	LCY Multicountry Facility	LCF	4	
35968	NMB Tanzania	05/1/2019	Tanzania	LCF	LCF	37.8	77.9
12943	Tina Hydropower	01/30/2020	Solomon Islands	FLG	MGF	14	

Note: BFF = Blended Finance Facility; FLG = first-loss guarantee; GTFP = Global Trade Finance Program; IPSVE = IDA Private Sector Window Small and Medium Enterprise Ventures Envelope; LCF = Local Currency Facility; LCY = Local Currency Finance; MGF = MIGA Guarantee Facility; PSW = Private Sector Window; RMF = Risk Mitigation Facility; RSF = Risk Sharing Facility; SLGP = Small Loan Guarantee Program; SME = small and medium enterprise; LE = limit enhancement; = FL = first loss.
a. SLGP I (41038) = programmatic approach, $50 million approved by PSW IDA18. SLGP II (42618) = programmatic approach, $70 million approved by PSW IDA18.
b. IPSVE (41910) = programmatic approach, $50 million approved by PSW IDA18.

References

World Bank. 2016. “Further Details on the Proposed IFC-MIGA Private Sector Window in IDA18.” Board Report 108520, World Bank, Washington, DC.

World Bank. 2017a. “Operationalizing the IDA18 IFC-MIGA Private Sector Window.” Board Report 123995, World Bank, Washington, DC.

[1] For IFC, concessionality is based on the difference between (i) a reference price (which can be a market price, if available; the price calculated using the International Finance Corporation's pricing model, which comprises three main elements of risk, cost, and net profit; or a negotiated price with the client) and (ii) the concessional price being charged by the blended concessional finance co-investment (see the International Finance Corporation: What is Concessionality and How Is It Calculated?). IFC calculates the level of concessionality as a percentage of total project cost: net present value of (reference price – concessional price)/ total project cost = level of concessionality (expressed as a percentage of total project cost).

Appendix B. PSW Portfolio

The total Private Sector Window (PSW) approved amount has been dominated by stand-alone International Finance Corporation (IFC) projects, which accounted for $1.0 billion (76 percent) of the total (table B.1). IFC Blended Finance Facility projects represented 60 percent of the total approved amount, and those projects combined with Local Currency Facility and Risk Mitigation Facility—including joint projects with the Multilateral Investment Guarantee Agency (MIGA)—accounted for 68 percent of the total. Stand-alone MIGA projects accounted for 12 percent of the total (the 12 projects represent $246 million in PSW approvals), and joint IFC-MIGA projects account for the rest.

Table B.1. IDA18 PSW Approvals by Facility and Bank Group Member ($, millions)

Facility	IFC	IFC, MIGA	MIGA	Total
BFF	814	0	0	814
BFF, LCF	3	0	0	3
BFF, MGF	0	103	0	103
LCF	211	0	0	211
MGF	0	0	167	167
RMF, MGF	0	59	0	59
Total	1,028	162	167	1,356

Source: International Development Association, International Finance Corporation, Multilateral Investment Guarantee Agency, and Independent Evaluation Group staff calculations.

Note: BFF = Blended Finance Facility; IFC = International Finance Corporation; LCF = Local Currency Facility; MGF = MIGA Guarantee Facility; MIGA = Multilateral Investment Guarantee Agency; RMF = Risk Mitigation Facility.

Global programs targeting PSW-eligible countries accounted for 53 percent of total approvals, with all coming from the Blended Finance Facility through IFC projects. Only Nepal accounted for more than 5 percent of the total (table B.2), and the rest is divided between 23 countries and three regional investments.

Table B.2. IDA18 PSW Approvals by Facility and Country ($, millions)

Country or Region	BFF	BFF, LCF	BFF, MGF	LCF	MGF	RMF	Total
World Region	721						721
Nepal			103	20			123
Côte d'Ivoire				68			68
Afghanistan					3	59	62
Myanmar	8				51		58
Djibouti					48		48
Tanzania		3		38			41
Sierra Leone					26		26
Malawi					24		24
Senegal	4			17			21
Cambodia				20			20
Other Africa	66			34	10		109
Other	16			15	5		36
Total	814	3	103	211	167	59	1,356

Source: International Development Association, International Finance Corporation, Multilateral Investment Guarantee Agency, and Independent Evaluation Group staff calculations.

Note: BFF = Blended Finance Facility; LCF = Local Currency Facility; MGF = MIGA Guarantee Facility; RMF = Risk Mitigation Facility.

Appendix C. IDA18 PSW-Eligible Countries and Subnational Regions

Table C.1. IDA18 PSW-Eligible Countries and Subnational Regions

Region	Country Name	Lending Eligibility	World Bank FCS List Classification	Notes
SAR	Afghanistan	IDA only	High-intensity conflict	
SAR	Bangladesh	Gap		
AFR	Benin	IDA only		
AFR	Burkina Faso	IDA only	Medium-intensity conflict	
AFR	Burundi	IDA only	High Institutional and Social Fragility	
EAP	Cambodia	IDA only		
AFR	Cameroon	Blend	Medium-intensity conflict	
AFR	Central African Republic	IDA only	Medium-intensity conflict	
AFR	Chad	IDA only	Medium-intensity conflict	
AFR	Comoros	IDA only	High Institutional and Social Fragility, Small state	
AFR	Congo, Dem. Rep.	IDA only	Medium-intensity conflict	
AFR	Congo, Rep.	Blend	High Institutional and Social Fragility	
AFR	Côte d'Ivoire	Gap		
MNA	Djibouti	Gap		
AFR	Eritrea			No longer eligible
AFR	Ethiopia	IDA only		
AFR	Gambia, The	IDA only	High Institutional and Social Fragility	
AFR	Guinea	IDA only		

(continued)

Region	Country Name	Lending Eligibility	World Bank FCS List Classification	Notes
AFR	Guinea-Bissau	IDA only	High Institutional and Social Fragility	
LAC	Haiti	IDA only	High Institutional and Social Fragility	
AFR	Kenya	Blend	Subnational regions: Turkana, West Pokot, Marsabit, Samburu, Isiolo, Mandera, Wajir, Garissa, Tana River, and Lamu	
EAP	Kiribati	IDA only	High Institutional and Social Fragility, Small state	Non-MIGA member
ECA	Kosovo	Gap	High Institutional and Social Fragility	
ECA	Kyrgyz Republic	IDA only		
AFR	Liberia	IDA only	High Institutional and Social Fragility	
AFR	Madagascar	IDA only		
AFR	Mauritania	IDA only		
AFR	Malawi	IDA only		
SAR	Maldives	Small island		
AFR	Mali	IDA only	Medium-intensity conflict	
EAP	Marshall Islands	IDA only	High institutional and social fragility, small state	Non-MIGA member
EAP	Micronesia, Fed. Sts.	IDA only	High institutional and social fragility, small state	
AFR	Mozambique	IDA only	Medium-intensity conflict	
EAP	Myanmar	Gap	Medium-intensity conflict	
SAR	Nepal	IDA only		
AFR	Niger	IDA only	Medium-intensity conflict	
AFR	Nigeria	Blend	Medium-intensity conflict	

(continued)

Region	Country Name	Lending Eligibility	World Bank FCS List Classification	Notes
SAR	Pakistan	Blend	Subnational regions: Khyber Pakhtunkhwa, Federally Administered Tribal Areas, Baloch-istan	
EAP	Papua New Guinea	Blend	High institutional and social fragility	
AFR	Rwanda	IDA only		
EAP	Samoa	IDA only		
AFR	São Tomé and Príncipe	IDA only		
AFR	Senegal	IDA only		
AFR	Sierra Leone	IDA only		
EAP	Solomon Islands	IDA only	High institutional and social fragility, small state	
AFR	Somalia	IDA only	High-intensity conflict	
AFR	South Sudan	IDA only	Medium-intensity conflict	
MNA	Sudan			No longer eligible
ECA	Tajikistan	IDA only		
AFR	Tanzania	IDA only		
EAP	Timor-Leste	Blend	High institutional and social fragility, small state	
AFR	Togo	IDA only		
EAP	Tonga	IDA only		Non-MIGA member
EAP	Tuvalu	IDA only	High institutional and social fragility, small state	Non-MIGA member
AFR	Uganda	IDA only		
EAP	Vanuatu	IDA only		
MNA	Yemen, Rep.	IDA only	Medium-intensity conflict	
AFR	Zimbabwe			No longer eligible

Source: International Development Association Private Sector Window.

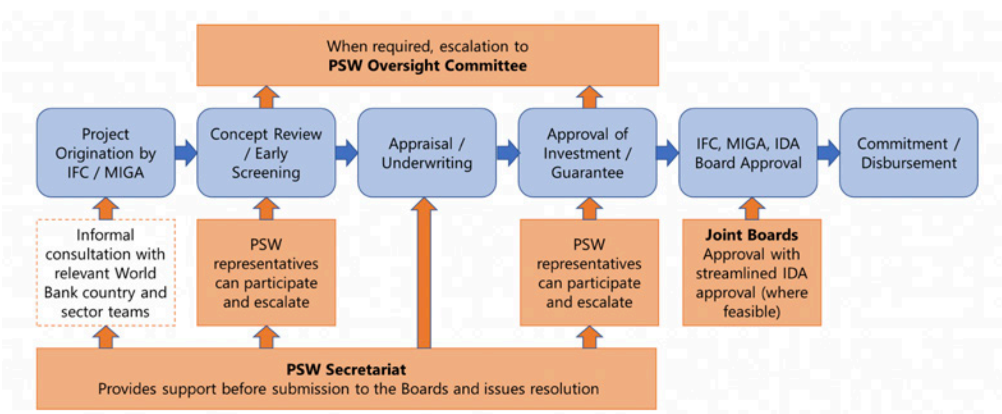
Note: Eligibility as of April 2020. Under the 19th Replenishment of IDA, the Lao People's Democratic Republic was also added to the list, along with 13 countries added on a temporary eligibility basis. AFR = Africa; EAP = East Asia and Pacific; ECA = Europe and Central Asia; IDA18 = 18th Replenishment of IDA; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia.

Appendix D. PSW Governance

The Private Sector Window involves four World Bank Group entities: the International Bank for Reconstruction and Development, International Development Association (IDA), International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA), but given that IFC and MIGA had not previously used IDA funding, it was critical to the PSW's implementation to develop an effective governance structure and accompanying administration. The PSW governance framework (see figure D.1 and table D.1) is based on five organizing principles, agreed to by all three Bank Group institutions legally involved with PSW. The principles cover accountability, oversight, conflict of interest, transparent risk-return sharing, and operational and financial efficiency. These principles drive the overall governance processes both at the PSW level and the facility level.

All PSW-supported IFC or MIGA transactions are governed by IFC and MIGA's respective policies and procedures. IFC and MIGA accountability and governance mechanisms have jurisdiction over all matters and complaints related to those transactions; IDA policies and procedures do not apply. This is aligned with existing Bank Group collaboration in that the fiduciary, integrity, and performance standards approved by IFC and MIGA's Boards of Directors would apply to transactions under the PSW involving IFC or MIGA.

Figure D.1. PSW Governance Process



Source: International Development Association Private Sector Window.

Note: Blue boxes denote processes, and orange boxes denote Private Sector Window actors and stakeholders.

Table D.1. PSW Governance Responsibilities

PSW Secretariat	PSW Oversight Committee	IDA,IFC, and MIGA Boards

• Housed in the Resource Mobilization Team of the Development Finance (DFI) VP of IDA
• Administrative support for PSW Oversight Committee–reporting requirements, pipeline review, outcomes and results framework
• Serves as a contact point for IFC and MIGA teams on PSW
• Supports PSW representatives
	• Structure
	  o For strategic oversight and non-project-specific matters, comprises one VP each from IDA, IFC, and MIGA
	  o For project-related matters, comprises the VP from IDA and the VP(s) for institutions participating in the project
	• Provides strategic oversight and guidance to the World Bank Group to ensure optimal deployment of resources and strategic impact of the PSW.
	• Periodic review of the PSW portfolio and pipeline, as well as reporting, outcomes, and results
	• Makes recommendations on the use of PSW facility for escalated matters to IDA, IFC, and MIGA
	• Takes into account potential reputational risks to IDA
		• Provide final approvals on projects and PSW usage (on a streamlined basis when feasible)

Source: Independent Evaluation Group.

Note: IDA = International Development Association; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency.