Approach Paper

The World Bank Group's Approach to the Mobilization of Private Capital for Development

An IEG Evaluation

March 25, 2019

World Bank Management Comments

January 25, 2019

Report to the Board from the Committee on Development Effectiveness Subcommittee Report

May 6, 2019

World Bank Management Comments

Management of the World Bank (WB) thanks the Independent Evaluation Group (IEG) for the dialog and interactions with IEG during the preparation of the Approach Paper for the proposed evaluation, *World Bank Group's Ability to Mobilize and Scale-up Private Capital for Development: An IEG evaluation.* Developing a strong base of knowledge and learning on the World Bank Group (WBG)'s capacity and effectiveness in mobilizing private capital is highly relevant considering the focus on leveraging private resources in support of the WBG's Maximizing Finance for Development approach.

This evaluation faces the challenging task of examining a concept that is broad in scope and spans a wide range of activities and sectors. The Approach Paper follows the harmonized definitions agreed by a group of multilateral development banks, including the WBG, and uses total private capital mobilization that includes private direct mobilization (PDM) and private indirect mobilization (PIM).[1] This is an expansion of the scope compared to the Approach Paper on the same subject discussed with the sub-committee of the Committee of Development Effectiveness on March 27, 2017, which included only PDM.

As IEG proceeds with the evaluation, the World Bank Management wishes to highlight the following:

i. **Scope and coverage.** The scope of the report includes WBG's direct and indirect private capital mobilization approaches, such as debt, equity, bonds, guarantees (including MIGA reinsurance), advisory and special/short-term initiatives. However, the coverage of the WB activities is very limited as the report will exclude activities such as policy dialog, upstream analytical work, non-lending technical assistance or support to investment policy reforms through analytical and advisory services (ASA) or development policy financing (para. 3.2). In addition, for most of the review period (FY07-18), the WB was not explicitly mandated to mobilize private capital; this mandate was explicitly adopted only recently, with the introduction of the Maximizing Finance for Development initiative. We note that the evaluation will conduct deep-dive analysis on debt, equity and bonds to gather new evidence but will largely rely on existing evaluative evidence and portfolio analysis for other activities. For the review period, a preliminary portfolio analysis has identified 9 percent of overall WBG activities as mobilization activities (para. 6.3). However, IFC and MICA comprise over 92 percent of this portfolio (Figure 8).[2] Given this context, it would be useful for the report clearly to state its limitations and narrow scope with respect to the WB up-front, and perhaps also to reflect it in the report title. In short, any analysis or interpretation of the limited WB sample of activities should be presented with appropriate nuance and caveat. The report should also underscore the fact that the WB's private capital mobilization efforts are distinct from that of IFC and often involve upstream catalytic support to enabling environment and policies. Whereas lessons may be drawn from this limited analysis, caution must be exercised to avoid extrapolating these findings to the WB's overall effort for private capital mobilization.

ii. **Development effectiveness.** Analysis of the volume and mechanisms of private capital mobilization will need to be carefully balanced with an assessment of its effectiveness and contributions to country's development agenda. Moreover, while it is important to obtain investors' perspectives and feedback, some parts of the Approach Paper appear to be overly focused on investor expectations as well as investment returns and investment risks, especially in assessing "effectiveness" of private capital mobilization (e.g., "Indicators of success" in p. 31 of Appendix D). The evaluation would benefit from an elaboration on the development needs of the country and how private capital mobilization was effective (or not) in supporting development outcomes. It would be useful to understand the links between client countries' interests (e.g., consumer benefits, affordability, and sustainability) and the financing approaches being evaluated.

[1] PDM+PIM = Total Private Mobilization or Total Private Co-financing (PCF)

[2] WB activities included only 41 guarantee operations, 5 bond operations and 58 (post-2016) PIM activities (Table 3). This will be supplemented by further work to pick up more PIM cases before the tracking system was established in 2016 as well as case studies in seven countries including three focusing on PIM aspects (Argentina, China, Zambia).

Report to the Board from the Committee on Development Effectiveness Subcommittee Report

The Subcommittee of the Committee on Development Effectiveness (CODE) met to discuss the IEG Approach Paper - *World Bank Group's Approach to the Mobilization of Private Capital for Development: An IEG Evaluation* and World Bank management comments.

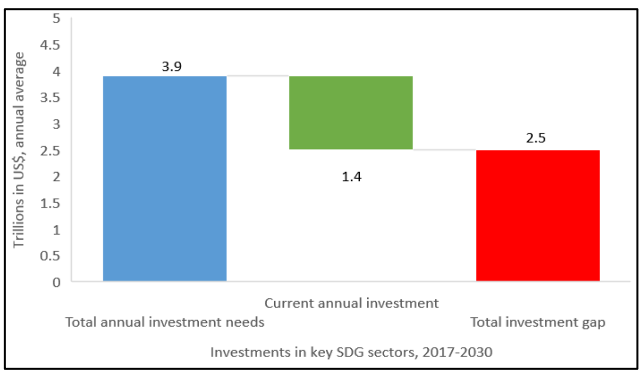
The CODE Subcommittee welcomed the opportunity to discuss the revised approach paper and highlighted the importance and timeliness of the proposed evaluation given World Bank Group's commitment to mobilize greater volumes of private and public capital in support of the 2030 SDG Agenda. With its leading strengths in both public and private sectors, the WBG is uniquely placed to create markets and maximize finance for development by implementing systematically the Cascade Approach that prioritizes private sector solutions, particularly in the most challenging settings such as IDA and FCV countries. The Committee acknowledged that the evaluation would analyze the universe of World Bank Group projects from FY07 to FY18 with direct and indirect mobilization, as per MDB-agreed definitions and criteria, and should assess how private capital mobilization contributes to achieving the development agenda of the Bank's client countries. Members underscored the importance of getting the reporting right so as not to disincentivize collaboration with other multilateral and bilateral partners and of managing expectations and clearly articulating the limitations of the evaluation upfront. They, therefore, welcomed the proposed workshop in the final stages of the evaluation which will enable an interactive exercise between IEG and WBG Management to discuss findings and develop actionable recommendations.

It was noted that creating markets to help achieve the SDGs involves exploiting synergies among WBG institutions for (1) linking policy reform, advisory, investment and mobilization activities to deliver "solution packages"; (2) developing frameworks that promote competition, set standards, and enable markets to function efficiently; (3) enabling demonstration effects, replication, and new productive networks; and (4) building capacity and skills that open new market opportunities. Even the joint Capital Package envisions the WBG to significantly expand the use of private sector solutions. A few members highlighted that it was a missed opportunity not to analyze the contribution of World Bank support for improving client countries' enabling environment to attract private capital. Others considered that the evaluation scope would help inform the work of the WBG to reach its capital package targets in 2030. IEG explained that expanding the proposed scope to include Bank catalyzation work was not a straightforward or practical exercise at this time but committed to include an evaluation on the development outcomes and impacts of Bank Group catalyzation activities in its future work program.

1. Background and Context

1.1 **Transformations in the global economy and international finance have reinforced the view that private sector and private capital are key to economic development.** At the third international conference on Financing for Development (F4D) held in Addis Ababa in July 2015, the Multilateral Development Banks (MDBs) and the International Monetary Fund (IMF) underscored the importance of combining ODA with other funds (domestic and international resources, remittances, philanthropy finance, etc.) and emphasized the "Billions to Trillions" challenge: the need to use the (few) billions of dollars of Official Development Assistance (ODA) to raise trillions of (private) capital required to achieve the 2030 Development Agenda to meet the Sustainable Development Goals (SDGs): *"Drawing in private sector business and investment will be key to reaching the trillions needed to achieve the SDGs….When MDBs invest in new areas or in high-risk environments there is an important demonstration effect that can lead to additional projects and new investors."*[1]

Figure 1: Financing global development priorities

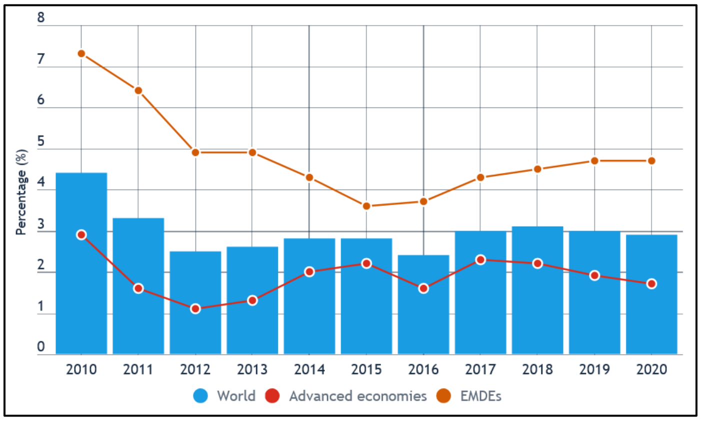


Source: **United Nations, World Economic Forum, June 2018**

1.2 **Capital for development is typically sourced through three channels: (i) domestic resource mobilization; (ii) international public finance; and (iii) private capital.** Of those three channels, private capital is expected to play an increasingly important role given the relative high volume of financial resources at its disposal: an estimated US$15 trillion --excluding international bond markets—compared with ODA annual flows of just US$150 billion, international public finance flows of US$ 2 trillion and domestic resource mobilization of US$ 12 trillion.[2]

1.3 **The Sustainable Development Goals identify global development priorities and highlight potential uses of private capital.** Policy-makers and experts from all sectors are discussing ways to finance the 17 Sustainable Development Goals (SDGs). This dialogue is testament to an ongoing paradigm shift in the thinking about development finance: today, there is a clear focus on how to remove constraints, mitigate risks and unlock the resources required to achieve the new development agenda. According to the latest UN estimates[3], the total funding gap stands at an annual deficit of US$2.5 Trillion ***a year*** (Figure 1). In terms of investment needs and SDG investment areas[4], Infrastructure sector (energy, telecommunications, transport and water) needs stand at roughly $850 billion a year while Health and Education sectors need roughly $280 billion a year.

Figure 2: Growth in EMDE vs. Advanced economies



Source: World Bank, IMF, January 2018. *Notes:* EMDEs = emerging market and developing economies. Shaded area indicates forecasts. Aggregate growth rates calculated using constant 2010 U.S. dollar GDP weights. Data for 2018-2020 are estimates.

1.4 **The World Bank Group (WBG) has pledged to mobilize and channel greater volumes of both private and public finance in support of the 2030 Agenda**[5]. The Bank Group's strategic documents – '*Forward Look*'[6] and '*MFD*'[7]- emphasizes the increasingly important role[8] that the private sector will have to play in development finance given that private investments are the main source of growth, jobs, and productivity gains. To achieve scale, the WBG has plans *to leverage private sector finance* by utilizing its full range of resources and capabilities to expand platforms and financial vehicles, *and to create markets*[9] where private capital has been less forthcoming. The '*Cascade Approach*' (whereby priority will be given to fully private sector solutions, followed by PPP-type structures, and finally, public financing) and the '*IDA18 Private Sector Window*' (created in part to promote mobilization of private financing to IDA countries) are two recent examples of WBG step-up efforts to mobilize private capital.[10] A recent proposal[11] indicates that the World Bank and the International Finance Corporation (IFC) aim at increasing their mobilization ratios to 25 percent and 80 percent of total financing by 2030, respectively. In adopting the Hamburg Principles[12] last year, the G20 welcomed the role of the MDBs in mobilizing private capital and endorsed a target of increasing mobilization by 25 to 35 percent by 2020[13].

2. Private Capital Mobilization: Definition and Typology

2.1 The conceptual challenge related to defining mobilization of private capital by an MDB relates to the wide scope of MDB activities. Every activity that an MDB carries out (e.g., from upstream advisory to downstream finance) could in principle affect directly or indirectly the level and quality (equity, strategic, short-term etc.) of private investments in client countries. For example, the World Bank Group has pioneered support for improving client countries' enabling environment, developing capital markets, and promoting institutional reforms—activities that have important implications for the level and quality of private investments. In addition, Bank's work on human capital, governance, and fiscal sustainability are critical for the flow of private investments in the Bank Group's countries of operations and its contribution to development. How can one then define the private investment that an MDB has mobilized in its client countries?

2.2 **The multilateral development banks have agreed on definitions and typology for Private Capital Mobilization.** In 2018, a Joint-Multilateral Development Bank (MDB) Task Force on private capital mobilization achieved consensus in harmonizing various definitions of the potential components included in the private capital mobilization[14]. The main criteria for defining private mobilization by an MDB center around the notion of direct involvement by the MDB with specific projects and activities for which the private sector is providing financing. This proximity to, and direct involvement in, specific development projects financed or co-financed by the private sector seeks to create a solid basis to link private capital mobilized with specific investment projects, to specific development outcomes.

2.3 **MDBs typically provide only a portion of the total financing for a specific activity. The rest comes from public or from private sources. The financing of activities supported by MDBs that come from private sources, also referred as private co-financing has, since 2018, been treated as a dimension of total private mobilization**[15]. Within total private mobilization, the MDBs differentiate between Private Direct Mobilization (PDM) and Indirect Private Mobilization (IPM)[16]:

- *Private Direct Mobilization (PDM):* Financing from private entities on commercial terms due to the active and direct involvement of a MDB leading to commitment not including sponsor financing. Evidence of active and direct involvement includes mandate letters, fees linked to financial commitment or other validated or auditable evidence of the WBG's active and direct role leading to commitment from other private financiers. Examples of **PDM** could include syndicated loans or any other case where an MDB plays a role similar to that of a mandated lead arranger. For MDB equity investments, a verifiable role that demonstrates an MDB playing an active and direct role must occur, such as the MDB being the General Partner (GP) (as in the case of IFC's AMC), for private co-financing to be classified as **PDM**. In the case of guarantees, the total amount of the loan or equity being guaranteed by the MDB is counted as **PDM,** as well as the portion of risk distributed by an MDB on an unfunded or funded basis to private insurance companies or other private third parties.

- *Private Indirect Mobilization (PIM):* Financing from private entities made available in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance. Project sponsor financing (in the case of IFC) or private financing linked to investment project financing (IPF) or Program for Results (PforR) in the case of the World Bank are examples of private indirect mobilization.

3. Evaluation Objectives

In the context of the WBG's ambitious mobilization targets, this evaluation has two key objectives: (a) to gain a better understanding of the WBG's approach to private capital mobilization (for e.g. instruments, engagements with investors and clients), its relevance for client countries and its contribution to development outcomes; (b) to identify the factors and enabling conditions that contribute to successful outcomes in mobilizing private capital for development. The evaluation will synthesize lessons of good practice to help the WBG enhance its future capital mobilization role. This evaluation will not assess outcomes from all activities of the WBG that may have a bearing on the level and quality of private investments as this include nearly all activities of the WBG but will highlight the relationship between Bank Group's upstream activities and the various private capital mobilization activities when and as appropriate.

4. Scope

4.1 **The primary scope of this evaluation will be the *total private mobilization i.e., private direct mobilization and private indirect mobilization* by the WBG operations.** It includes all World Bank Group mobilization approaches (Table 1), namely debt, equity, bonds, guarantees (including MIGA reinsurance), PPP advisory and special/short-term initiatives. The scope of this evaluation is linked directly to the Bank Group ambitions to increase its mobilization ratio, as outlined in the capital increase commitments, the *Forward Look* and *IFC 3.0* strategy.

4.2 **What is not in scope is the array of World Bank activities, such as policy dialogue, investment reforms, privatization reforms, and development policy financing that play an important catalytic role but are not, according to the MDB-level definition, components of total private capital mobilization.** This takes the following WBG activities outside the scope of this evaluation: WBG Global Programs and Partnerships, Blended Finance operations and Concessional finance activities, WBG Trust

Fund operations, World Bank's Reimbursable Advisory Services (RAS) and Analytical and Advisory Services (ASA) business lines in the absence of a client mandate letter with fees linked to financial commitment or auditable evidence of MDB's active role leading to private capital flows[17]. These WBG activities can be the subject of ex post evaluations in future IEG work programs.

4.3 **The time span of the evaluation is the most recent 12-year period (FY07-18)**. This timeline coincides with the year before the onset of the global financial crisis (taken as a baseline), when due to liquidity problems the development community responded assertively to address risks derived from the crisis, and the WBG engaged the private sector through new approaches and initiatives to achieve the development goals of its clients.[18]

Table 1: Approaches to direct and indirect mobilization of private capital

Category	Approach	Example
Debt	Debt Syndications	E.g. IFC mobilizes private debt capital from Commercial Banks (through the B-loan Program) and DFIs (through the Parallel-loan Program) in addition to its own direct lending for airport project in Madagascar
Debt	Managed Co-lending Portfolio Program	E.g. IFC mobilizes private capital from institutional investors to invest passively (i) either through a dedicated trust fund (MCPP-SAFE), or (ii) IFC provides credit enhancement through first-loss coverage on a portfolio of Infrastructure sector projects (MCPP-Infra) or (iii) through unfunded structures to provide IFC with credit insurance or risk guarantees (MCPP-Financial Institutions)
Bonds	Green Bond Fund	E.g. IFC-Amundi Green Bond fund mobilizes US$ 2 billion of private capital to invest in Emerging Market sovereign or sub-sovereign green bond issuances in Turkey, India and China.
Bonds	Local Currency-linked Bonds	E.g. IFC Treasury issues Rwanda "Umuganda" Bond in 2014 listed on the Rwanda Stock Exchange attracting institutional investors, regional banks, domestic commercial banks and Rwandan investors
Bonds	Thematic Bonds	E.g. World Bank Treasury launches Pandemic Emergency Facility (PEF) to mobilize $325 million of private capital from bond investors, asset managers, and pension funds to channel to projects in Sub-Saharan Africa.
Equity	Equity Syndications	E.g. IFC mobilizes equity capital from investors and multilateral development banks to invest in Bangladesh's electric power generation company
Equity	Asset Management Company	E.g. IFC, through its subsidiary, AMC mobilizes institutional investors to emerging market investments through a private equity fund structure to invest in Financial Institutions (FIG Fund) or in Emerging Asian countries (Emerging Asia Fund)
Guarantees / Insurance	Traditional	E.g. MIGA provides political risk insurance cover and the Bank provides Partial Risk Guarantee to help clients attract investors to the West Africa Energy sector.
Guarantees / Insurance	Non-Honoring	E.g. MIGA provides credit enhancement cover for construct a modern and integrated mass-transit system in Panama.
Advisory	PPP, Upstream	E.g. WBG advises clients in Latin America on reforms and to identify operators and investors to PPP initiatives in Transport
Short-term initiatives	Trade and Structured	E.g. IFC provides trade finance liquidity and structures risk-sharing facilities to allow client institutions on-lend to beneficiaries.
Short-term initiatives	DARP, MEF, ICF, CFP	E.g. IFC provides liquidity through short-term facilities targeting micro-finance, pre-export Bank facilities in Latin America and Africa.

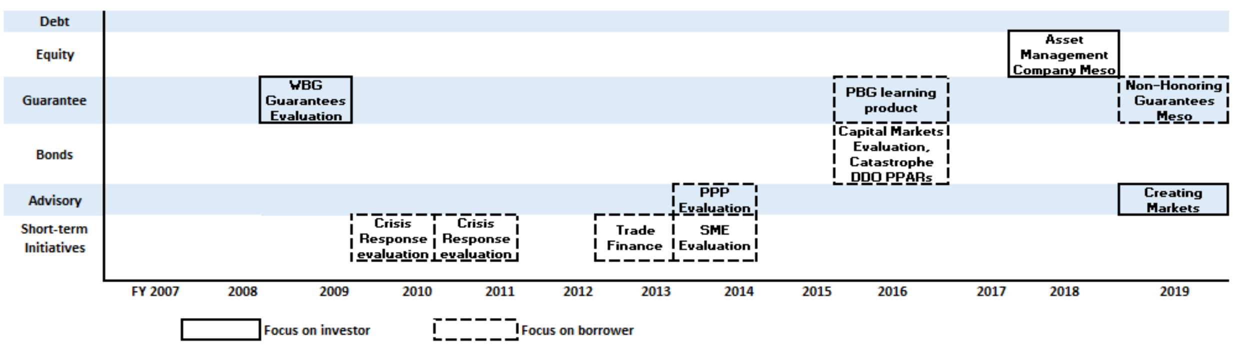
Source: IEG construction; *Note:* Asset Management Company (AMC) funds can invest through senior debt and sub-debt instruments. Syndications includes Parallel loans, in which projects get financed as a result of a Master Cooperation Agreement (MCA). In some cases, DFIs and other MDBs can participate in the same project without MCA. DARP, MEF and ICF are special initiatives that are not short-term facilities.

5. Relevant IEG Evaluations

5.1 **Over the last 10 years, IEG has carried out evaluations of various Bank Group's approaches that are relevant to the proposed evaluation, although not necessarily with**

a focus on the mobilization of private capital (Figure 3). These evaluations include, for example, IEG work on guarantees, capital markets development, and public-private partnerships (PPPs). These past evaluations will be reviewed to incorporate in the analysis any findings that are relevant to this evaluation. An example is the recent IEG learning product on Policy-based Guarantee (PBG), which pointed out the macroeconomic risks associated with the issuance of guarantees and the uneven distribution of these products across Bank clients. This is also highlighted in the portfolio review of this approach paper (see section 7 and Appendix C below). Similarly, the recent IEG thematic evaluation on Capital Market Development looked at a domestic bond market and at infrastructure financing. It stressed that the mobilization impact of bond issuance depends on the scale of the market and on the integration of advisory work with issuance support. It also highlighted that infrastructure project bonds are unlikely to be a large source of mobilization especially for greenfield projects, because long-term funding is affected not only by the inherent structure of projects, but also by macroeconomic stability, regulatory frameworks, and contract enforcement capability.

Figure 3. Timeline of relevant IEG evaluations with results linked to mobilization of private capital



Source: IEG. *Note*: Cat DDO = Catastrophe Deferred Draw Downs; PPP = Public-Private Partnerships; SME = Small and Medium sized enterprises; Creating Markets and Non-Honoring Guarantee evaluations are expected to be delivered in FY19.

5.2 **The scope of earlier IEG evaluations did not include the perspectives of private capital providers – and more specifically institutional investors, for example, which is a key element of the WBG strategy to address global priorities.** Recently, MIGA has expanded its use of ***re-insurance*** to cede exposure to private counterparts, which has reshaped the Agency's portfolio to free up strategic capital. This aspect, along with non-honoring Guarantees, was outside the scope of prior IEG evaluations, but it will be part of this evaluation. IEG's evaluation on WBG experience with PPPs highlighted the lack of local capacity for the preparation of bankable projects, an important aspect linked to the mobilization of private capital. IEG's evaluation of SMEs found the extent in which resources lent to intermediary banks result in on-lending to SMEs. Both these findings raise relevant questions, which the proposed evaluation will examine, on whether the

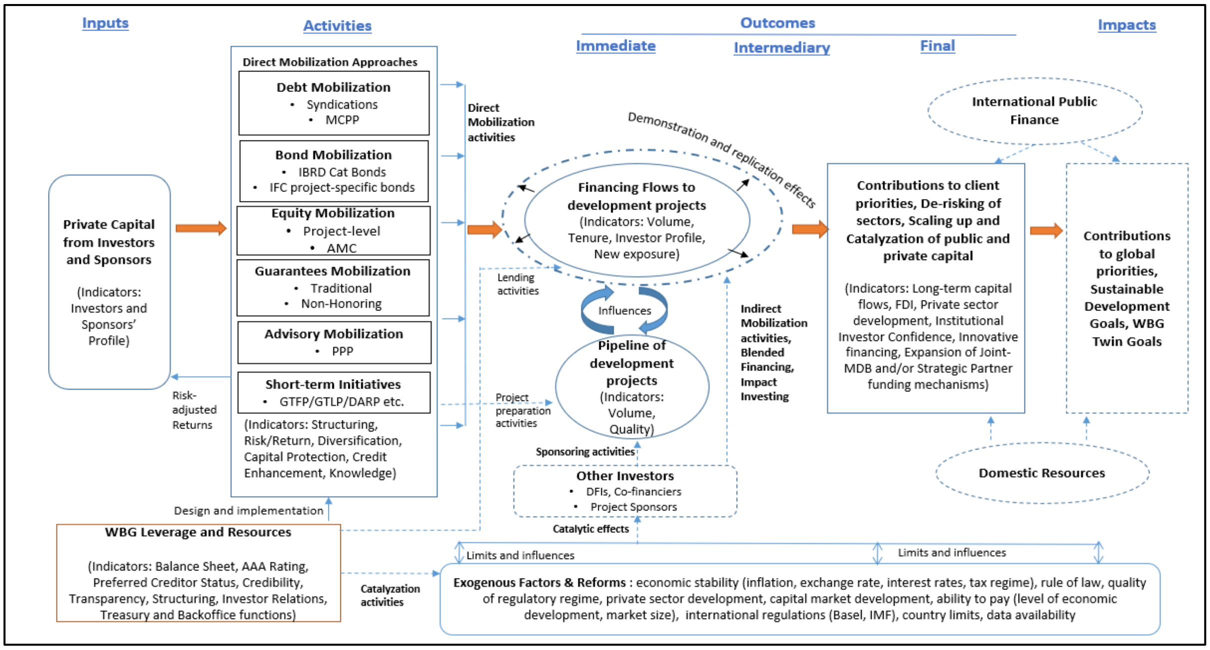
WBG's renewed effort to mobilize large amount of private capital translates into lasting development outcomes.

6. Evaluation Design

6.1 **The conceptual framework (i.e. the Theory of Change) for this evaluation (represented in Figure 4) shows the logical connections between the private capital available for investments, the mobilization activities supported by the WBG, financing flow commitments to the development projects, their contribution to address the B2T challenge, and the links to the WBG twin goals and the Sustainable Development Goals (SDGs).** The conceptual framework also captures activities related to catalyzation[19], international public finance and domestic resources, which contribute to B2T but are outside the scope of this evaluation. The conceptual framework includes findings from IEG literature review on constraints to the mobilization of private capital.

6.2 **Inputs and Outputs: The Bank Group engages with investors, commercial banks and other commercial capital sources (e.g. sovereign wealth funds, insurance industry) through its mobilization approaches (direct and indirect) and by leveraging its resources, both human and financial capital.** For example, leverage of its financial resources involves its WBG Balance sheet strength, Preferred Credit Status, credibility, structuring of bankable projects etc. Further, WBG-specific value additions like E&S frameworks, corporate governance framework also positively influence the project outcomes. WBG staff skills and incentives are intrinsic to the input and activities, especially for the generation of a pipeline of bankable projects that influence the financial flows. Bank Group's recent efforts in Cascade *(MfD)* and IDA Private Sector Window (PSW) can be treated as potential contributors to mobilizing private finance. The Cascade approach provides a broad framework for sequencing policy and investment interventions, within which mobilization of private capital is situated and World Bank Group activities coordinated. The PSW brings together several mobilization approaches, which will be covered by this evaluation. On the other hand, the Bank Group approaches may potentially crowd-out private financial flows that may have flowed to client countries anyway. Hence, the principle of additionality is paramount, and to some extent is embedded in the various definitions of mobilization. The successful financial close of projects (i.e. completion of financing plan) is the typically observed output in the conceptual framework.

Figure 4. Conceptual Framework of Private Capital Mobilization



Source: IEG Construction. Note: A landscape view of the conceptual framework is presented in Appendix D, Figure D4.

6.3 **Outcomes: Several immediate outcomes may be observed because of the above activities such as: (a) an increase in access to capital; and/or (b) to an increase in bankable projects by offering a better risk/return profile or diversification; and (c) knowledge for first time investors in emerging markets and developing economies.** They are characterized by the underlying project profile, volumes and tenures of the capital deployed. Further, mobilization activities can influence project preparation activities and generate a pipeline of projects that may not have been possible otherwise (i.e. without private capital). The new financing sources may provide the much-needed risk capital and/or patient capital (for e.g. Scaling Solar projects in the Africa region) to reduce the dependency on public capital.

6.4 **Bank Group's mobilization approaches and related activities may have macro-fiscal implications for client countries' if the financing flows are related to government or sub-sovereign payment obligations, and lead to demonstration effects.** Additional sources of financing may emerge from DFIs, project sponsors and other co-financing entities further supporting project expansion plans, development of complimentary projects coming onstream (for e.g. development of solar panels), replication of the projects in other geographies (for e.g. Zambia to Senegal, Madagascar), and demonstration effects for other clients and investors (for e.g. commercial banks syndication to capital market bond issuances). In the long run, through the development impact of projects and activities that use mobilized private capital, we may observe effects on domestic and foreign investment and potential de-risking of certain sectors that contribute to WBG strategic priorities (e.g. Twin Goals, SDGs) and client priorities (e.g. sector-level outcomes). This may happen through demonstration effects as in the case of pioneering transactions, or the effect of projects on the risk-return profile of private investments in a sector or country.

6.5 **Achievement of development outcomes can be captured at three levels: (a) project-level, (b) program/platform-level outcomes and (c) country/sector level.**

> (a) *Project-level outcomes* can be assessed through indicators such as additionality for project financing, demonstration effects beyond the project in terms of catalyzing further investments, and achievement of project development objectives in reaching beneficiaries.
>
> (b) *Program or Platform-level outcomes* can be assessed through review of program objectives, governance of programs, alignment with corporate objectives, alignment with other WBG programs, benchmarking program performance against its internal and external peers (i.e. additionality to clients) and capturing demonstration effects from the programs and platform approaches. For example, IFC's MCPP platform is used to attract a new class of investors towards the development priorities in a sector/region. Further, the platform gives IFC the ability to provide larger financing packages than could be provided from its own capital base. Here the platform's outcomes and additionality can be assessed from the perspectives of the client investors, from the perspectives of IFC.
>
> (c) *Country or sector-level outcomes* can be assessed through review of objectives (and the linkages to corporate strategy documents), alignment with client country priorities, mapping of internal priorities (SDG contributions), and private sector development as a result of investment flows.

6.6 **The impacts of the mobilization activities supported by the World Bank Group are represented by the extent to which the actual resources mobilized are linked to the achievement of the** World Bank Group Twin Goals and SDGs, and the extent to which mobilized resources are aligned to such outcomes (for e.g. focus on IDA countries or Fragile and Conflict affected countries). Different approaches mobilize different types of private capital. Hence the quality of mobilization (e.g. equity, strategic) will also be part of the evaluation together with the additionality of the WBG in attracting private capital.

6.7 **Finally, the effectiveness of WBG mobilization approaches depends also on external factors – such as country credit limits, macro conditions, and regulatory environment.** These factors will be considered in the analysis of the WBG effectiveness in mobilizing capital. A more detailed conceptual framework is presented in Appendix D.

The considerations above, which are implicit in the theory of change summarized in Figure 6, suggest a set of evaluation questions which are developed next.

7. Evaluation Questions, Portfolio, and Methods

7.1 **The overarching issues this evaluation will address relate to the relevance of the WBG's approaches to private capital mobilization for its clients and achieving the twin goals; and the effectiveness of the WBG in meeting client and investor expectations and in maximizing the potential contribution of private capital mobilization to global development priorities.** The report seeks to address these overarching issues by providing analysis and presenting evidence that will answer several questions and sub-questions (Table 2).

Table 2: Evaluation criteria, questions and sub-questions

Criteria and Evaluation questions	Evaluation Sub-questions
1. Relevance: To what extent are the WBG mobilization approaches consistent with its capabilities, client needs and global priorities?	a) What approaches has the WBG used to mobilize private capital over time?
	b) How aligned are the WBG mobilization approaches with development priorities as reflected in WBG strategy and the SDGs?
2. Effectiveness: How effective has the WBG been in meeting clients' expectations? What factors drive results and what opportunities exist to channel private capital for development?	a) How successful is the WBG in advancing its strategic priorities through mobilizing private capital and meeting clients' expectations?
	b) Do the WBG mobilization approaches meet investors' expectations?
	c) What are the internal and external drivers of results?
	d) What are the internal opportunities (e.g. structure, selectivity, new products and platforms) and external opportunities (e.g., innovations outside the WBG)?

7.2 **A preliminary portfolio analysis of these mobilization approaches over the period FY07-FY18 identified 1,273 projects for an estimated total value of US$ 131 billion of mobilized private capital.** The mobilization portfolio is distributed across IFC, MIGA, and WB as presented in Figure 8 and Table 3. Debt mobilization-related activities represent the largest share of the portfolio, by number of projects, volume or interventions, followed by Guarantees. Bond mobilization, although a relatively innovative approach, is growing its share of the portfolio. Mobilization activities comprise roughly nine percent of overall WBG activities. IEG's preliminary review indicates that the number of WBG projects in the period (FY07-18) included in the scope amounts to 1,273.

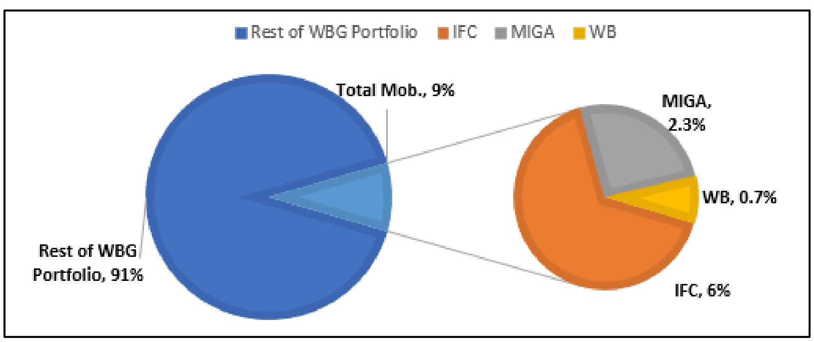
7.3 **The World Bank's *pre-2016 activities* related to private indirect mobilization is not systematically recorded in the internal systems and is not reflected in the preliminary IEG portfolio review**. However, during the evaluation, the following additional steps will be taken to gather information on activities and evidence on pre-2016 PIM activities: (i) back-casting and portfolio review methods to capture IPF projects with private sector co-financing, (ii) PAD and other key document search using data analytics software, (iii) Interviews with key staff: for e.g. Global Practice team task managers, (iv) use of existing self-evaluations, risk ratings and project reports to understand intermediate outcomes, (v) understand the mechanisms of how private finance was involved through cases, field missions and desk reviews. More detailed analysis is presented in section 6 below and Appendix C.

Table 3. Portfolio of projects under consideration (FY07-18)

	Volume (US$ mil.)				# of projects			
Typology	IFC	WB	MIGA	Total	IFC	WB	MIGA	Total
Direct	75,717	9,419	27,312	112,448	842	46	327	513
Indirect		18,854		18,854		58		
Total				131,302				1,273

Source: IEG Portfolio preliminary review. Note: WB Private Indirect Mobilization activities before 2016 will be identified during the evaluation. All IFC projects have indirect mobilization.

Figure 5. Mobilization portfolio as a percentage of WBG total portfolio (FY07-18), by number of projects



Source: IEG portfolio preliminary review. WB's mobilization preliminary portfolio represents FY16-18 at the time of this Approach Paper preparation. WB's Indirect Mobilization activities for FY07-16 will be identified during the evaluation. Note: Rest of WBG portfolio refers to projects that don't have any direct or indirect mobilization effects.

7.4 **This evaluation will use a multi-level framework for data collection and analysis.** The evaluation will cover three main levels of data collection and analysis: the global level (including the total portfolio level of relevant selected mobilization approaches), the level of selected countries, and finally selected mobilization approaches in selected countries. Table 4 presents an overview of the proposed data collection and analysis methods at each of these levels. The methods are further discussed below (see Table 5).

Table 4. Evaluation Questions and evaluation methods

	Multi-Dimensional Analysis Framework		
Evaluation Questions	***Global level***	***Country level***	***Approach level***
1. To what extent are the WBG mobilization approaches consistent with client demand and global priorities?	Portfolio Review and Analysis; Data Envelopment Analysis; Semi-Structured Interviews, Review of Investor and Client Surveys	WBG Country and Strategy document reviews; Semi-Structured Interviews of Stakeholders	Semi-Structured Interviews of Stakeholders
2. How effective has the WBG been in meeting investors' and clients' expectations?	WBG strategy and document reviews, Econometric Analysis (Sample), Portfolio Review and Analysis (Sample), Semi-Structured Interviews of Stakeholders	Portfolio Review and Analysis (Sample); Semi-Structured Interviews of Stakeholders	Industry Benchmarking, Cross-Case Analysis of What Works, Portfolio Review and Analysis (Sample), Semi-Structured Interviews of Stakeholders
3. What factors drive results and what opportunities exist to channel private capital for development?	Review of Investor and Client Surveys, Semi-Structured Interviews of Stakeholders	Semi-Structured Interviews of Stakeholders	Review of existing surveys (sample); Semi-Structured Interviews of Stakeholders

Source: IEG construction

7.5 **The evaluation team, in covering the different levels of analysis (see Table 4), proposes a sampling and selection approach that ensures an appropriate balance between breadth and depth of analysis, taking into consideration the time and resource constraints of the evaluation.** The selection of countries and mobilization approaches was done in tandem and is based on a purposive sampling approach. To support the potential for generalizability of findings, the team looked for variation in relevant country characteristics as well as the presence of and diversity in specific cases of selected mobilization approaches. Overall, the team sought to match this variation to the overall variation at the reference population level (of selected mobilization approaches). Table 6 shows the selection of countries and the coverage of mobilization approach within the selected countries.

7.6 **As a general principle, but this is subject to further exploration of the portfolio, the evaluation will seek to cover at least 4 cases for each of the selected mobilization approaches** (based on the premise that there are multiple cases of mobilization within a particular approach in each country). Purposive sampling of stakeholders for interviews (at different levels of analysis, covering different relevant stakeholder groups) will take place during the course of the evaluation and will follow the principles of: 1) covering as efficiently as possible relevant stakeholder groups, and selected key informants within each of the groups, and; 2) working toward the theoretical point of saturation (i.e. the point were no new data changes the overall consolidated perspective). Finally, depending on the nature of the data, in-depth portfolio content analysis and econometric analysis will be conducted on relevant populations or (stratified) random samples of projects.

Table 5: Evaluation Methods and Description

Evaluation Component	Description
Portfolio review and analysis (PRA)	The portfolio data analysis will identify trends and allow the categorization of activities, outputs, and outcomes of the mobilization activities of the WBG. Additional project and country level data that can be generated from this analysis include the: (i) instruments employed; (ii) desired results and their achievements; (iii) lessons from experience; and (iv) relevant contextual factors. Data on each instrument will be analyzed and, to the extent feasible, classified and assessed using a simplified coding and text analytics tools. Sources of data include internal WBG documents, WBG Approval Databases to analyze the drivers of mobilization initiatives and, if applicable, any changes between Approval and Commitment related to pricing, tenor, and structure of the activity. IEG may refer to WBG Country Program Ratings and IMF Country Analysis Papers to assess the private sector development aspects.
Industry Benchmarking	The benchmarking exercise will identify public and private benchmarks to WBG programs and projects and assess the risk-adjusted returns to investor compared with benchmarks. For e.g. IFC loan portfolio's performance compared with EMDE loan performance or IFC equity syndications' performance compared with EMDE equities or comparable Indexes.
Statistical Analysis	The evaluation will use data envelopment analysis and econometrics to assess the relevance and effectiveness of WBG interventions respectively. The data envelopment analysis will assess the frontier regions for long-term financial flows and compare the presence of priority countries (e.g. IDA/FCV) relative to the efficient frontiers, and the concentration level of the WBG portfolio. The econometric analysis will assess if the investors and borrower clients benefitted from the role and additionality of the WBG approaches.
Cross-Case Analysis	In seven countries, IEG will carry out case studies and cover more than one mobilization approach. The case study method will bring together several data collection and analysis approaches, such as interviews with key informants (clients, investors, partners, and staff), document reviews, and an overall survey of investors. In addition, case studies will cover the *private indirect mobilization* aspect of the relevant mobilization approaches with a focus on IBRD and IDA. Case studies are expected to contribute to answering the main evaluation questions, and in addition to clients' perspectives, specifically capture the investor perspectives. Further, the cases will reflect on the investors' preferences for EMDE, asset allocation rules, and risk appetite as factors driving private capital mobilization. Case studies are specific examples of the three selected mobilization approaches. For each case, data will be collected in a data template which subsequently will constitute the basis for cross-case comparisons and synthesis.
Semi-structured interviews	The evaluation team will conduct face to face interviews with select WBG staff, global stakeholders, and clients. This information will supplement and complement the documentary information collected, and hence increase the validity of findings through triangulation. The evaluation team plans to combine semi-structured interviews (with a protocol to guide interviewers) with desk reviews to gather views on relevant benchmarking.
Review of Surveys and Strategies	Review of academic literature, market data and surveys, available self-evaluations, WBG strategy documents and other literature on (a) identifying appropriate benchmarks to assess the effectiveness of Bank Group approaches and (b) leveraging the private sector for sustainable development and innovative approaches adopted by other actors.

Table 6. Case studies and link to mobilization approaches and typology

		Mobilization approaches			Typology	
	Client Country	Debt	Bonds	Equity	Direct Mobilization	Indirect Mobilization
Case studies	Argentina	✓		✓	✓	✓
	Bangladesh			✓	✓	
	China	✓			✓	✓
	Jordan	✓	✓	✓	✓	
	Mongolia	✓			✓	
	Zambia	✓	✓		✓	✓
	Multiple countries		✓		✓	

Source: IEG. Note: All cases have IFC indirect mobilization activity. Three cases will review IBRD/IDA's private indirect mobilization activities.

7.7 **Despite best efforts, several internal and external factors might constrain the evaluation.** First, limitations related to the choices on scope and focus (debt, equity and bonds) within the mobilization portfolio. Second, limited data availability, confidentiality, lack of baseline and control groups, incomplete monitoring data, and incomplete data on fees, pricing, and costs. The reliability and depth of the analysis depends on the availability of data from internal and external sources. If appropriate and sufficient data from the WBG management information systems or its project portfolio records is not available to IEG on a timely fashion, the analyses could be severely impacted. Furthermore, limited willingness of stakeholders and staff to undergo interviews and complete surveys might also limit the ability to draw conclusions on a full set of information. The evaluation team will find practical solutions to constraints as they arise, using the team's judgment and triangulation of information. IEG will rely on the full support of the World Bank Group management and staff to ensure the availability of quality information for the evaluation. The following table summarizes the risk management approach for this evaluation (Table 7).

Table 7. Risk Mitigation

Risk	Mitigants
Choices on scope and focus	Choices are informed through consultations and any further refinements will be informed through stakeholder engagements and the quality assurance process (Section 7 below). Use of existing evidence from prior IEG evaluations and validation of WBG or MDB's Mobilization Working Group to capture information and lessons potentially missed through other methods.
Data confidentiality and data availability	Consistent triangulation between methods to draw findings. Utilizing both public and private benchmarks to assess performance of mobilization approaches. Harvesting academic literature and private sector best practices and leveraging Senior Advisors to identify meaningful alternatives to unique programs or projects that the evaluation may uncover when data issues arise.

Investors and clients' availability and willingness to engage	Review of existing IEG surveys, external surveys conducted by private sector sponsor firms, institutional investors, industry associations, strategy consulting firms, audit and accounting firms. Synthesis of material from other multi-lateral development banks, development finance institutions and think tanks. Targeting investor groups more purposefully based on existing relationships with World Bank Group.

8. Quality Assurance Process

8.1 **The report will be prepared under the direction of José Carbajo (Director, IEGSP), Stoyan Tenev (Senior Manager, IEGFP), and the overall guidance of Alison Evans (Director General, IEG).** Quality Assurance is primarily handled internally through the IEG Methods Advisor, Department Advisor, and IEG Management team. The External Peer Reviewers of the evaluation are:

- Anne Simpson - Managing Director, Sustainable Investments, California Public Employees' Retirement System (CalPERS);
- Janamitra Devan - Senior Advisor, B20 and World Economic Forum; Former WBG Vice President of Finance and Private Sector Development; and
- Bart Oosterveld – Global Fellow, Atlantic Council; Former Managing Director, Moody's Corporation

9. Expected Outputs, Target Audiences, and Outreach

9.1 **The primary audience of this evaluation is the World Bank Group's Board of Directors.** In addition, the findings of the evaluation are expected to be of interest to Senior Management, IFC's staff working on debt and equity mobilization, and to MIGA and World Bank staff working on guarantees as it will foster learning and identify priority actions to achieve their strategic objectives in private mobilization. Other audiences include IFC's Private Sector Development Committee and New Products Committee, and World Bank Group operational staff. External audience interested in the findings may include WBG clients, partners and stakeholders such as (i) multi-lateral development banks and development finance institutions, (ii) donors and investors involved in EMDE private sector activities, (iii) WBG strategic partner institutions, central banks and commercial banks. They are expected to benefit from WBG experiences to model their own role and policies to foster mobilization for the global development agenda.

9.2 **The evaluation will be published and disseminated both internally and externally.** IEG will develop diverse sets of content customized for the audience. During the evaluation preparation, the team will solicit feedback and comments from stakeholders, WBG management and practitioners in industries and government agencies in client countries to improve the evaluation's accuracy and relevance. To maximize the value and use of findings and recommendations to strengthen development outcomes, IEG will implement an outreach plan during and after the completion of the evaluation. IEG will launch the report both in Washington, DC, and abroad in a key financial and capital markets hub (e.g. London, Singapore) where institutional investors have a base. The team will explore joint-events with development partners, which will target key stakeholders, including staff at headquarters and country offices, other multilateral development banks and donors, clients and partners.

10. Resources and Evaluation Timeline

10.1 **The skills mix required to complete this evaluation includes (a) evaluation experience and knowledge of IEG methods and practices; (b) familiarity with the policies, procedures, and operations of World Bank Group institutions; (c) knowledge of World Bank Group, Multilateral Development Banks and external information sources and (d) practical, policy, and analytical expertise in financial instruments.** The evaluation team is led by Raghavan Narayanan (Task Manager) and includes a team of consultants. Emelda Cudilla will provide administrative support.

10.2 **The evaluation is planned to be completed and submitted to the Committee on Development Effectiveness (CODE) by the second quarter of Fiscal Year 2020.** The corresponding timelines and evaluation stages are presented in Table 6. The budget for the study from initiation to completion is estimated to be $950,000 (including outreach activities). A draft outline of the final report is presented in Appendix E.

Table 6. Evaluation Timeline

Stage / Process	Due
IEG One-stop Review of the Approach Paper	November 8, 2018
Circulation of Approach Paper to Bank Group Management for comments	February 25, 2019
Circulation of Approach Paper to Committee on Development Effectiveness	March 27, 2019
IEG One-stop Review of the Report draft	January 16, 2020
Circulation of draft report to Bank Group Management for comments	January 27, 2020
Report to Committee on Development Effectiveness	February 28, 2020

Source: IEG.

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1 "From Billions to Trillions- MDB Contributions to Financing for Development Finance", July 2015.

2 Source: World Development Indicators, World Bank Group, OECD databases.

3 UNECOSOC, June 2018

4 SDG investment needs, UN Sustainable Development Solutions Network, July 2017

[5] "From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance", Development Committee Discussion Note, April 2015.

[6] Forward Look: A vision for the World Bank Group in 2030, September 2016.

[7] Maximizing Finance for Development: Leveraging the Private Sector for Growth and Sustainable Development, September 2017.

[8] "The MDBs could bring the private financial sector on board through an ex-ante and ex-post engagement as financier or co-financier of projects. Both the ex-ante and ex-post approaches entail innovative and new types of partnerships between the MDBs, governments, and the private sector. To succeed in this endeavor, the MDBs will have to modify their operational approaches and the internal staff incentive structures." Mohieldin et al. Ibid. https://www.brookings.edu/blog/up-front/2018/07/19/multilateral-development-banks-must-mobilize-private-finance-to-achieve-the-sdgs/

9 IFC Strategy 3.0.

10 Earlier instruments included IBRD securitizations, loan sales and participations.

[11] Sustainable Finance for Sustainable Development, World Bank Group, April 2018

[12] G20 Hamburg, 2017

[13] Total private investment mobilized by MDBs and DFIs in low- and middle-income countries (LMICs) totaled $59 billion in 2017[13], of which $19 billion was private direct mobilization. Nearly $27 billion, or 45 percent of the total private investment mobilized in LMICs, was directed to infrastructure.

14 MDB Methodology for Private Investment Mobilization – Reference Guide – June 2018.

15 PDM+PIM = Total Private Mobilization or Total Private Co-financing (PCF)

16 The concept of Catalyzation of private investments is too broad a theme and includes every type of private investment occurring because of WBG's transaction, operation or even non-financing activity. This will not be the focus of the evaluation. Catalyzation of private investment because of WBG non-financing activities is treated as one possible demonstration effect or outcome in this evaluation.

[17] MDB Methodology for Private Investment Mobilization – Reference Guide, June 2018

18 World Bank (2009) and IEG (2012).

19 The conceptual framework includes findings from IEG literature review on constraints to mobilization of private capital. The catalyzation activities and effects shown in the chart represent the sub-set of catalyzation actions supported by the WBG (such as reforms to the business environment or infrastructure investments) that result in private investments.

Appendix A. Bibliography

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Appendix B. Detailed description of Mobilization approaches

A. Debt Mobilization. Since its establishment in 1959, IFC's Syndicated Loan Program, the oldest among all multilateral development banks, has mobilized financing of over US$30 billion from over 500 commercial financial institutions in more than 100 countries. Syndications has several sub-platforms, most notably B-loans, and MCPP. Parallel loans are included in the debt mobilization platform as well.

- B-Loans are nominally IFC loans but are funded by other participants, on a full-risk basis. They do not appear on IFC's balance sheet. Under the Corporation's program, IFC enters into a single loan agreement with the borrower. The loan, however, is composed of two parts: one part (the A-Loan) is retained by IFC for its own account and goes on IFC's balance sheet; the second (or B-Loan) is sold to commercial lenders through individual participation agreements. As with IFC's own loans, interest rates on B loans are market-based, but the terms of the A-Loan portion and of the B-Loan portion may sometimes differ regarding maturity and interest spread. In cases where IFC's A-Loans carry longer terms, the interest rates are correspondingly higher. In addition, a few other traditional syndicated sub-instruments (such as ALP and Non-ALPs) are employed on a purposive basis. Collectively, these instruments form the "retail" approach to debt mobilization.

- The Managed Co-Lending Portfolio Program (MCPP) is a new IFC Syndications platform that allows institutional investors the opportunity to passively participate in IFC's future loan portfolio. Investors provide capital on a portfolio basis, which can be deployed by IFC in individual investments across all predetermined set of regions and sectors in accordance with IFC's strategy and processes. MCPP investor approval is sought pre-mandate; project appraisal, approval, commitment, and supervision are managed directly by IFC with the MCPP investor passively following IFC decisions. *MCPP differs from the B-loans platform and involves a stated governance structure agreed with the investor-partner.* MCPP can be treated as the "wholesale" approach to debt mobilization.

B. Bond Mobilization includes Green Bond Fund, Thematic bonds (Catastrophe, MultiCat) and Project-specific Bonds and Weather and Oil Derivatives. In 2009, the Bank established a MultiCat Program that allows countries to access the bond market through a common documentation platform. Under this program, the Bank acts as an arranger, technical advisor and intermediary in the process. The client country issues the bond. The cat bond will repay the principal to investors unless an earthquake or hurricane triggers a transfer of the funds to the client government's country. In June 2014, the Bank issued its first Cat Bond as part of the Capital-at-Risk Notes Program. More recently, the Bank issued Weather and Oil price derivative. They are financial contracts based on an underlying weather index or oil price movements allowing the beneficiary to use the financial markets to offset the risk from drought or price variations, as with the catastrophe bonds. IFC has supported its client's issuance of project-specific bonds recently as an alternative to debt. The IFC-project level bond mobilization was done based on selective, purposive basis and in addition to the anchor investor role. These instruments are included in the portfolio of the evaluation because they require the direct involvement of the WBG, they employ resources at commercial terms and do not use WBG capital.

C. Equity Mobilization. Founded in 2009, AMC mobilizes and manages third-party private capital for investment in emerging and frontier markets. AMC manage funds on behalf of institutional investors, including sovereign funds, pension funds, development finance institutions and other multilateral and bilateral institutions. AMC is a wholly-owned subsidiary of IFC and leverages IFC's experience, investment pipeline, and local presence to make investments on behalf of the funds it manages. Each AMC fund enters into a support services agreement and a co-investment agreement with IFC. Under the support services agreement, IFC provides investment sourcing, processing, and portfolio management support. This leverages IFC's investment approach, policies, and performance standards. The AMC platform is included in this evaluation because the investors (both public and private) have invested with expectations of commercial returns and provides investors with access to IFC's reach, experience and pipeline. *AMC, like the MCPP platform, differs from other types of deal by deal mobilization due to its advanced commitment requirements, whereby the capital providers don't have visibility into the project specifics at the time of capital raise.* However, the investors in each AMC fund have invested pursuant to agreed investment criteria at the time of commitment. Also, AMC is a fiduciary to each fund (which distinguishes the business from MCPP and other platforms). AMC platform can be treated as the "wholesale" approach to equity mobilization. AMC funds can participate in investments through senior debt and sub debt instruments through two specific funds. In FY17, the first "retail" equity mobilization approach was committed but is not in the scope of this evaluation as it falls outside the evaluation period.

D. Advisory Mobilization includes PPP services. Through its Advisory Services business line, IFC intervenes and supports Public-Private Partnerships (PPP) projects in emerging markets. Non-IFC, non-government portion of financing made available for public-private partnership (PPP) projects due to IFC's mandated lead advisor role to national/local government or other government entity/parastatal is considered as mobilization related financing.

E. Guarantees Mobilization are also used by WBG as instruments to directly mobilize private capital. The World Bank offers two types of guarantees: (1) Project-based Guarantees for Investment Project Financings (IPF), covering political and credit risks. They are 'partial' guarantees in that only some of the project risks or part of the project debt service is covered. And (2) Policy-Based Guarantees in support of Development Policy Financings (DPF). Such guarantees can be used for any project, although they are mostly used in infrastructure investments. MIGA offers political risk insurance, directed at equity and debt investments, covering: (i) expropriation, (ii) war and civil disturbance, (iii) currency inconvertibility and transfer, and (iv) breach of contract. Since FY11, MIGA has introduced a new credit enhancement guarantee tool, known as Non-Honoring Guarantees to benefit public sector such as sovereign entities, sub-sovereign entities and state-owned enterprises. MIGA's non-honoring guarantees coverage provides credit enhancement in transactions involving sovereign, sub-sovereign or state-owned enterprise obligors. The primary beneficiaries of this cover are commercial lenders that provide loans to public sector entities for infrastructure and other productive investments. IFC's guarantees are aimed at providing comprehensive credit risk guarantees for private sector projects (but only for a part of the financing). These have been aimed principally at domestic currency intermediation. IFC's guarantee instrument is used for situations different from those under which the guarantee instruments of MIGA and the Bank are employed. Rather than covering a private entity against specific government performance risk, IFC guarantees back the risk of non-payment by IFC's guarantee-client (project sponsor) to private lenders/investors, irrespective of the cause of default. All WBG guarantees are included in the portfolio since they involve the payment of a fee to the WBG for active and direct support to the project's funding needs, and the generation of financing at commercial terms. More recently, a new Guarantees Steering committee has proposed suggestions to strengthen and scale up the use of guarantees across the Bank Group.

F. Short-term and IFC Special Initiatives

Over the 10-year period (FY07-16), IFC has setup several special initiatives with commercial entities and public actors. Five of them are debt mobilization initiatives focused on providing liquidity, notably the Distressed Assets Recovery Program (DARP) – aiming at Financial sector; the Global Trade Liquidity Program (GTLP) – aiming at providing liquidity for trade finance participants in developing countries; the Microfinance Enhancement facility (MEF) – aiming at supporting access to finance for microfinance institutions; Critical Commodities Finance Program (CCFP), and the Infrastructure Crisis Facility (ICF) – aiming at providing loans to infrastructure projects. Syndication activities and special initiatives fit the definition of mobilization because they meet all three criteria of being the result of direct IFC involvement in raising additional capital), because the capital is deployed at commercial terms (with risk-adjusted return expectations) and because all debt capital raised and deployed are off-WBG balance sheet.

DARP: DARP supports the development of distressed asset markets across emerging economies in order to deal strategically with the increasing volume of non-performing loans (NPLs). DARP was launched in 2009 to address the growth of distressed assets and NPLs after the 2008 global financial crisis. To help sustain economic growth and maintain financial stability in emerging markets, DARP focuses on acquisition and resolution of NPLs, as well as the debt restructuring of SMEs. Since inception, DARP has created a global network of unique servicing companies in emerging markets and has channeled nearly US$75 billion in resources, with US$2.3 billion from IFC and US$4.7billion in resources mobilized from investors, to establish special investment platforms dedicated to acquiring and resolving NPLs from financial institutions. The program has helped banks offload over US$30 billion worth of NPLs and helped over 18 million debtors, mainly households and SMEs, to normalize their situation and remain active in the financial system.

GTLP: GTLP began its operations in May 2009, channeling much-needed funds to back trade in developing countries. The program was extended in January 2012 to continue to support and foster emerging markets trade. Since its launch, GTLP has infused liquidity into the trade finance market, thereby catalyzing global trade growth. The program represents a win-win proposition: for the banks it provides an opportunity to continue supporting clients through these challenging times; for IFC and its partners, it potentially affords the ability to channel liquidity and credit into markets to help revitalize trade flows by leveraging on partner banks' networks across emerging markets in Asia, Africa, Middle East, Europe, and Latin America. The program has reported benefits to thousands of importers and exporters and small- and medium-sized enterprises.

MEF: Initiated in February 2009 by KfW Entwicklungsbank ("KfW") and IFC, Microfinance Enhancement Facility S.A., SICAV-SIF ("MEF") was set up in February 2009 and has been designed to support microfinance institutions facing difficulties in securing financing by providing them with financing at a time when investment was in high demand but low supply. The Fund aims to support economic development and prosperity globally through the provision of additional development finance to micro-enterprises, via qualified financial institutions. In pursuing its development goal, the Fund will observe principles of sustainability and additionality, combining development and market orientations. Co-managed by three leading private investment managers (Blue Orchard Finance S.A., Cyrano Management S.A. and ResponsAbility Investments AG), the MEF 's objective is to ensure that microfinance continues to stimulate growth, potentially create jobs and reduce poverty in emerging markets.

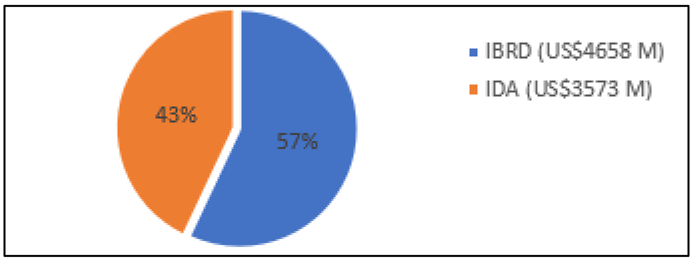
ICF: The Infrastructure Crisis Facility – Debt Pool, managed by Cordiant and a Board of three non-executive Directors, provides direct loan financing to qualified infrastructure projects in emerging economies. The Fund is available to all infrastructure projects originated by International Finance Institutions that cannot obtain commercial financing or re-finance existing loans because of the global financial crisis and the tightening of bank lending. The ICF Debt Pool was conceived by the IFC and developed on the Private Infrastructure Development Group platform (www.PIDG.org). Its €500 million capital is provided by KfW, the German development bank, on behalf of the Federal Republic of Germany. The Fund is set up as a PIDG facility.

CCFP: To reduce the risk of food and energy shortages and help maintain stable prices for emerging market buyers, IFC launched the Critical Commodities Finance Program (CCFP). The program supports the financing of exports and imports of agricultural and energy commodities with a focus on the world's poorest countries. IFC contributes its own funds and mobilizes additional commitments from governments and other development finance institutions to channel liquidity and guarantees to emerging market banks and real sector companies, including input providers, producers, aggregators, and traders.

Appendix C. Portfolio Description – preliminary IEG review

Forty-one (41) projects make up the portfolio of World Bank guarantees between 2007 and 2018. This represents a total volume of US$8,231 million through a combination of IDA and IBRD commitments [Fig. C.1]. A clear majority of project commitments—all but one—originate from a single source. Nineteen projects (19 or 46%) are IBRD-only guarantees and 21 are IDA-only guarantees (51%). Two types of financing instruments make up World Bank guarantees—Investment Project Financing (IPF) and Development Policy Financing (DPF). IPF finance physical/social infrastructure necessary while DPF support policies or institutional actions. Accordingly, 78 percent of projects in the World Bank portfolio are financed through IPF and the remaining 22 percent are financed through DPF.

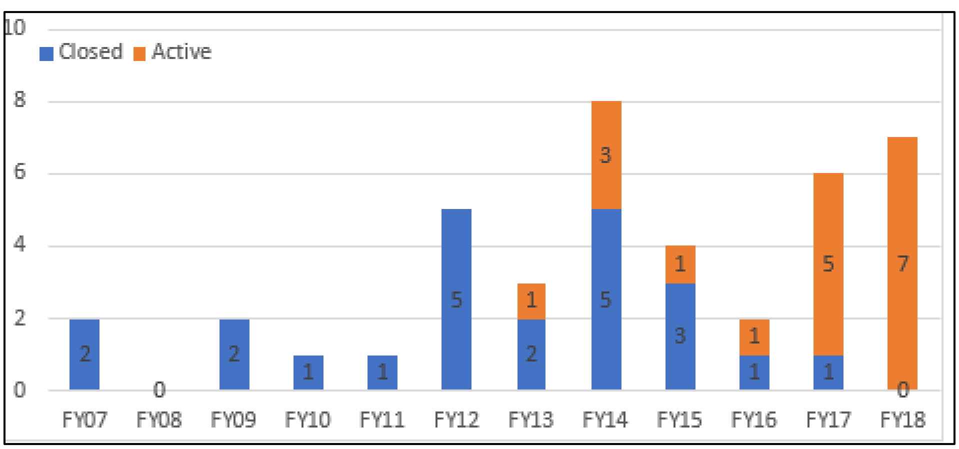
Figure C.1. Breakdown of IBRD/IDA Funding by Volume, All Projects



Source: FY07-FY18 IBRD-IDA Guarantees Dataset, IEG Portfolio – Preliminary Analysis

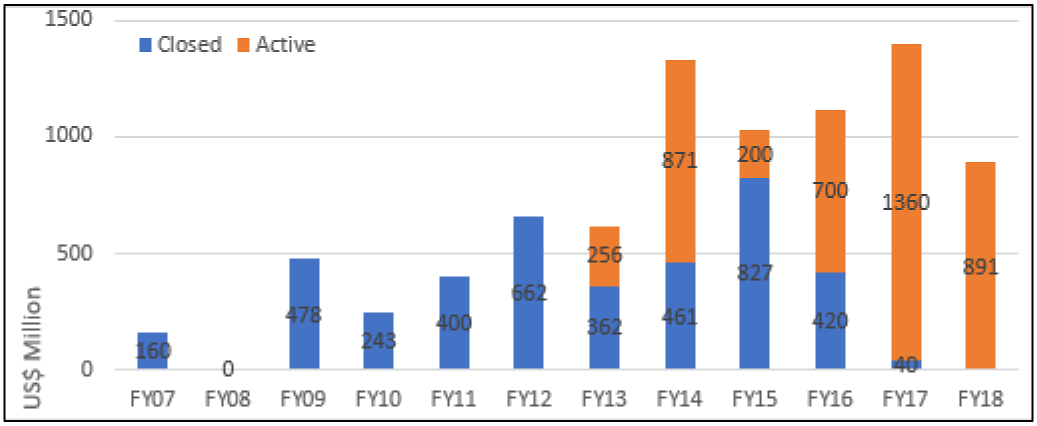
Of the total 41 projects, 18 remain active (43%) and 24 are now closed (57%). In terms of volume, IBRD/IDA mobilization projects grew substantially during the evaluation period. This is particularly significant between FY10 and FY14, during which mobilization grew by 82%, from US$243 million to US$1332 million. Overall, while project count has sharply declined between FY14 and FY16, volume has remained relatively consistent, although we do witness a slight decline of 27.9% between FY17 and FY18 [Fig. C.2 & C.3].

Figure C.2. IBRD/IDA Guarantees (Project Count), by Fiscal Year of Approval



Source: FY07-FY18 IBRD-IDA Guarantees Dataset, IEG Portfolio – Preliminary Analysis

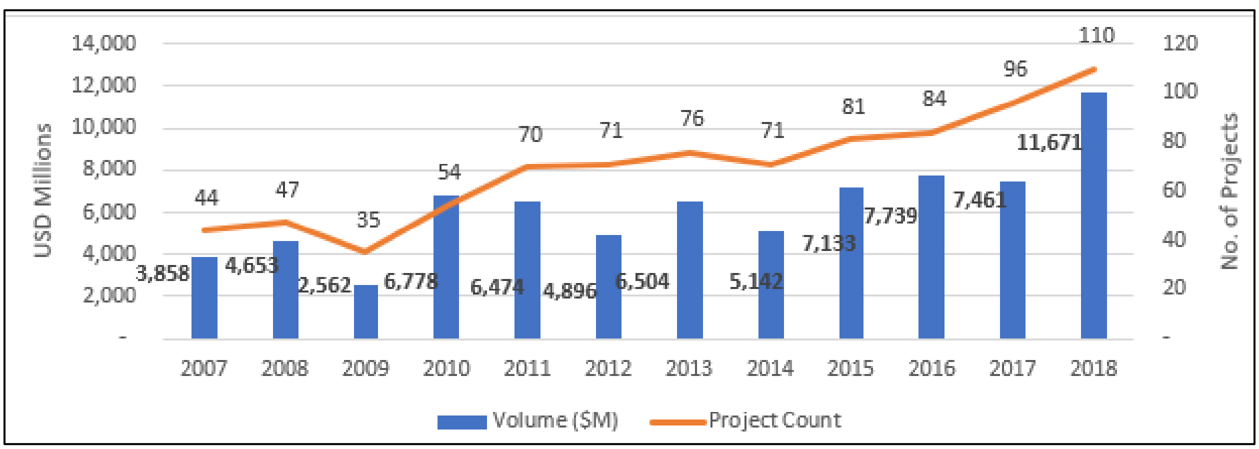
Figure C.3. IBRD/IDA Guarantees (Volume, USD Million), by Fiscal Year of Approval



Source: FY07-FY18 IBRD-IDA Guarantees Dataset, IEG Portfolio – Preliminary Analysis

Over the evaluation period, FY07- FY18, IFC Mobilization activities grew substantially both in volume and number of projects (Figure C.4). Mobilization volume grew by 203% over the period, from US$3,858 million in FY07 to US$11,671 million in FY18 whiles project count increased by 150% from 44 to 110 from FY07 to FY18 respectively. Average mobilization operation size is US$51.8 million. The mean annual growth rate of the mobilization volume, measured by compound annual growth rate (CAGR), is 10.58 percent for the eleven-year period. This growth has been steady except for a dip in 2009 and three declines in 2012, 2014 and 2017 separately. The dip in 2009 was a 45 percent drop from the previous year, highlighting the challenge of the global economic downturn at the time.

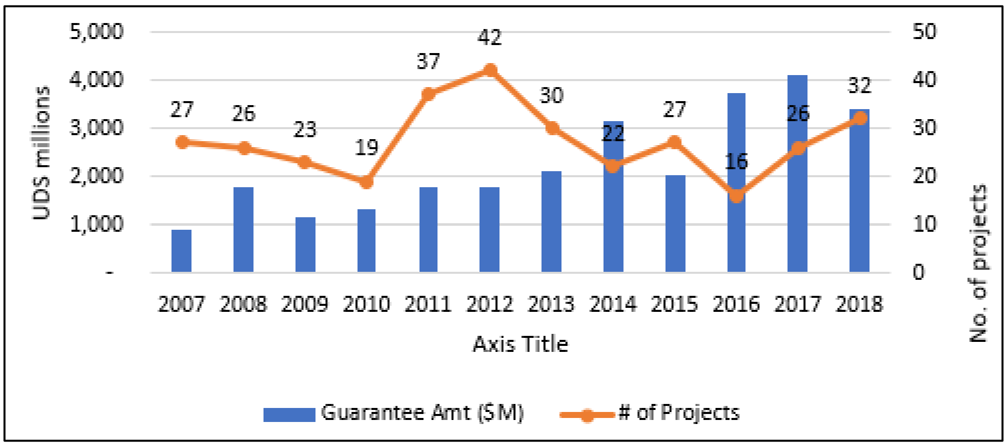
Figure C.44. IFC Mobilization by Volume and Project Count



Source: IEG Portfolio Review

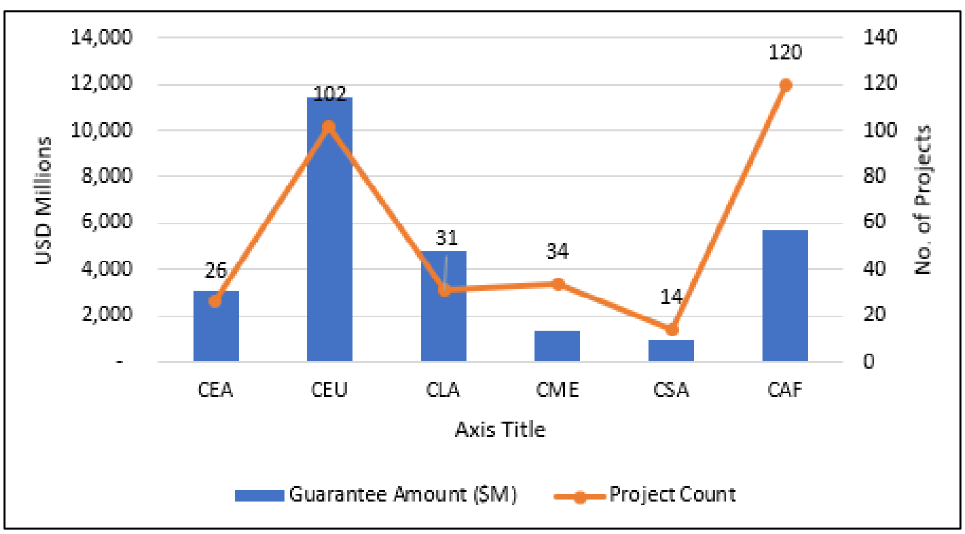
Over the evaluation period, MIGA's portfolio experienced an increasing trend from a low of $1.4 billion to a high of $5.3 billion in 2018 (figure C.55). Although there have been fluctuations in the portfolio, the trend has been upward especially for project volume. This analysis excludes MIGA's Re-insurance business. During the period FY07-18, MIGA's guarantees were sourced and hosted in various regions. Figure C.6 below provides a portfolio-level overview of the source and destination regions of MIGA's guarantees, with respect to commitment volume and the number of projects. With respect to guarantee origination from source regions, most guarantees ($23.46bn, supporting 225 projects) originated from the "World" region, which is comprised of small states and developed economies within North America, Western and Northern Europe, Australia and New Zealand, and their affiliated territorialities. Regarding guarantee volume and destination regions, CEU (Europe and Central Asia is the leading destination region, with $11.4bn invested in 102 projects over the evaluation period. CAF (Sub-Saharan Africa), while providing a lower volume of private capital flow at $5.7bn, had the largest number of mobilization projects (120) over the same period.

Figure C.55. MIGA Guarantees (volume and project count, FY07-18)



Source: IEG Preliminary Portfolio Review

Figure C.66. MIGA Guarantee Amount and Project Ct, FY07-18, by Destination Region



Source: IEG Preliminary Portfolio Review; Analysis is based on nationality of the guarantee holder and as indicated in the Contract of Guarantee.

Appendix D. Methodological Approach

Objectives: The objective of this evaluation is to inform the Board on and identify opportunities to enhance the Bank Group's mobilization approaches to improve private capital flows to global and client priorities, by obtaining evidence-based findings, developing broadly-applicable lessons across all Bank Group institutions, and proposing appropriate recommendations.

Building blocks: The evaluation objective inspired the evaluation questions which guided the collection and analysis of data and the framing of its findings and recommendations. Evaluation questions were designed to break down this complex topic into three building blocks in the areas of relevance, effectiveness and opportunities. The evaluation design benefited from valuable interactions with stakeholders, industry participants and subject-matter experts and from a careful review of internal and external publications that reference the institution's mobilization approaches.

Approach paper consultations: During the early phases of the review, IEG interacted with World Bank staff working in priority areas such as Infrastructure, Equitable Growth, Finance and Institutions (EFI) and IFC staff working on Economics & Private Sector Development, Treasury and in the Financial Institutions Group (FIG), among others. These interactions, together with a review of relevant literature and the most recently published MDB and WBG working papers informed the evaluation approach by highlighting important concepts related to private capital mobilization.

Evaluation Design: Three central principles motivated the evaluation design: (a) Multi-dimensional Stakeholder analysis, (b) Theory-based evaluation, and c) Mixed-methods (Quantitative benchmarking, Econometrics and Qualitative analysis). First, the evaluation will pursue the stakeholder perspective i.e. perspectives of the Private Sector Investor, Project Sponsors / Client (firm-level or country-level), Partner Institutions (e.g. MDBs or DFIs), Project beneficiaries, Industry / Sector participants, and WBG staff. Second, the evaluation will be grounded in a theory of change – i.e. a reconstruction of how the various Bank Group mobilization approaches are aligned with the stakeholders and if they meet the client and global priorities. This theory of change was developed using an iterative design process and will be reviewed with key stakeholders both internally and externally to the Bank Group as the evaluation progresses. Third, the evaluation will follow a Mixed-methods approach that combines a range of data collection efforts (i.e. internal project-level data, external country datasets, project performance data, semi-structured interviews, case studies, and structured literature reviews) that will be sequenced to build on each other as depicted in figure D1. Such methods will also support triangulation to ensure robustness of findings.

Intervention Typology: A typology of private capital mobilization intervention types is accepted among MDBs and captured at the time of WBG commitments to development projects: (a) Direct mobilization and (b) Indirect mobilization. The evaluation framework acknowledges that these intervention types are typically executed either at the time of project commitment (direct mobilization) and/or with a time delay of three years (indirect mobilization).

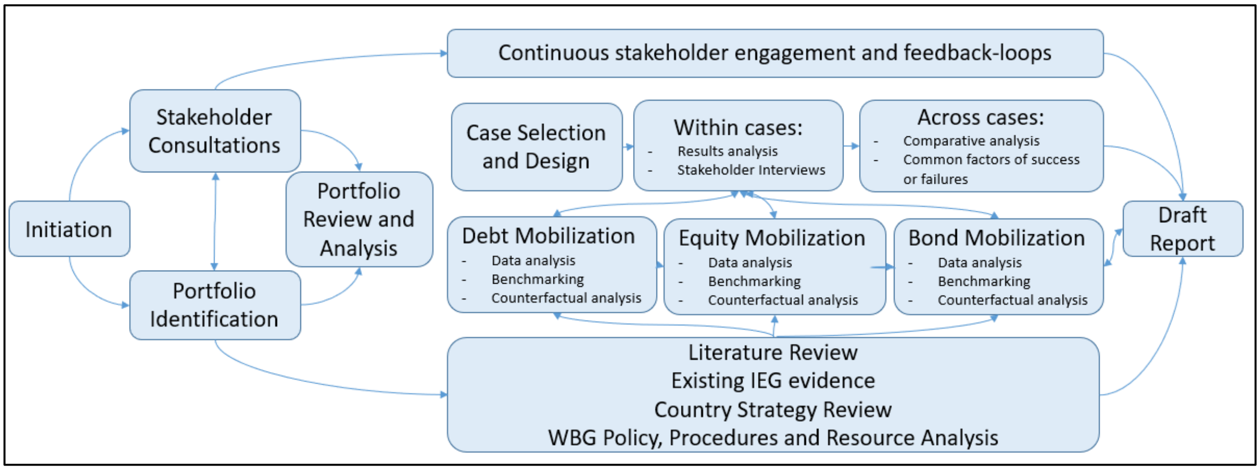
Multi-dimensional analysis: Reflecting on the multi-dimensional nature of the evaluation subject, the analysis will be carried out at three levels: *Global, Country and Mobilization approaches*. The global level analysis will cover the overarching context, enabling environment, externalities and the Bank Group's responses at the strategic level. Country level analysis will cover several cases (through field and desk reviews), by intervention types (direct and/or indirect) where the country level effects can be observed and generalized to the extent possible. Approach level analysis will assess the effectiveness of the approaches at the project level or program level.

Deep-dive on three approaches: The evaluation will focus on three WBG private capital mobilization approaches where no evidence currently exists or is limited, namely *Debt Mobilization, Equity Mobilization and Bond Mobilization*. In addition to comparing the results from the perspectives of the Investors, Clients, and Partners, the evaluation will attempt to benchmark the performance of the approaches compared with other public or private options available to investors and clients (subject to data availability, see para 12 below). The outcomes for this evaluation are not necessarily development outcomes at the firm-level or project-level but the higher-order outcomes of mobilization approaches as detailed in the theory of change (Figure D4). The development outcomes may not necessarily be a result of the private capital mobilization activities alone, there may be other internal and external factors that impede development results. Hence, the evaluation hopes to reflect on situations and conditions when and why maximizing private capital may or may not work.

Case Studies: The evaluation will conduct up to seven case studies in seven countries where the Bank Group mobilization approaches have been deployed between the period FY07-18. ***All seven cases*** are purposefully sampled based on initial portfolio review and cover the ***direct mobilization*** intervention typology. ***Three cases*** cover IBRD/IDA ***private indirect mobilization*** interventions (for which no clear portfolio exists prior to 2016) and were purposefully chosen to identify effects at the country level. The case selection was based on preliminary identification of the portfolio, consultations with internal stakeholders and preliminary scan of available internal data, documentation and external data. Given the programmatic nature within the approaches of Debt mobilization and Bond mobilization, case study method is appropriate.

Comparative case analysis: A comparative analysis involves synthesis of similarities, differences and patterns across cases that share a common goal or purpose. The cases can be compared for common drivers of success and failure across sectors and intervention types. To facilitate such comparison the evaluation will employ the same data collection method, i.e. stakeholder interview questionnaire, objective-based assessment and market-based assessments across the seven cases. The market-based assessment analysis might have certain nuances depending on the financial instrument deployed in the cases at hand but remain consistent with the overall questions it tries to address. In addition, the WBG's role, additionality and effectiveness (from the investor perspective and client perspective) can be answered and generalized through the comparative case analysis.

Figure D1: Stylized view of Methods and Sequencing to the final deliverable

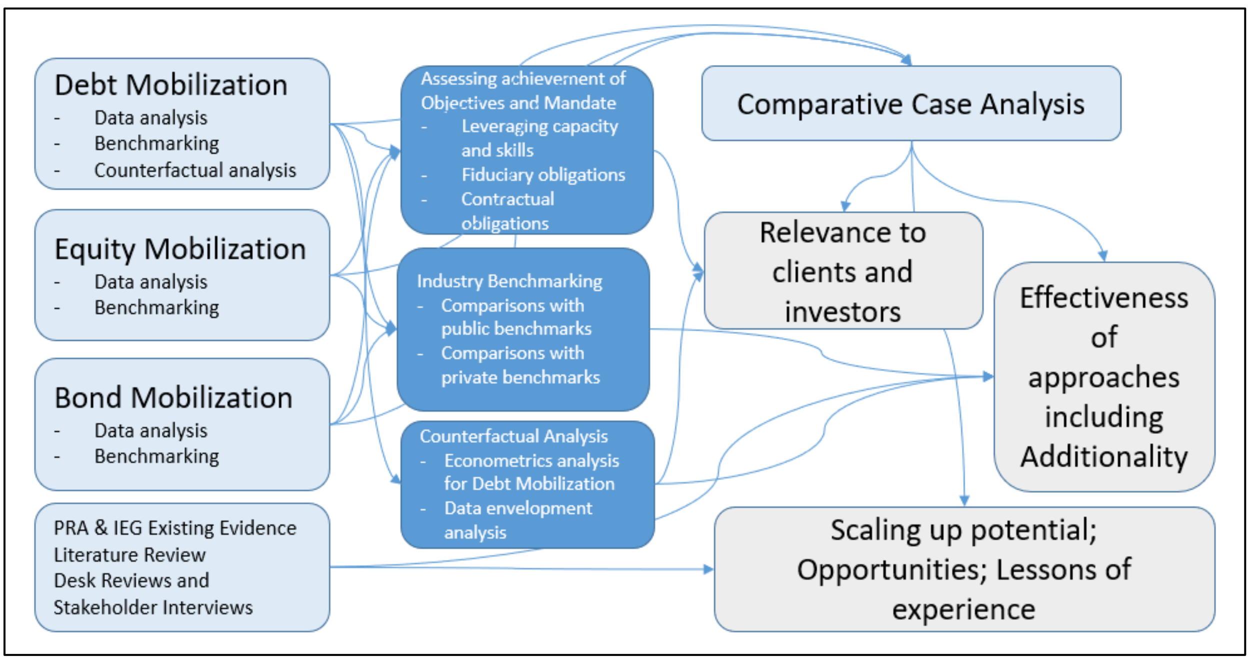


Additionality is defined, in this case, as the value-addition provided by the programs, platforms and facilities that investors can't access elsewhere. The additionality to investors can be further decategorized into the following areas and mapped against responses:

- New Market seeking
- Efficiency seeking
- Return seeking
- Impact seeking
- Risk mitigation

Industry Benchmarking and Counterfactual analysis: The evaluation will compare the performance of the three main mobilization approaches with industry benchmarks from both private and public markets and databases (Figure D2). In addition, for debt mobilization, counterfactual analysis will be conducted using econometric and data envelopment analyses (DEA) at the country level. Together these two methods are expected to answer the evaluation question on relevance and effectiveness. For e.g. in the case of econometric analysis, the evaluation proposes to answer the question of whether IFC 'treatment' has any effect on the syndicated loans market, the empirical strategy will follow Godlewski (2007) by using loan level analysis of the determinants of the dependent variables mentioned above. Given the nature of the dependent variables (number of lenders, arrangers, loan provided, returns and default rates) the approach would involve either the poison regression or negative binomial regression method. For dependent variable such as loan commitments and returns, the approach proposes using simple OLS as a starting point for analysis and then using propensity score matching to generate a counterfactual value of syndicated loans if IFC treatment did not happen. The evaluation can then compare the average loan size of those that didn't receive IFC treatment vs average loan size of those with IFC treatment vs counterfactual loan size of those with IFC treatment if they didn't receive the treatment. In the case of DEA, the evaluation proposes propose a three-step analysis to obtain empirical insights that can inform IEG's evaluation of WBG efforts in mobilizing private capital flows into developing countries. The steps of the analysis will focus on (a) exploring empirical patterns in private capital flows into WBG client countries and regions, (b) investigating how these patterns are related to the domestic environment for investment in each country, captured by a composite index of relevant pull factors (the Domestic Investment Climate "DIC" Index) and (c) assessing the WBG's achievements in targeting (a) countries with certain needs and characteristics, and (b) the most binding constraints to higher capital inflows within each country (e.g., market-related factors, human capital, infrastructure, or institutions). If necessary, the analysis can be conducted at several levels, looking at individual WBG client countries and regions. The proposed analyses above depend heavily on availability of external data and ease of access to IEG with respect to confidentiality and other restrictions.

Figure D2: Stylized view of Methods, Analysis, and Evaluation Criteria



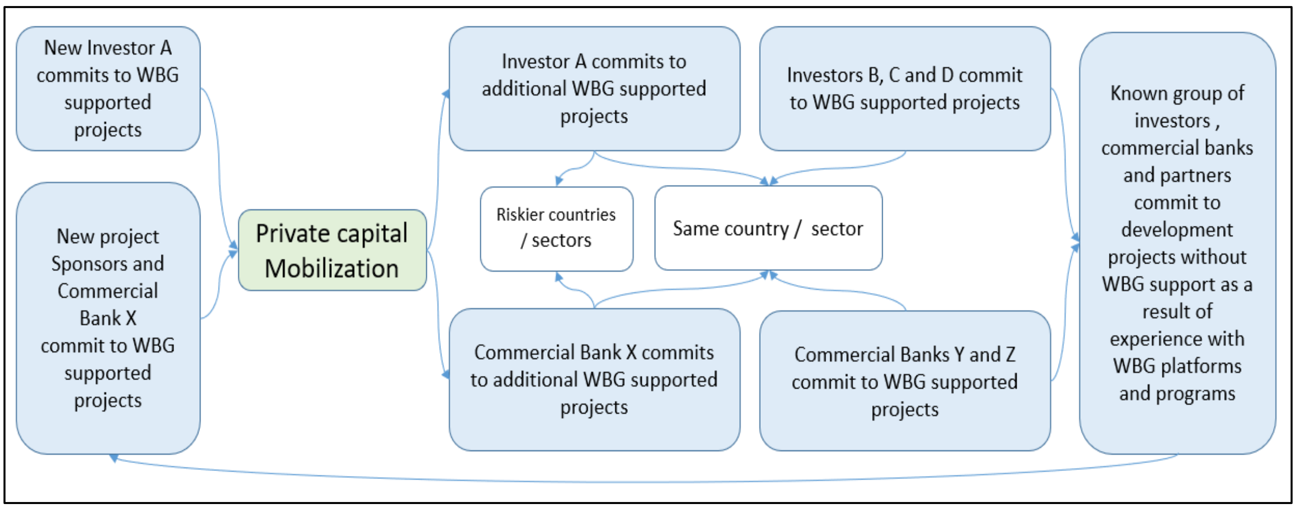
Source: IEG

Portfolio Review and Analysis: The review of Bank Group portfolio is expected to answer primarily the effectiveness of approaches looking back in time and using both the objectives-based assessment and the market-based assessment. The primary sample used for the PRA will be that of existing IEG micro-level project evaluations and validations. The Indicators of success (i.e. effectiveness) at the *mobilization approach level* will be centered around, but not limited to:

- World Bank Group Board expectations, client and investor expectations as reflected in legal agreements
- Investment related risks at entry, Investment related risks at evaluation (i.e., as of June 2018)
- Investment Returns at the time of evaluation, Returns today (i.e. as of June 2018)
- Comparing risk-adjusted returns with public markets and private markets

Testing Causal contributions: Given the programmatic nature in two out of the three focus areas i.e. Debt mobilization and Bond mobilization, a PRA approach or firm-level analysis is not particularly useful for testing causal contributions. The case-based analysis is expected to provide primary evidence on causal contributions to intermediate outcomes, i.e., demonstration effects, replication effects and Catalytic effects. The effects can be categorized as follows (Figure D3):

Figure D3: Types of demonstration and replication effects



Failed cases: Not all WBG interventions lead to investor commitments or lead to addressing project or sector financing gaps. The PRA will test, identify factors, on a sampled basis and based on availability of data from WBG internal systems, leading to failed commitments or failed cases. This approach would help to understand the extent to which objectives were not achieved. This analysis will categorize the factors into areas of a) internal challenges to be addressed, b) external challenges to be addressed, through potential collective actions, and c) lessons of experience. This method will contribute to the evidence for answering evaluation Question 3.

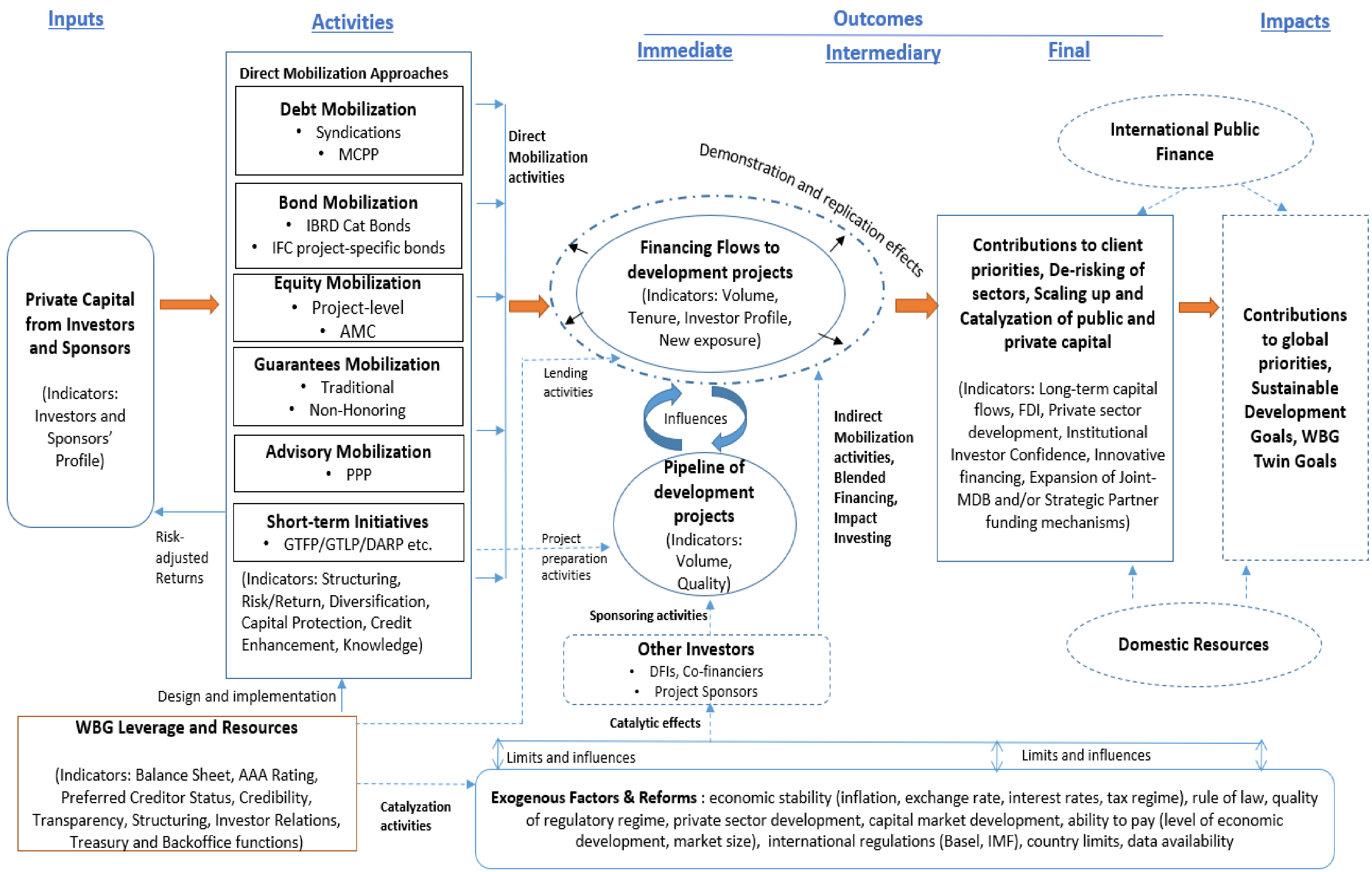
Desk reviews and Available evidence: The evaluation will conduct a series of systematic document reviews to complement the evaluation's portfolio review. The evaluation envisions carrying out a review of existing investor surveys, country strategy documents to better understand the level of alignment and coherence of Bank Group country-level strategies, its mobilization approaches with that of client priorities. A similar review will be carried out for those countries which have been subject to systematic country diagnostics. A categorical array will be developed to systematically assess evaluation questions across strategy documents and diagnostics. In addition, the evaluation will derive data, key findings, conclusions and lessons from existing evaluations relevant for the topic and embed them into the appropriate building blocks.

Structured Literature Review: The evaluation will employ a structured review of relevant (internal, industry and academic) literature on leveraging the private sector for sustainable development and growth to meet client and global priorities. The objective is to understand the characteristics of this support and the role of complementary or sequential interventions that may influence its impact (e.g. role of the capital markets or investment climate). The review aims at generating insights in this regard and is intended to provide the theoretical basis for the evaluation to establish causal links between policies in support of PSP in the sector and to formulate the models adopted to validate the causal relationship of the WBG portfolio in leveraging the private sector to promote sustainable development and growth. Further, the literature review will provide examples of comparable instruments and innovative financing mechanisms that have been deployed outside the World Bank Group (for e.g. by other Multilateral development banks, Commercial Banks, Asset Managers, or ESG-focused impact investors).

Stakeholder interviews: The evaluation team will carry out semi-structured interviews throughout the evaluation's lifecycle. At an early stage, the evaluation will carry out such interviews with a view of better understanding the underlying theory, getting to know the institutional priorities (past, present, and future), and developing a set of preliminary hypotheses. During case studies, the team will carry out semi-structured interviews to gain deeper understanding of the mobilization approaches, its relevance, effectiveness, and lessons on what works. For each set of interviews, the evaluation team will develop an interview questionnaire to ensure key questions are asked consistently across interviews while maintaining the flexibility needed to follow topical trajectories specific to the mobilization approaches that can potentially stray from the questionnaire where appropriate. A wide range of stakeholders will be identified for interview as part of the early stage of the analytical framework strengthening exercise and in case studies; these include WBG staff at headquarters and in the field, government agencies, MDBs, DFIs, donors, non-governmental agencies, academics, and private sector entities.

Data sources: The evaluation will identify and utilize indicators aligned with the evaluation questions and selected sectors to identify sector priorities and changes over time. Indicators will be selected from external data sources such as ThomsonOne, Bloomberg, DealScan, Loanware, Bondware, MSCI Indexes, internal data warehouses such as WDI (WB) and IMF and datasets such as InfraScope from the Economist Intelligence Unit (EIU), Global Competitiveness Index from World Economic Forum (GCI-WEF), Institutional Investor' Country Risk Ratings (IICRR).

Figure D4. Mobilization of private capital: Conceptual framework



Appendix E. Tentative Outline of the Evaluation Report

Executive Summary

Chapter 1. Relevance of World Bank Group Mobilization approaches to investors, clients and global priorities

- Alignment of mobilization approaches with investor and client expectations
- Alignment of mobilization approaches with WBG resources and capabilities
- Linkages to global priorities

Chapter 2. Effectiveness of the World Bank Group private capital mobilization

- Investor and client perceptions, demand, capacity
- Additionality of Bank Group mobilization approaches
- Drivers of success and failures

Chapter 3. Opportunities and Challenges for World Bank Group to scaling up private capital mobilization

- Innovations within and outside the World Bank Group
- Internal and external risks

Chapter 4. Conclusion and Recommendations

References

Appendixes