Navigating IEG’s Evidence to Inform the COVID-19 Responses

**PLATFORMS, INSTRUMENTS & ADVISORY APPROACHES**

**GUARANTEES**

- Guarantees have been effective in promoting key WBG strategic objectives, particularly in facilitating the flow of investment to high-risk sectors and countries (A).
- Policy-Based Guarantees combined with World Bank support can help borrowers meet their financing needs during difficult market conditions (R).

**GLOBAL TRADE FINANCE PROGRAM**

- The Global Trade Finance Program (GTTP) has a high additive in crisis countries and institutions, where clean credit lines and alternate risk-mitigation instruments are less available. During times of economic and political crises, when risk aversion among international trade finance banks rises, the program became relevant in a much broader range of markets (B).
- The GTTP is a flexible and responsive crisis instrument having helped banks address their needs for liquidity and capital support to maintain their trade finance business activities during the global financial crisis, when global banks became very cautious about financing deals because of sharply increasing portfolio default rates, eroding capital bases, and a significant spike in the cost of capital (B).

**PPG ADVISORY AND ANALYTICS**

- MIGA guarantees helped effectively increase investors’ confidence, improve their capacity to raise capital, lower their financial costs, and mediate disputes with government (C).
- A robust regulatory framework that encourages private participation, even without demonstration projects, is more likely to be sustainable and implementable than a pristine project developed in a regulatory system that is specific to a certain set of circumstances and that is not easily expanded (C).

**BLENDED FINANCE**

- Blended Finance can help high-risk projects get off the ground and achieve positive outcomes for end beneficiaries and stimulated market creation beyond the project entities (H).
- In addition, the WBG can provide valuable support to clients after crises when it finds its response in the existing stocks of knowledge or new analytic and advisory work (R).

**DOMESTIC RESOURCES AND FISCAL SUPPORT**

- Crisis can be an opportunity to advance tax reforms and calls for flexibility (R).
- In a rapid response to keep the private sector alive, IFC should focus on those programs and instruments where there is already a precedent of success and rapid mobilization during crises (A), (R).

**RAPID RESPONSE AND SHORT-TERM FACILITIES**

- In situations of crisis, private sector project viability can be sustained by managing costs, raising additional funding, and contemplating longer-term horizons for yields and development impact (Q).
- Crisis can divert intermediary banks’ focus away from SMEs, as banks are used to help institutions survive the effects of a shocks (L).

**INVESTMENT LENDING**

- Investment lending, which tends to disburse slower than budget support, can disburse faster when the World Bank moves towards quick-to-implement investment lending vehicles (R).
- Programmatic and strategic risks like the Distressed Assets and SMEs can have a devastating impact on maintaining the health of financial systems by creating and consolidating platforms specialized in the resolution of non-performing or distressed assets (D).

**BOND PURCHASES**

- During times of recovery and crisis, IFC’s participation in infrastructure support through bond purchases provide additional risk mitigation and enhance access to markets for underserved groups as banks are used to help institutions survive the effects of a shocks (L).

**SUPPORT TO STATE-OWNED ENTERPRISES & SMALL- AND MEDIUM-SIZED ENTERPRISES**

- The World Bank Group’s relevance is greatest where the financial sector is weak in any SMEs, especially in low income and fragile and conflict-affected countries or regions where the financial sector has not yet developed to serve SMEs (I).

- While financial intermediary loans (FILs) have been widely used for crisis responses, there is little evidence that their financial reaches the enterprises worst hit by crisis in a timely manner. Few FILs disbursed rapidly, and monitoring has been weak (K), (R).

- The Big Business of Small Enterprises

**COUNTRY FOCUS**

Building capacity and enhancing financial and technical skills at the country level is crucial so that country agencies can develop a pipeline of bankable projects in which the private sector can invest, not linked to the public-private partnership (PPP) space, but including supply chain, manufacturing, and infrastructure (R).

Market-existing opportunities and associated constraints need to be understood at the country level and such knowledge should be adequately reflected in the CPF processes to allow for a more strategic deployment of Bank Group programs and interventions (D).

Even when responding to crisis, there is a need for longer-term planning focused on long-term restoration of growth and employment and sustainability of responses (D), (R).

The MIF approach requires going beyond contracting the private sector to provide goods and services to supporting the implementation of policies that remove constraints on the policy shakedown, especially refugees, allowing them freedom of movement, the right to work, and the right to own and operate businesses and institutions (R).

IFC market creation efforts require the right environment to materialize, including conducive regulatory and legal frameworks to allow project success to scale up (R).

**RISK MANAGEMENT**

- Risk management and mitigation tools are important to help clients identify gaps for hedging risk in emerging markets (D).
- Risk mitigation capacity helps lenders and borrowers better distribute risk across domestic banking and capital market sectors and enhances the liquidity and depth of domestic capital markets (D).

**MONITORING & EVALUATION**

- The IFC needs to regularly assess its risk-taking capabilities to carry out its market creation activities in DA and other structurally weak economies in a financially sustainable way (D).
- Building on prior engagements can guard against the risk that rapid project preparation lowers quality at entry (R).

- Adequate monitoring and evaluation is required to understand how funded creation efforts affect the poor and enhance access to markets for underserved groups (D).

**Crisis Response and Resilience of Small and Medium Enterprises (SMEs)**

**Lessons from Evaluations: Support and Financing for the Formal Private Sector in Response to COVID-19**