

Approach Paper

International Finance Corporation Country Diagnostics and Strategies under IFC 3.0: An Early-Stage Assessment

April 27, 2022

1. Background and Context

1.1 In December 2016, the International Finance Corporation (IFC) introduced its latest strategy, IFC 3.0, which aimed to enhance IFC’s development impact by creating “new and stronger markets for private sector solutions” (IFC 2019, 1) and “mobilizing private capital at significant scale” (IFC 2020, 15) where it is needed the most. Whereas the original strategy of IFC (IFC 1.0) emphasized attracting foreign direct investment, and IFC 2.0 focused on IFC investment in locally owned companies in developing countries, IFC 3.0 shifted IFC’s business model from “market taker” (financing projects under prevailing conditions) to “market maker” (expanding opportunities for private financing through new approaches aimed at creating markets and ramping up capital mobilization). IFC 3.0 also aimed to deepen IFC’s engagement with frontier markets, including lagging sectors and regions, fragile and conflict-affected situations, and International Development Association (IDA) countries. As recognized in *Forward Look*, private investment is critical to achieving the Sustainable Development Goals (World Bank 2016).

1.2 To achieve IFC 3.0’s aims of market creation and private capital mobilization at scale, IFC recognized it would need new tools and analytical capabilities to

- Develop a deeper understanding of the constraints limiting private sector solutions and opportunities in each country’s economy, including in key enabling and productive sectors; and
- Allow for more strategic selection, sequencing, and implementation of its activities and stronger coordination across the World Bank Group.

1.3 At the country level, IFC 3.0’s tools included a new diagnostic instrument, the Country Private Sector Diagnostic (CPSD), and a new strategy instrument, the IFC Country Strategy. CPSDs are analytical products intended to identify both (i) opportunities for creating or expanding markets and private sector development and (ii) barriers to private sector development and investment. The CPSD feeds into the World Bank Group Systematic Country Diagnostic (SCD) to incorporate private sector perspective and key recommendations and opportunities for private sector investment at the sector level. Building on strengthened diagnostics, IFC Country Strategies, focused

on private sector development, outline IFC's strategic approach and work program in a country. IFC has framed these tools as aimed at improving the effectiveness of its own activities in countries through better selection, combinations, and sequencing; and at improving its coordination with the Bank Group, consistent with the Cascade approach.¹

1.4 IFC Country Strategies are internal IFC documents intended to better inform Bank Group Country Partnership Frameworks (CPFs) on interventions needed for market creation. IFC Country Strategies are a part of the Bank Group's country engagement framework. They are self-standing products that define IFC's vision for the development of client countries and the role that the private sector can play in countries' development overall and in specific sectors. They ground IFC's engagements in each country's macro fundamentals and overall development priorities and employ an "if/then matrix" that attempts to link scenarios of select policy changes to IFC business opportunities and potential levels of private investment.

1.5 Whereas IFC had earlier produced country strategy inputs to Bank Group CPFs, the IFC Country Strategies under IFC 3.0 are intended to move IFC toward greater strategic country engagement. To this aim, IFC Country Strategies seek to highlight where and how World Bank programs could be leveraged to support upstream reforms that can create markets by unlocking private sector investment. They also seek to ensure strong links among IFC, World Bank, and Multilateral Investment Guarantee Agency (MIGA) activities. IFC Country Strategies are informed by CPSDs, if available, and other Bank Group analytic work, including IFC sector deep dives, the World Bank Financial Sector Assessment Program, the Infrastructure Sector Assessment Program, and the World Bank-IFC Joint Capital Market Program.² They are analytic inputs to the Bank Group SCDs. The process for developing IFC Country Strategies involves IFC regional directors and country managers and World Bank country directors from inception, and it mandates consistent dialogue with World Bank Global Practice teams in the relevant regions. IFC Country Strategies are cleared by the IFC regional vice president.

1.6 The objective of CPSDs is to create an analytical basis to shape the Bank Group's approach and its dialogue with governments and the private sector to increase private sector participation in the economy overall and in sectors that have potential for growth. Like earlier World Bank private sector diagnostics, such as Investment Climate Assessments, Enterprise Surveys, *Doing Business* Reform Memos, and Country Economic Memorandums, CPSDs identify economywide constraints. However, CPSDs differ from other Bank Group private sector diagnostics in several ways. First, they focus on key sectors and provide policy recommendations to support their growth. The key sectors include "enabling" sectors (for example, infrastructure or finance) that play an important role in other sectors, and "productive" sectors (for example, manufacturing or agriculture) that build on a country's inherent comparative advantages and potential to

tap global markets. Second, CPSDs are conducted jointly by IFC and the World Bank, with contributions from MIGA. When sequencing permits, they provide key inputs to Bank Group SCDs.³ Third, CPSDs are underpinned by structured detailed guidance, including modular guides on key topics (for example, competition, small and medium enterprises, or financial inclusion) and sectors (for example, power or agribusiness). A CPSD includes the following:

- A country-specific assessment of the state of the private sector,
- An identification of economywide and sector-specific constraints that may be limiting market creation and private sector development in the country or in specific sectors,
- An identification of near-term (three- to five-year) opportunities for private sector engagement, and
- Policy recommendations to remove policy and regulatory barriers to better mobilize private investments and address development challenges.

CPSDs have evolved over the evaluation period since fiscal year (FY)18 (see section 2), including with the introduction of formal CPSD guidelines in 2021 and of “phase 2” CPSDs that include country-specific sector deep dives.

1.7 With CPSDs and IFC Country Strategies, IFC expected improved and more systematic and substantive contributions to CPFs, and an enhanced ability to address constraints to increasing private investment in client countries. By providing a common analytic reference, the introduction of CPSDs is expected to shape IFC’s own strategy, country engagement, and activities, and those of the broader Bank Group. The introduction of IFC Country Strategies is expected to give IFC a stronger and more evidence-based influence on the Bank Group CPFs and to shape a strategic and sequenced set of activities (investment, advisory, and upstream) for IFC and the broader Bank Group. It is hoped that this will contribute to enhanced Bank Group collaboration to address constraints to private sector development and help improve results—such as for IFC’s goals of creating markets and mobilizing capital at scale, including in sectors with potential for growth.

1.8 IFC Country Strategies and CPSDs contribute to the Bank Group country engagement cycle. Earlier work by the Independent Evaluation Group (IEG; World Bank 2017a) indicated that—despite significant improvements in the integration of IFC into the SCD and CPF processes compared with the previous Country Assistance Strategy process—the treatment of private sector development in the CPFs tended to be driven by the World Bank. IEG concluded that private sector analyses in future SCDs needed to

go beyond a discussion of general policy constraints to include a more business-oriented and granular analysis of a country's private sector. Furthermore, IFC's involvement in SCDs and CPFs had not been supported by dedicated budget resources (World Bank 2017a). CPSDs were introduced at a time when the World Bank had no overarching diagnostic instrument to identify and prescribe solutions to private sector challenges; hence, they fill an important analytic gap for the World Bank as well.

1.9 A potentially broad range of Bank Group staff may use CPSDs and IFC Country Strategies. Key potential users at IFC include the following: (i) regional staff, particularly IFC regional directors and country managers; (ii) industry staff, particularly IFC investment officers and industry managers and the directors of industries on which the IFC Country Strategies and the CPSDs focus; and (iii) upstream and advisory staff. Key potential users at the World Bank include the following: (i) country staff, including country directors, country managers, and country economists; and (ii) Global Practice staff, including staff designing operations involving the private sector (including but not limited to the Macroeconomics, Trade, and Investment as well as the Finance, Competitiveness, and Innovation Global Practices). Key potential users at MIGA include economists and underwriters. Potential users of CPSDs also include external stakeholders, other international financial institutions, government officials in counterpart ministries (for example, finance and the economy), and the private sector.

2. Objective, Scope, and Audience of the Evaluation

2.1 The objective of this evaluation is to assess whether IFC Country Strategies and CPSDs have enhanced IFC's ability to create markets and mobilize capital at scale and have informed Bank Group collaboration on private sector development. The evaluation is a response to a request from IFC management and aims to shed light on whether IFC Country Strategies and CPSDs are (i) facilitating the identification of constraints on market creation and private sector development and investment in client countries (economywide and at the sector level); (ii) helping IFC identify its advisory and investment interventions more strategically and increase their effectiveness; (iii) informing World Bank lending and advisory services and analytics interventions and MIGA guarantees supporting private sector development; and (iv) enhancing, to the extent possible, market creation and private capital mobilization at the country and sector levels. Overall, the evaluation seeks to distill findings and lessons intended to improve the usefulness and influence of CPSDs and IFC Country Strategies on Bank Group activities and country private sector development.

2.2 The evaluation will focus on IFC Country Strategies and CPSDs completed since their inception in FY18. The evaluation will cover all 50 IFC Country Strategies and the 31 CPSDs completed between FY18 and December 31, 2021 (listed in appendix A).

2.3 The primary audience of this evaluation is the Bank Group Board of Executive Directors. IFC, World Bank, and MIGA management and staff and external stakeholders are also important audiences. Members of the Committee on Development Effectiveness, and of the Board at large, will use the evaluation to provide guidance to IFC's (and the Bank Group's) future efforts to improve country engagements, enhance the strategic identification and effectiveness of advisory services and investments, and support market creation. The users of CPSDs and IFC Country Strategies, including IFC, World Bank, and MIGA management and staff, and external stakeholders, including partners, government officials, and representatives of the private sector, are also important audiences of the evaluation.⁴ IEG will seek to disseminate its findings to all of these audiences to stimulate discussion and encourage an exchange of ideas. A blog and relevant materials will be posted on IEG's website, and the team will also explore internal and external forums for further dissemination.

3. Evaluation Framework and Questions

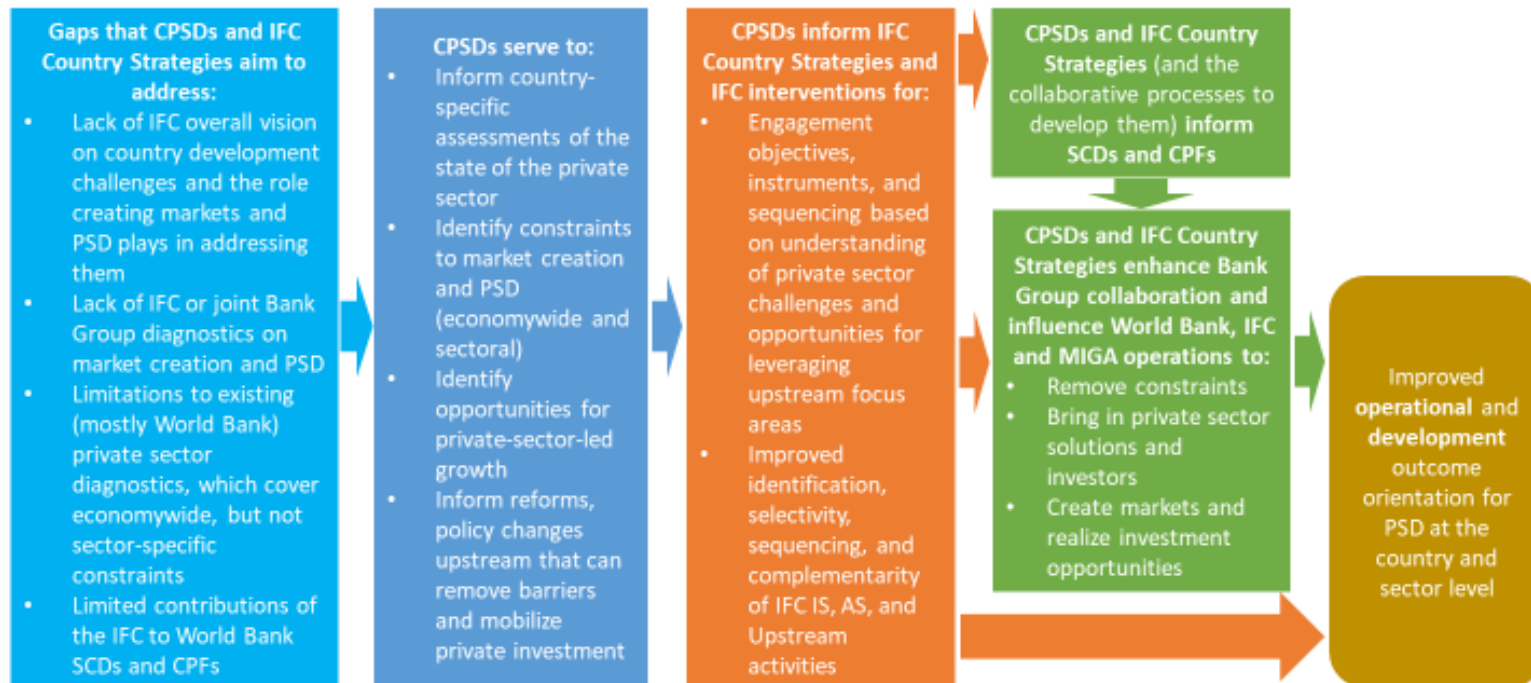
3.1 The stylized framework of the evaluation (figure 3.1) articulates the transmission channels through which IFC's new country engagement tools—Country Strategies and CPSDs—address constraints on market creation and private capital mobilization at scale. The stylized evaluation framework starts from the understanding that the CPSDs and IFC Country Strategies were introduced with an explicit intention to enhance the effectiveness of the Bank Group country engagement framework and Bank Group coordination to identify and address constraints to private sector development. This implies that before their introduction, the Bank Group was unable to address these constraints effectively. To tackle these challenges, IFC needs to address the following four potential gaps (column 1 in figure 3.1):

- The lack of an IFC stated vision of countries' development challenges and of the role that creating markets and private sector development can play in addressing these challenges;
- The lack of IFC or joint Bank Group diagnostics on market creation, private capital mobilization, and private sector development;
- The limitations of previous (mostly World Bank) private sector diagnostics, which covered economywide but not sector-specific constraints and did not generate relevant insights to help IFC business development, market creation, and private capital mobilization; and
- The uneven consideration and lack of shared perspective on private sector development issues between the World Bank and IFC in SCDs and CPFs, which

in turn weakened the Bank Group's overall ability to support interventions for private sector development, including in the context of the Cascade approach.

3.2 The framework assumes that CPSDs and IFC Country Strategies will allow the Bank Group to better address the constraints that countries face. CPSDs are intended to identify constraints, opportunities, and pathways to unlock private sector response for the economy and for key sectors (column 2 in figure 3.1) and to inform country strategies. Together, CPSDs and IFC Country Strategies guide IFC's understanding of how market creation and private capital mobilization and sector development opportunities identified in the CPSDs can help address countries' broad development challenges. IFC's Country Strategies also define IFC's work program—upstream and downstream—including interventions to address the constraints identified in the CPSDs, link diagnostics to implementation, and mobilize private investment. The framework implies an expectation of improved identification of investment opportunities (both near term and longer term, through upstream work) for IFC, which would enhance its strategic selectivity (column 3 in figure 3.1). This also implies a deepening of the analytical base for the Bank Group's SCDs and CPFs with respect to private sector development and improved understanding and collaboration among IFC, the World Bank, and MIGA on private sector development issues, including the use of diagnostics and strategies (column 4 in figure 3.1). In this context, the evaluation framework also acknowledges that the process of developing CPSDs and IFC Country Strategies, rather than just the final documents, is an important aspect of the ownership, usage, and ultimately impact of the products. The framework extends to the influence of the new tools on IFC advisory and investment services. These tools also inform World Bank policy and sector reform through lending and nonlending services. Finally, the evaluation framework identifies operational and development outcomes that the use of CPSDs and IFC Country Strategies can enhance, including the creation of new markets and increased private sector participation in existing markets (column 5 in figure 3.1).

Figure 3.1. Stylized Framework of the Evaluation



Source: Independent Evaluation Group, based on International Finance Corporation strategy documents.

Note: AS = advisory services; CPF = Country Partnership Framework; CPSD = Country Private Sector Diagnostic; IFC = International Finance Corporation; IS = investment services; MIGA = Multilateral Investment Guarantee Agency; PSD = private sector development; SCD = Systematic Country Diagnostic.

3.3 The evaluation will assess outcomes only when feasible. Given the early stage of development of CPSDs and IFC Country Strategies and the limited evidence of downstream impacts on operations, creating markets, and more strategic identification of an investment pipeline, the evaluation team will be unable to assess changes to outcomes—at the country, sector, or project level—due to (or associated with) the introduction of these new tools. When possible, the team will refer to changes to outcomes using country and sector examples. At the same time, IEG expects to derive insights on process and on potential mechanisms of influence.

3.4 IEG seeks to distill findings and lessons by answering the following evaluation questions:

1. To date, have the CPSDs and IFC Country Strategies
 - a. Improved the identification of constraints on and opportunities for market creation and private capital mobilization at the country and sector levels?
 - b. Helped identify and select more strategic and effective advisory and investment opportunities for IFC?
2. Based on early experience, to what extent are CPSDs and IFC Country Strategies
 - a. Contributing to improved Bank Group country engagement and improved Bank Group collaboration for market creation and private sector participation?
 - b. Informing World Bank lending and advisory and MIGA guarantees for private sector development?
3. Which characteristics of CPSDs and IFC Country Strategies (for example, country context, content, process issues) are associated with stronger influence of CPSDs and IFC Country Strategies on IFC, World Bank, and MIGA interventions?
4. Are adequate monitoring and feedback mechanisms in place to assess the effects of CPSDs and IFC Country Strategies on private sector development objectives over the medium to long term?

4. Evaluation Design and Methods

4.1 This evaluation will be multilevel (country and sector level) and will apply mixed methods and benchmarks to answer the evaluation questions. The evaluation will be based on the stylized framework (figure 3.1). It will use a country perspective to understand how IFC Country Strategies and CPSDs complement each other and other IFC, World Bank, and MIGA activities to improve Bank Group country and sector

engagement. In addition to the country level, the evaluation will include a sector-level analysis with a focus on leading sectors nested within the country case studies. In this context, the evaluation will explore whether IFC incorporates global sector knowledge (such as from sector deep dives) into country engagements. To ensure the rigor of the findings, the evaluation team will apply a combination of evaluation methods (triangulation) that will provide qualitative and quantitative evidence to answer the evaluation questions. To assess whether IFC Country Strategies and CPSDs have helped the Bank Group address the gaps that preceded their introduction, the evaluation team will apply the following methods.

- **Structured review.** The team will use a structured review of CPSDs and IFC Country Strategies, based on a template that aims to capture key features of these documents. The structured review will gather evidence on all CPSDs and IFC Country Strategies completed to date (the population of CPSDs and IFC Country Strategies)⁵ to analyze their general characteristics, patterns, and degree of consistency in their substantive coverage, methodologies, applicability, and adaptation to country or sector conditions and priorities. The structured review will use a template designed to capture key features and content of CPSDs and IFC Country Strategies. The template will include an assessment of whether CPSDs and IFC Country Strategies meet their design criteria, such as whether CPSDs provide answers to their 10 core questions (box 4.1). It will also identify frameworks applied, so that the evolution or consistency of treatment of key economywide and sector issues is documented. IEG will also capture their treatment of corporate priorities, including gender and fragility. The team will work with the IEG methods advisory team and consult relevant IFC and World Bank counterparts to define the template. The outputs of the structured review will be (i) a database formed from the data captured by applying the template to the population of CPSDs and IFC Country Strategies; (ii) key evidence to support the findings of the evaluation; and (iii) inputs to identify “buckets” of countries from which the team will select the country case studies.
- **Cross-cutting analyses.** The team will conduct an in-depth analysis of selected issues affecting market creation, capital mobilization, competition, and private sector development across CPSDs and IFC Country Strategies. These will include thematic areas, such as legal and regulatory challenges affecting the business environment, and corporate governance practices and standards influencing integrity and reputational issues. The team will also conduct in-depth analyses of selected sectoral issues, and of targeted beneficiaries, such as small and medium enterprises and state-owned enterprises.

- **Country case studies.** The team will conduct country case studies to deepen consideration of context, plausible influence, and factors that may explain success in creating markets and realizing investment opportunities for a sample of countries based on participant and stakeholder interviews. The country case studies will shed light on the implementation and the influence to date of IFC Country Strategies and CPSDs on Bank Group operations. Country case studies will also be a vehicle to examine the influence of CPSDs and IFC Country Strategies on different potential users within IFC, the World Bank, and MIGA, and, in the case of the CPSDs, among external stakeholders (for example, governments, business associations, other international financial institutions). The cases will include an analysis of which actors use the tools and how, and of whether CPSDs and Country Strategies motivate Bank Group action (that is, whether their findings are reflected in operations). The team will cover a broad range of countries (10–12) and conduct lighter-than-typical IEG country case studies, consisting of a desk review of relevant documents and targeted, remote semistructured interviews with key Bank Group staff, government officials, and other stakeholders in the countries. Case study selection, building on the buckets identified in the structured review of CPSDs and IFC Country Strategy documents described above, will take account of the following factors to ensure generalizability of findings: (i) regional distribution; (ii) country characteristics (including fragile and conflict-affected situations and IDA status, for example); and (iii) different years of CPSD completion; and (iv) different sequencing in CPSD and IFC Country Strategy completion. The selection will emphasize fragile and conflict-affected situations and IDA countries, consistent with IFC’s focus on these countries in the CPSDs completed to date. Nested within country cases will be an exploration of key sectors to generate findings on the consistency of treatment of sectors within the same country across different diagnostic and strategy documents. This approach is expected to result in gathering sufficient evidence to generalize the findings on sectors on a population basis. The team will work with the IEG methods advisory team on the design and refinement of selection criteria for the case studies and the development of a tailored template for country cases rooted in the evaluation questions to enhance comparability.
- **Synthesis of recent evaluative evidence covering topics that apply to country diagnostics.** The evaluation will draw on relevant recently completed evaluations and learning products, including *World Bank Group Country Engagement: An Early-Stage Assessment of the Systematic Country Diagnostic and Country Partnership Framework* (World Bank 2017a); *World Bank Group Joint Projects: A Review of Two Decades of Experience* (World Bank 2017b); *State Your Business! An Evaluation of World Bank Group Support to the Reform of State-Owned*

Enterprises, FY08–18 (World Bank 2020a); *The World Bank Group Outcome Orientation at the Country Level* (World Bank 2020b); and *The Development Effectiveness of the Use of Doing Business Indicators, Fiscal Years 2010–20* (World Bank 2022). The evaluation will also complement a parallel IEG evaluation on IFC additionality in middle-income countries and a planned evaluation on IFC global platforms.

Box 4.1. Country Private Sector Diagnostic Core Questions

All Country Private Sector Diagnostics aim to answer 10 core questions:

1. What are the main development challenges the private sector can address in the near term?
2. What is the status of the private sector and what is its role in the country's development?
3. Which policy issues are major cross-cutting constraints to private sector-led growth?
4. Which enabling sector issues are major constraints to the private sector?
5. In which enabling sectors can the private sector contribute? What can facilitate more investment and engagement (innovator, operator, financier)?
6. In which tradable sectors can the private sector drive growth and create more and better jobs? What is needed to incentivize greater private sector action and investment?
7. In which domestic sectors can the private sector drive growth and create more and better jobs? What is needed to incentivize greater private sector action and investment?
8. Where are the most important and feasible opportunities for private investment to transform or create markets in the near term?
9. Which policy actions (cross-cutting and at the sector level) could have the biggest impact on unleashing private investment in the near term (based on impact, urgency, feasibility)?
10. How can implementation get started—how can the World Bank Group help?

Source: International Finance Corporation 2021.

4.2 Several benchmarks will be used to respond to the evaluation questions and will be embedded in the templates and analysis used in the evaluation. They include the following:

- **Coverage of private sector issues (economywide and sector-specific) in Bank Group diagnostics.** IEG will compare the coverage of market creation, private capital mobilization, and private sector development issues in CPSDs with coverage of these topics in earlier diagnostic work, such as Investment Climate Assessments, Enterprise Surveys, *Doing Business* Reform Memos, and Country Economic Memorandums. The team will use CPSD and IFC Country Strategy

guidance documents to provide a benchmark for assessing the consistency of treatment of issues within CPSDs and IFC Country Strategies.

- **Inclusion of private sector issues in Bank Group country engagement documents (SCDs and CPFs or CENs [Country Engagement Notes]).** IEG will review Bank Group SCDs and CPFs or CENs to assess whether they were informed by CPSDs and IFC Country Strategies and whether market creation and private sector development issues were addressed more consistently than in Bank Group engagement documents that preceded the introduction of CPSDs and IFC Country Strategies for the same group of countries.
- **Influence of diagnostics and strategies on IFC and World Bank operations.** For the case study countries, IEG will review the design of IFC and World Bank interventions and evidence of upstream work (including scoping or pre-implementation activities and planned interventions in business development documents) after CPSDs and IFC Country Strategies. It will seek to derive findings on enhanced strategic selectivity of operations and influence on the design of these operations. The case studies will identify relevant operations influenced by CPSDs and IFC Country Strategies through a combination of exploratory interviews with relevant country staff, which will then be validated using portfolio data, and a review of project approval documents.

4.3 The team will identify factors related to the use and influence of CPSDs and IFC Country Strategies. The evaluation will explore and validate key dimensions and characteristics of this use and influence, which may include the following:

- The evidence base,
- Use of standard frameworks and methods for common issues and sectors,
- Coverage of key economywide and sector issues,
- Processes of engagement and ownership,
- Dissemination,
- Evidence of use in strategies and policy dialogue,
- Country typologies,
- Characteristics of the teams preparing the CPSDs and IFC Country Strategies, and
- Institutional incentives.

4.4 A scorecard may be used to reveal factors and characteristics conducive to uptake and use.

4.5 The team will apply qualitative data analysis (including using software such as NVivo) to enhance its ability to draw inferences from the extensive qualitative evidence (especially interviews) that the work is likely to produce. The team will use qualitative data analysis to extract information from: (i) semistructured interviews; (ii) CPSDs, IFC Country Strategies, and, where appropriate, SCDs, CPFs, and other relevant diagnostic and strategy documents; (iii) approval, completion, and evaluation documents of IFC investment and advisory projects and World Bank lending and advisory projects; and (iv) templates and questionnaires from the structured review and country case studies.

4.6 These methods will be used to extract and triangulate the necessary evidence to answer each evaluation question. For example, to answer question 1.a (see section 3, Evaluation Framework and Questions), the team will need information on the patterns of analytical and thematic coverage and organization of IFC Country Strategies and CPSDs. To obtain this information, the team will review CPSDs and IFC Country Strategies, produce a cross-cutting analysis on key issues across the CPSDs and IFC Country Strategies, extract information from country case studies and semistructured interviews using qualitative analysis techniques, and review recent evaluative evidence to supplement and triangulate the findings. To understand the influence of CPSDs and IFC Country Strategies on activities of IFC and the Bank Group and on coordination of support for private sector development, IEG will combine interviews with key IFC and World Bank staff and interviews with country stakeholders. The team will map the coverage and recommendations in CPSDs and IFC Country Strategies to SCD and CPF documents and to Bank Group country activities. Appendix B provides an evaluation matrix that maps the four evaluation questions to the information required to answer them and to the data collection and analysis methods that the team will employ to obtain this information.

5. Evaluative Limitations and Their Mitigation

5.1 The team will face several challenges and evaluative limitations in conducting the analysis and applying the proposed methods. The evaluation will be conducted in real time and will focus mostly on intermediate outcomes achieved by CPSDs and IFC Country Strategies. Although IFC 3.0 was introduced in FY17, most CPSDs and IFC Country Strategies are recent and have been completed since FY20. Thus, the team will be unable to assess the efficacy of the instrument(s) because of limited downstream and implementation experience. There is also very limited evidence as yet of changes in intended intermediate outcomes with respect to improved identification and selectivity of near-term opportunities for private sector engagement and enhanced

complementarity with Bank Group private sector activities. Furthermore, some CPSDs and IFC Country Strategies were not well synchronized with each other or with the timing of Bank Group SCDs and CPFs. Many of the earlier IFC Country Strategies were developed without a CPSD being available, which constrains the number of observations to assess the extent to which CPSDs influenced IFC Country Strategies and SCDs or CPFs. IEG also recognizes the special challenges that markets of fragile and conflict-affected situations impose on Bank Group operations and on evaluation, including limitations of evaluative evidence. Finally, because of the coronavirus (COVID-19) pandemic, the interaction of the IEG evaluation team with most Bank Group staff and with counterparts and other stakeholders will be virtual, and thus potentially constrained.

5.2 In view of the challenges and limitations, IEG is modest in its objectives and ambitions for this evaluation. The IEG evaluation team will seek to provide learning and guidance from the triangulation of available evidence derived using the methods described. Recognizing from the outset the difficulties of looking at the outcomes of CPSDs and IFC Country Strategies, the team will focus on their use and on the intermediate outcomes that they have achieved (such as reflection of the findings of the CPSDs and IFC Country Strategies in SCDs and CPFs and in incipient Bank Group activities to remove constraints and support market creation).

6. Timeline, Budget, and Team Composition

6.1 **Timeline and resources.** IEG will prepare an evaluation report summarizing key findings and lessons that will be submitted to the Committee on Development Effectiveness in February 2023.

6.2 **Team composition.** The evaluation will be prepared by an IEG team comprising Stephan Wegner (task manager) and Mitko Grigorov (co-task team leader), including additional IEG staff and consultants, Andrew Stone, Aurora Medina Siy, Andres Liebenthal, and Daniel Palazov, under the supervision of Marialisa Motta (manager). Additional staff and consultants will complement the team. It will be prepared under the direction of Carmen Nonay (director) and Alison Evans (director-general, Evaluation).

6.3 This evaluation will follow IEG's standard internal quality assurance and external quality review process. The evaluation will undergo review by IEG management and peer reviewers. The peer reviewers who have provided guidance and quality assurance to IEG on the Approach Paper are James Emery (former senior manager, IFC) and Roland Michelitsch (former evaluator-general, African Development Bank).

¹ The Cascade approach is a strategy to maximize financing for development by leveraging the private sector and optimizing the use of scarce public resources, while continuing to promote good governance and ensuring environmental and social sustainability through a coordinated World Bank Group-wide approach. According to Bank Group senior leadership, “The Cascade is about taking an evidence-based look at our clients’ best interest, beyond the boundaries of the individual project. To maximize financing for development, we need to consider the enabling environment for the private sector and to engage our clients on solutions. For all countries, therefore, starting now, we will incorporate the Cascade perspective in upcoming World Bank Group Systematic Country Diagnostics and Country Partnership Frameworks” See also World Bank Group (2016): *Forward Look: A Vision for the World Bank Group in 2030*

² The Financial Sector Assessment Program is a joint program of the International Monetary Fund and the World Bank, providing a comprehensive framework to identify financial system vulnerabilities and develop appropriate policy responses. It informs policy makers of the need for sequenced actions in areas requiring urgent attention and offers countries a comprehensive framework in which to take on financial sector reforms. The Infrastructure Sector Assessment Program offers a comprehensive analysis of the constraints that may reduce commercial and private financing of infrastructure and includes a set of possible policy reforms to be implemented by the country in the short and medium terms. The Joint Capital Market Program of the World Bank and the International Finance Corporation (IFC) produces country-specific action programs and technical assistance to identify opportunities for, and support to expand, private sector engagement to deliver capital market financing in areas such as climate, housing, and small and medium enterprises.

³ Since the revised IFC guidance on IFC Country Strategies (April 2021), all Country Private Sector Diagnostics (CPSDs) must be sequenced to provide inputs to Systematic Country Diagnostics and IFC Country Strategies.

⁴ The Independent Evaluation Group notes that IFC Country Strategies are not disclosed and hence may not have a direct external audience. Yet there should be a set of external stakeholders who are keenly interested in whether IFC’s use of CPSDs and Country Strategies is helping it to deliver on the vision of IFC 3.0.

⁵ CPSDs have evolved over the evaluation period. The Independent Evaluation Group understands that IFC began to produce some phase 2 CPSDs intended to provide country-specific sector deep dives, and the evaluation will cover them if phase 2 CPSDs were completed in time for their influence to be observed.

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Appendix A. Country Private Sector Diagnostics and International Finance Corporation Country Strategies

Table A.1 lists all the completed Country Private Sector Diagnostics (CPSDs; 31) and International Finance Corporation (IFC) Country Strategies (50) by fiscal year (FY) and by country. It also lists the Systematic Country Diagnostics and Country Partnership Frameworks for countries that have had a CPSD, an IFC Country Strategy, or both completed since FY15. Table A.2 provides the information by country.

Table A.1. Country Private Sector Diagnostics and International Finance Corporation Country Strategies Completed by December 31, 2021

Fiscal Year	CPSD Published (<i>n</i> = 31)	IFC Country Strategy Cleared (<i>n</i> = 50)	SCD (<i>n</i> = 46) ^a	CPF (<i>n</i> = 44) ^a
2022 (Dec. 31, 2021)	(<i>n</i> = 7) Haiti, Ecuador, Vietnam, Malawi, Jordan, Madagascar, Bolivia	(<i>n</i> = 7) Chad, The Gambia, Mali, Malawi, Bosnia and Herzegovina, Honduras, Colombia	—	(<i>n</i> = 1) South Africa FY22– 26
2021	(<i>n</i> = 10) Mozambique, Bangladesh; Kyrgyz Rep.; Pakistan, Ukraine, Egypt, Arab Rep.; Guinea; Nigeria; Côte d'Ivoire; Senegal	(<i>n</i> = 7) Ethiopia; Rwanda; Sri Lanka; Gabon; Egypt, Arab Rep.; Haiti; El Salvador	(<i>n</i> = 3) Maldives, Pakistan, Kenya	(<i>n</i> = 7) Bhutan FY21–24, Fiji FY21–24, Indonesia FY21–25, Mongolia FY21– 25, Nigeria FY21–25, Rwanda FY21–26, Sierra Leone FY21–26
2020	(<i>n</i> = 8) Myanmar, Philippines, Indonesia, South Africa, Morocco, Burkina Faso, Kenya, Uzbekistan (confidential)	(<i>n</i> = 15) Kazakhstan; Uzbekistan; Kenya; Turkey; Cambodia; Vietnam; Madagascar; Congo, Dem. Rep.; Maldives; Pakistan; Brazil; Fiji; Ukraine; Myanmar; Nigeria	(<i>n</i> = 7) Gabon, Philippines, Nigeria, Myanmar, Indonesia, Serbia, Bhutan	(<i>n</i> = 7) China FY20–25, Timor-Leste FY20–24, Kazakhstan FY20–25, Mexico FY20–25, Myanmar FY20–23, Philippines FY20–24, Senegal FY20–24
2019	(<i>n</i> = 4) Rwanda, Ethiopia, Angola, Nepal	(<i>n</i> = 21) Sierra Leone, Senegal, Philippines, Bhutan, Indonesia, Serbia, North Macedonia, Dominican Republic, Angola, South Africa, Morocco, Jamaica, Ghana, Paraguay, Mexico, Armenia, Argentina, Timor-Leste, Papua New Guinea, Mongolia, China	(<i>n</i> = 9) Rwanda, Senegal, Argentina, Malawi, Ghana, North Macedonia, Kyrgyz Republic, Mexico, Angola	(<i>n</i> = 9) Ecuador FY19–23, Kyrgyz Republic FY19–22, Morocco FY19–24, Nepal FY19–23, North Macedonia FY19–23, Papua New Guinea FY19– 23, Paraguay FY19–23, Argentina FY19–22, Armenia FY19–23
2018	(<i>n</i> = 2) Ghana, Kazakhstan		(<i>n</i> = 13) Congo, Dem. Rep.; Dominican Republic; Ecuador; Guinea; Kazakhstan;	(<i>n</i> = 5) Brazil FY18–23, Burkina Faso FY18–23, Ethiopia FY18–22, Guinea FY18–23, Turkey FY18–21

Fiscal Year	CPSD Published (n = 31)	IFC Country Strategy Cleared (n = 50)	SCD (n = 46) ^a	CPF (n = 44) ^a
2017			Morocco; Sierra Leone; Timor-Leste; Papua New Guinea; Paraguay; South Africa; Armenia; Nepal (n = 5) Burkina Faso, Fiji, Ukraine, Vietnam, Turkey	(n = 6) Jordan FY17–22, Madagascar FY17–21, Sri Lanka FY17–20, Ukraine FY17–21, Vietnam FY17– 21
2016			(n = 9) Côte d'Ivoire; Sri Lanka; Madagascar; Brazil; El Salvador; Haiti; Egypt, Arab Rep.; Jordan; Bangladesh	(n = 8) Bangladesh FY16– 20, Bolivia FY16–20, Côte d'Ivoire FY16–19, El Salvador FY16–19, Haiti FY16–19, Maldives FY16– 19, Serbia FY16–20, Uzbekistan FY16–20
2015				(n = 1) Egypt, Arab Rep. FY15–19

Source: International Finance Corporation and Independent Evaluation Group staff.

Note: CPF = Country Partnership Framework; CPSD = Country Private Sector Diagnostic; FY = fiscal year; IFC = International Finance Corporation; SCD = Systematic Country Diagnostic.

a. SCDs and CPFs for those countries with a CPSD or IFC Country Strategy.

Table A.2. Country Private Sector Diagnostics and International Finance Corporation Country Strategies Completed by December 31, 2021, by Country

Country	CPSD (n = 31)	IFC Country Strategy (n = 50)	SCD (n = 46) ^a	CPF (n = 50) ^a
Angola	2019	2019	2019	
Argentina		2019	2019	Argentina FY19–22
Armenia		2019	2018	Armenia FY19–23
Bangladesh	2021		2016	Bangladesh FY16–20
Bhutan		2019	2020	Bhutan FY21–24
Bolivia	2022			Bolivia FY16–20
Bosnia and Herzegovina		2022		Bosnia and Herzegovina FY16–20
Brazil		2020	2016	Brazil FY18–23
Burkina Faso	2020		2017	Burkina Faso FY18–23
Cambodia		2020		Cambodia CY19–23
Chad		2022		Chad FY16–20
China		2019		China FY20–25
Colombia		2022		Colombia FY16–21
Congo, Dem. Rep.		2020	2018	
Côte d'Ivoire	2021		2016	Côte d'Ivoire FY16–19
Dominican Republic		2019	2018	

Country	CPSD (n = 31)	IFC Country Strategy (n = 50)	SCD (n = 46)^a	CPF (n = 50)^a
Ecuador	2022		2018	Ecuador FY19–23
Egypt, Arab Rep.	2021	2021	2016	Egypt, Arab Rep. FY15–19
El Salvador		2021	2016	El Salvador FY16–19
Ethiopia	2019	2021		Ethiopia FY18–22
Fiji		2020	2017	Fiji FY21–24
Gabon		2021	2020	
Gambia, The		2022		
Ghana	2018	2019	2019	
Guinea	2021		2018	Guinea FY19–23
Haiti	2022	2021	2016	Haiti FY16–19
Honduras		2022		Honduras FY16–20
Indonesia	2020	2019	2020	Indonesia FY21–25
Jamaica		2019		
Jordan	2022		2016	Jordan FY17–22
Kazakhstan	2018	2020	2018	Kazakhstan FY20–25
Kenya	2020	2020	2021	
Kyrgyz Republic	2021		2019	Kyrgyz Republic FY19–22
Madagascar	2022	2020	2016	Madagascar FY17–21
Malawi	2022	2022	2019	
Maldives		2020	2021	Maldives FY16–19
Mali		2022		Mali FY16–19
Mexico		2019	2019	Mexico FY20–25
Mongolia		2019		Mongolia FY21–25
Morocco	2020	2019	2018	Morocco FY19–24
Mozambique	2021			Mozambique FY17–21
Myanmar	2020	2020	2020	Myanmar FY20–23
Nepal	2019		2018	Nepal FY19–23
Nigeria	2021	2020	2020	Nigeria FY21–25
North Macedonia		2019	2019	North Macedonia FY19–23
Pakistan	2021	2020	2021	
Papua New Guinea		2019	2018	Papua New Guinea FY19–23
Paraguay		2019	2018	Paraguay FY19–23
Philippines	2020	2019	2020	Philippines FY20–24
Rwanda	2019	2021	2019	Rwanda FY21–26
Senegal	2021	2019	2019	Senegal FY20–24
Serbia		2019	2020	Serbia FY16–20
Sierra Leone		2019	2018	Sierra Leone FY21–26
South Africa	2020	2019	2018	South Africa FY22–26
Sri Lanka		2021	2016	Sri Lanka FY17–20
Timor-Leste		2019	2018	Timor-Leste FY20–24

Country	CPSD (n = 31)	IFC Country Strategy (n = 50)	SCD (n = 46)^a	CPF (n = 50)^a
Turkey		2020	2017	Turkey FY18–21
Ukraine	2021	2020	2017	Ukraine FY17–21
Uzbekistan	2020	2020		Uzbekistan FY16–20
Vietnam	2022	2020	2017	Vietnam FY17–21

Source: International Finance Corporation and Independent Evaluation Group staff.

Note: CPF = Country Partnership Framework; CPSD = Country Private Sector Diagnostic; FY = fiscal year; IFC = International Finance Corporation; SCD = Systematic Country Diagnostic.

a. SCDs and CPFs for those countries with a CPSD and/or IFC Country Strategy.

Appendix B. Evaluation Design Matrix

Table B.1 describes the information, data, and methods required to answer the evaluation questions.

Table B.1. Evaluation Design Matrix

Key Questions	Information Required	Data Collection and Analysis Methods
<p>1.a. Have the CPSDs and IFC Country Strategies produced to date improved the identification of constraints on, and opportunities for, market creation and private capital mobilization at the country and sector levels?</p>	<p>Analysis of existing CPSDs and IFC Country Strategies to understand patterns in their organization, substantive coverage, methodologies, and applicability and adaptation to country or sector conditions and priorities (including information from corporate sector deep dives in the context of their use as inputs for CPSDs).</p> <p>Previous evaluations of the World Bank Group's outcome orientation at the country level, SOEs, <i>Doing Business</i>, joint implementation plans, and Bank Group joint projects.</p>	<ul style="list-style-type: none"> • Review of completed CPSDs and IFC Country Strategies to date. • Focused analysis of the treatment of key issues (such as competition, SMEs, SOEs) and key sectors (such as power, agribusiness) across CPSDs and IFC Country Strategies. • Country case studies. • Semistructured interviews of a broad range of staff, experts, and stakeholders. • Review of recent evaluative evidence covering IFC instruments and related topics.
<p>1.b. Have the CPSDs and IFC Country Strategies produced to date helped identify and select more strategic and effective advisory and investment opportunities for IFC?</p>	<p>Analysis of existing CPSDs and IFC Country Strategies to understand patterns in their applicability and adaptation to country or sector conditions and priorities (including information from corporate sector deep dives in the context of their use as inputs for CPSDs).</p> <p>Information on the sequencing and complementarity of CPSDs and IFC Country Strategies in particular countries and whether these instruments were followed by SCDs or CPFs.</p>	<ul style="list-style-type: none"> • Focused analysis of the treatment of key issues (such as competition, SMEs, SOEs) and key sectors (such as power, agribusiness) across CPSDs and country strategies. • Country case studies. • Semistructured interviews of a broad range of staff, experts, and stakeholders.
<p>2.a. Based on early experience, to what extent are CPSDs and IFC Country Strategies contributing to improved Bank Group country engagement and improved Bank Group collaboration for market creation and private sector participation?</p>	<p>Analysis of existing CPSDs and IFC Country Strategies to understand patterns in engagement within the Bank Group and with private sector participants.</p> <p>Relevance and perceived influence of CPSDs and IFC Country Strategies in Bank Group SCDs and CPFs (as viewed by Bank Group staff, key counterparts, clients, and other stakeholders).</p> <p>Previous evaluations of the Bank Group's outcome orientation at the country level, SOEs, <i>Doing Business</i>, joint implementation plans, and Bank Group joint projects.</p>	<ul style="list-style-type: none"> • Review of completed CPSDs and IFC Country Strategies to date. • Country case studies. • Semistructured interviews of a broad range of staff, experts, and stakeholders. • Review of recent evaluative evidence covering IFC instruments and related topics.

Key Questions	Information Required	Data Collection and Analysis Methods
2.b. Based on early experience, to what extent are CPSDs and IFC Country Strategies informing World Bank lending and advisory and MIGA guarantees for private sector development?	<p>Relevance and perceived influence of CPSDs and IFC Country Strategies in Bank Group SCDs and CPFs (as viewed by Bank Group staff, key counterparts, clients, and other stakeholders).</p> <p>Information from IFC portfolio or investment and advisory projects concurrent with and subsequent to CPSDs or IFC Country Strategies.</p> <p>Information on relevant loans and World Bank analytical and advisory work.</p>	<ul style="list-style-type: none"> • Portfolio analysis of IFC projects (both investment and advisory) and World Bank (loans and ASA). • Analysis of SCDs and CPFs.
3. Which characteristics of CPSDs and IFC Country Strategies (for example, country context, content, process issues) are associated with having a stronger influence on IFC, World Bank, and MIGA interventions?	<p>Information on the usage of CPSDs and IFC Country Strategies to identify and select advisory and investment opportunities.</p> <p>Information on the perceived influence of CPSDs and IFC Country Strategies in Bank Group SCDs and CPFs (as viewed by Bank Group staff, key counterparts, clients, and other stakeholders), and further exploration of the collaboration within the Bank Group on country engagement. In that regard, IEG will have to explore if CPSDs and IFC Country Strategies influenced Bank Group SCDs and CPFs.</p>	<ul style="list-style-type: none"> • Review of CPSDs and IFC Country Strategies to date. • Country case studies. • Semistructured interviews of a broad range of staff, experts, and stakeholders.
4. Are adequate monitoring and feedback mechanisms in place to assess the effects of CPSDs and IFC Country Strategies on private sector development objectives over the medium to long term?	<p>Information on the monitoring of CPSDs and IFC Country Strategies to assess their impact on private sector development and effectiveness in identifying advisory and investment opportunities.</p>	<ul style="list-style-type: none"> • Country case studies. • Portfolio analysis of IFC projects (both investment and advisory) and World Bank (development policy operations and ASA). • Semistructured interviews of a broad range of staff, experts, and stakeholders.

Source: Independent Evaluation Group.

Note: ASA = advisory services and analytics; CPF = Country Partnership Framework; CPSD = Country Private Sector Diagnostic; IEG = Independent Evaluation Group; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; SCD = Systematic Country Diagnostic; SME = small and medium enterprise; SOE = state-owned enterprise.