

## Approach Paper

# Mobilizing Private Capital for Development Through World Bank Group Guarantees, Fiscal Years 2015–24: An Independent Evaluation

May 29, 2025

## 1. The Challenge: Mobilizing Private Capital for Development

1.1 The World Bank Group strategy emphasizes that private capital is critical for the investments required to meet the Sustainable Development Goals (SDGs) in client countries (World Bank and IMF 2023). A large gap persists between the resources of governments and donors and the investment required to address development challenges. Estimates are that the COVID-19 pandemic set nations further off their 2030 trajectory (United Nations 2023), while fiscal space in many countries is increasingly constrained because of weak growth and rising debt burdens. The investment gap is estimated to be close to US\$4 trillion per year, with particularly large gaps in energy, water, and transport (UNCTAD 2023).

1.2 In recognition of this gap, multilateral development banks (MDBs) and other development institutions, donors, and governments have recognized the importance of giving priority to private finance. The adoption of the Hamburg Principles in 2017 was intended to provide a common framework for MDBs, including emphasis on strengthening countries' investment capacities and policy frameworks, enhancing private sector involvement and prioritizing commercial sources of financing, and enhancing the catalytic role of the MDBs in support of private sector participation (G20 IFAWG 2017). In 2023, the Group of Twenty Independent Experts Group called on MDBs to act to mobilize an additional US\$500 billion per year in private capital "aligned with the SDGs and climate goals" (G20 Independent Experts Group 2023, 21).

1.3 Financing development goals is especially challenging in lower- and middle-income countries. The International Monetary Fund estimated that raising tax revenue by 5 percentage points of GDP could meet only one-third of total additional needs for low- and lower-middle-income countries (Gaspar et al. 2019). Meeting the remaining gap in investment to reach the SDGs requires "a significant scale-up of private sector engagement in low- and lower-middle-income countries...facilitated by an enabling business environment" (Doumbia and Lauridsen 2019, 6). The World Bank concludes that "with rising fiscal constraints across many of our client countries and increased climate finance needs, we must find a way to attract more private capital" (Pesme et al. 2023). Yet low- and middle-income countries find it difficult to attract private capital that would support needed investments and accelerate economic growth because of a

perceived unattractive risk to return ratio for many developmentally beneficial investments.

## **2. The World Bank Group's Strategy and Role**

2.1 This evaluation takes place at a time when the Bank Group strategy positions it to play a key role in mobilizing private capital for development. The Bank Group has emphasized private capital mobilization<sup>1</sup> for development in the International Finance Corporation (IFC) 3.0 strategy, its Forward Look, its Mobilizing Finance for Development strategy, and, most recently, the Evolution Roadmap. For example, the cascade framework embraced in IFC 3.0, the Forward Look, and Mobilizing Finance for Development proposed that when commercial financing cannot be stimulated by upstream (policy, regulatory, and institutional) reforms, the Bank Group should deploy guarantees and risk-sharing instruments that can make the risks and returns of private investment acceptable.

2.2 Guarantees are central to the Bank Group's strategy for the Evolution Roadmap (World Bank and IMF 2023), which foresees the Bank Group enabling and mobilizing private capital to achieve development impact at scale. Emphasis on guarantees is rooted in recognition that they are vehicles to enable the substantial private investment required to meet the SDGs and confront development challenges. The Bank Group's Private Sector Investment Lab, tasked with developing approaches that can be implemented and scaled to effectively mobilize greater volumes of private capital to tackle the world's most pressing development challenges, concluded that the Bank Group should substantially increase the use of guarantees and improve their efficiency. Reflecting the new emphasis on guarantees, the Bank Group set a target in 2024 to grow annual guarantee issuances to at least US\$20 billion by 2030 (World Bank and IMF 2024).

2.3 In Bank Group strategy, guarantees are understood to be an "efficient and flexible way to mobilize private capital" (World Bank and IMF 2024, 11), which is a cost-effective use of Bank Group financial capital. They are positioned to reduce risk to private investors (improving the risk-return ratio), while better leveraging donor capital compared with direct financing. Guarantees may capitalize on Bank Group understanding of risks and its reputation and recourse to government (where relevant to the project), as well as its preferred creditor status. Guarantees may offer a demonstration effect yielding further investments and mobilization or catalyzation of private capital.

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<sup>1</sup> All forms of private capital mobilization are within scope, including from both international and domestic sources.

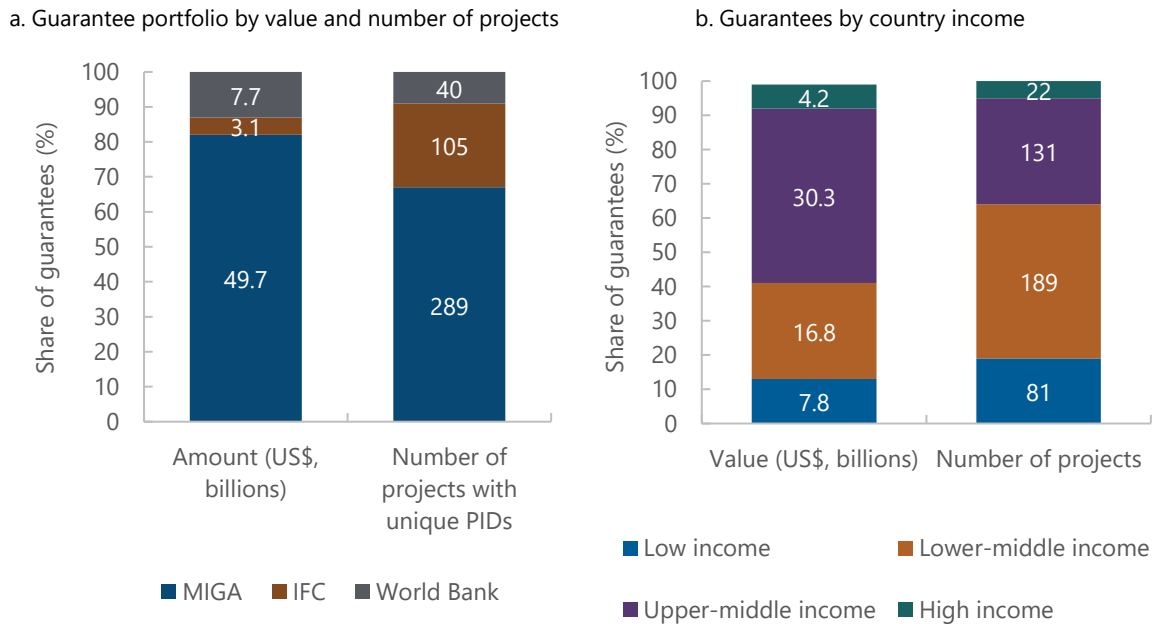
2.4 To prepare for a scale-up of guarantees and to make it easier for clients to work with the Bank Group, a guarantee platform was created, housed at the Multilateral Investment Guarantee Agency (MIGA). The guarantee platform is designed to offer a range of guarantee products and expertise, providing a one-stop shop for guarantees. The new platform aims to offer clients a choice from a user-friendly “menu of guarantee options” so that they “benefit from greater efficiency and innovative tools” (World Bank and IMF 2024, 11). This platform is new; thus, it is not the focus of this evaluation.

2.5 Each of the three institutions of the Bank Group has been using guarantees to finance development activities and mobilize private capital (figure 2.1).<sup>2</sup> Consistent with the scope of the evaluation, the Independent Evaluation Group (IEG) has made a preliminary identification of a portfolio of more than US\$60 billion in guarantees during the last decade (figure 2.1). The existing portfolio is dominated by MIGA guarantees, both in terms of value (82 percent) and number (67 percent), although by project numbers, IFC has a substantial role (24 percent). While guarantees within the scope of this evaluation constitute more than 98 percent of the MIGA portfolio, they constitute only 1.5 percent of Bank Group financing commitments and 1.2 percent of IFC financing commitments. Guarantee volume has grown in recent years, from more than US\$5 billion per year in FY 2021 to US\$7.3 billion in FY24. This was led by growth in MIGA political risk insurance.

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<sup>2</sup> Management notes that International Bank for Reconstruction and Development and IDA guarantees are a financing modality inherently linked to the development objective of an operation.

**Figure 2.1. World Bank Group Guarantee Portfolio by Institution and Country Income Category, FY15–24**



Source: Independent Evaluation Group preliminary portfolio review.

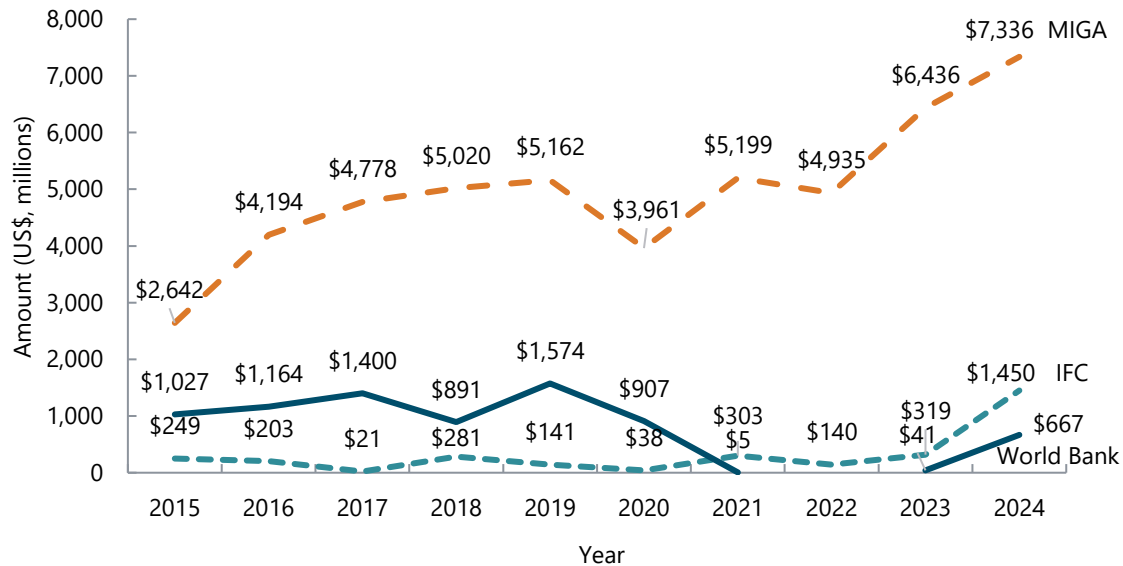
Note: MIGA projects can have multiple associated guarantees. Counting MIGA's portfolio by number of guarantees gives it 72 percent of the portfolio. Income levels are defined as those with a gross national income per capita, calculated using the World Bank Atlas method and the World Bank historical classification depending on the approval fiscal year for each guarantee project. The historical classification can be found at <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>. IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; PID = Project Information Document.

2.6 To date, guarantees have generated a much larger amount of financing for upper-middle-income and high-income countries than for lower-middle-income and low-income countries, especially regarding MIGA guarantees. By contrast, the majority of guarantee projects by number (as opposed to value) are in lower-middle-income and low-income countries. By number, countries classified as fragile and conflict-affected states benefit to a substantial extent from guarantees, especially those of MIGA. By value, guarantees in countries classified as fragile and conflict-affected states constitute less than 10 percent of the portfolio. In terms of sector, both by value and by number of projects, financial services, infrastructure and construction, and energy and mining dominate the portfolio.

2.7 Significantly, the past three fiscal years have seen a substantial increase in guarantee activity (figure 2.2). This has been led by growth in issuance of MIGA's political risk insurance. This growth has been dominated by activity in upper-middle-income countries and countries not classified as fragile and conflict-affected states.

Regionally, Latin America and the Caribbean and Europe and Central Asia have seen the greatest growth. At the same time, the Africa Region has strongly rebounded from a slump in FY21 and FY22, corresponding to the COVID-19 pandemic period. For the World Bank and IFC, growth in the most recent fiscal years includes a rebound since the end of the COVID-19 pandemic.

**Figure 2.2. Guaranteed Amount by Institution and Approval Fiscal Year**



Source: Independent Evaluation Group preliminary portfolio review.

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

### 3. Purpose, Objectives, and Audience

3.1 The main objective of this evaluation is to extract learning from the Bank Group's experience in using guarantees appropriately and effectively to support clients in their efforts to mobilize private capital for development purposes. It will cover the period of FY15–24 and guarantees issued by the World Bank, IFC, and MIGA. The evaluation builds on earlier IEG work (box 3.1), including its 2009 evaluation of Bank Group guarantees, although this evaluation is also different because the 2009 evaluation had a strong focus on whether or not the Bank Group should be in the guarantee business, whereas now the focus will be directly on what we can say about their performance. By examining guarantees in specific sectoral, country, and market contexts over time, this evaluation should provide deeper and more nuanced insights into the utility and outcomes of guarantees (and complementary activities) than the earlier work. This includes insights specific to particular guarantee instruments and examination of evidence of guarantees contributing to stated objectives around capital mobilization and the use of that capital for development. By capturing experiences longitudinally over

10 years in case study countries, the role of sequential and complementary activities can be accounted for.

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**Box 3.1. Earlier Independent Evaluation Group Evaluation Treating Guarantees**

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Earlier work found that guarantees can be developmentally relevant and effective, but that they have not achieved their potential, have not sufficiently scaled up, and have not met their objectives for stimulating flows of foreign direct investment. Further, past work has found room to strengthen coordination on guarantees among the three main institutions of the World Bank Group. In this regard, the 2009 evaluation, *The World Bank Group Guarantee Instruments 1990–2007*, offered an option closely resembling the current initiative to establish a shared guarantees platform. Past Independent Evaluation Group evaluations also recommended product innovation and adaptation, revisiting parameters of risk and eligibility.

Although the 2009 evaluation answered fundamental questions about the desirability, potential, and delivery of guarantees, many aspects of guarantees' relevance and effectiveness were not covered. This includes the alignment of guarantees with country and sector context and an examination of their concrete outcomes.

Sources: World Bank 2009, 2016, 2020, 2022a, 2022b, 2023.

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3.2 To assess Bank Group performance, the evaluation will examine the relevance, coherence, and effectiveness of its interventions, covering all those major guarantee instruments used by the Bank Group, which aim to mobilize private investment capital for development. It aims to cover the experience of Bank Group activities in this space, including the context and the mechanisms where desired outcomes were achieved. The evaluation will identify lessons applicable to the World Bank, IFC, or MIGA going forward by deriving evidence-based findings of what works, why, in what context, and for whom.

3.3 The primary audiences of this evaluation are (i) the Bank Group Boards of Directors, (ii) Bank Group management, and (iii) Bank Group staff. The evaluation findings will inform ongoing efforts to expand, streamline, and innovate the Bank Group's use of guarantees to mobilize private investment for development, including the work of the new guarantee platform. The findings of the evaluation will also be relevant to a secondary set of audiences—namely, (i) multilateral and bilateral agencies, donors, and private providers in the guarantee (or political risk insurance) business and (ii) government officials and public and private sector practitioners in client countries using or considering the use of guarantees.

## **4. Evaluation Scope**

4.1 This evaluation will focus on a decade (FY15–24) of the Bank Group global experience using guarantees to mobilize investment for development. It will cover

guarantee instruments designed to elicit financiers to invest private capital in projects and activities aiming to address key development challenges. It should provide a clear and up-to-date view of mechanisms and instruments. It will examine the relevance and coherence of the use of guarantees for the whole of the Bank Group and globally (last done in 2009, covering a portfolio of 1990–2007). Unlike the earlier work, it will not only capture the overall portfolio and global experience but will also provide depth and context for two sectors (see para. 5.9) and at least 10 countries to reflect different contexts and challenges. It will also focus more on assembling evidence regarding guarantees' effectiveness in mobilizing private capital for development in these different contexts.

4.2 The evaluation will exclude assessment of some guarantees and guarantee mechanisms. First, although this evaluation will derive lessons relevant for the new Bank Group guarantee platform (see para. 2.4), it is too soon to evaluate it. This platform, launched in July 2024, continues to establish itself, its modes of operating, and measures to harmonize and streamline its product offering. Typically, even early-stage evaluations have the benefit of two to four years of operation for their evaluand. Second, although it will cover guarantee projects using the International Development Association (IDA) Private Sector Window (PSW), this evaluation will not revisit the evaluation of the use, market development potential, and enabling factors of IDA PSW, PSW use, or IDA PSW's market development potential and enabling factors, which were addressed in *A Focused Assessment of the International Development Association's Private Sector Window: An Update to the Independent Evaluation Group's 2021 Early-Stage Assessment* (World Bank 2024).<sup>3, 4</sup> Third, it will not cover guarantees oriented toward trade transactions and other short-term, liquidity-oriented guarantees (including those provided by the Global Trade Finance Program, the Global Trade Liquidity Program, the Global Warehouse Finance Program, and the Global Supply Chain Finance Program),<sup>5</sup> focusing instead on mobilization of private investment.

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<sup>3</sup> In addition, Group Internal Audit has included coverage of the functioning of the platform on its work program, so this will be highly complementary.

<sup>4</sup> IDA PSW provides guarantees in support of certain IFC and MIGA activities and can provide relevant projects with loss protection up to an amount agreed on for each transaction or pool of transactions. For MIGA, IDA PSW provides either a first-loss guarantee or risk sharing that reduces the amount of risk that MIGA is insuring (World Bank 2024).

<sup>5</sup> For example, the Global Trade Finance Program offers confirming banks partial or full guarantees to cover payment risk on banks in the emerging markets. These guarantees are transaction specific and apply to letters of credit, trade-related promissory notes, and bills of exchange. The Global Trade Finance Program was separately evaluated by IEG in 2013.

4.3 The evaluation will add value in part by bringing new learning from multiple sources of evidence to bear on guarantees. The microevaluative basis for guarantees is limited. IEG estimates that of the approximately 433 projects in the FY15–24 Bank Group guarantee portfolio, to date, only 18 percent of IFC projects and 15 percent of MIGA projects were evaluated, but only 1 of the World Bank projects was evaluated. Where these self-evaluations have not taken place, IEG cannot validate. Nevertheless, these validation data are stronger for the earlier half of the period in scope and therefore are still a useful line of evidence. New evidence sources tapped in this evaluation—both individually and through triangulation (including through interviews, case studies, and document reviews)—should help fill in the partial view afforded by official reviews.

## 5. Conceptual Framework

5.1 The evaluation’s conceptual framework (figure 5.1) articulates the mechanisms through which the Bank Group addresses investment gaps using guarantees and complementary activities to mobilize private capital to advance development outcomes. It articulates a simplified causal chain from intervention to outcome and impact. At each stage, it makes explicit assumptions and conditions that may influence the core causal chain. This design of the conceptual framework enables the evaluation to focus on those assumptions and conditions, examining their role in practice.

5.2 Initially, the framework considers major guarantee instruments and complementary activities aimed to mobilize private capital for development. Guarantee instruments include MIGA political risk insurance and nonhonoring guarantees; IFC Risk-Sharing Facilities, synthetic risk transfers, and partial credit guarantees; and World Bank project-based and policy-based guarantees. (As mentioned, guarantees for working capital, including trade finance, fall outside the scope of this evaluation.) The value added of these guarantees is predicated on certain assumptions laid out in figure 5.1, first, based on the nature of barriers to private investment and, second, based on the sources of value added of guarantees and complementary activities to them.

5.3 The evaluation can then explore the link between these activities and private capital mobilization, through one or more of four main hypothesized channels, any of which may apply to a given context and guarantee:

- Addressing information failures by proposing projects, offering credit guarantees and risk-sharing arrangements backed by its reputation, government recourse, and different risk capacity;
- Improving the risk-return proposition of investments by mitigating risk (at an acceptable cost);

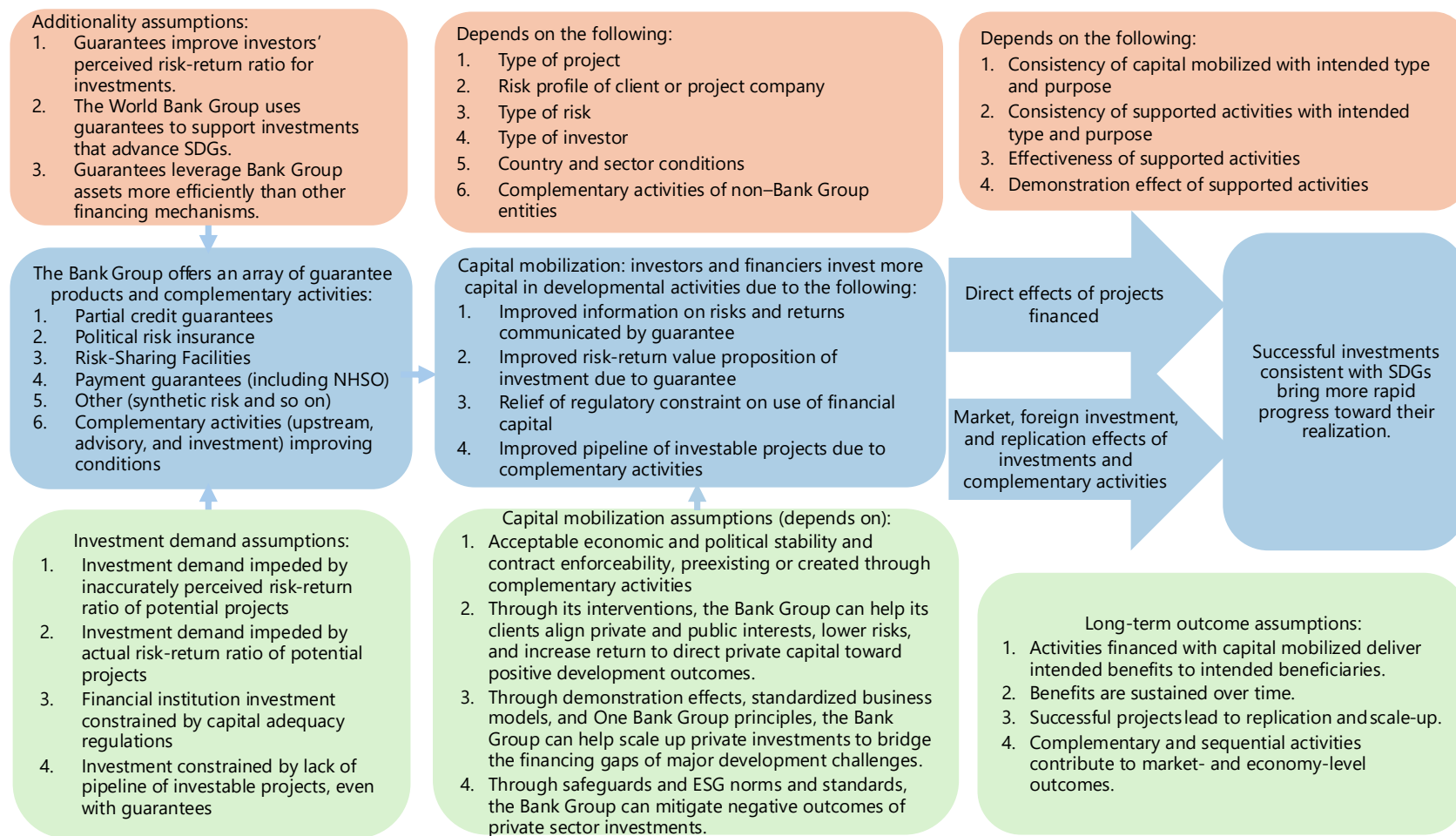


- Affording relief to regulated financial institutions and freeing up financial capital for lending in key sectors and countries; and
- Complementary analytic or advisory work, investments, or policy dialogue (for example, regarding power sector regulation or institutional arrangements) that improve conditions for or improve the pipeline of bankable projects.

5.4 Through these channels, it is expected that more private capital will be mobilized for development than would have been without guarantees. Yet the framework makes clear that this relationship and the specific channels will depend importantly on project, country and sector context, and characteristics. It also depends on assumptions about global conditions, direct and indirect effects, and environmental and social features of investments. In addition to mobilization of private capital, the model infers that the projects financed will produce benefits contributing to progress in the SDGs in general and core priorities in specific countries and that there will be wider market and foreign investment effects, including through demonstration effects.

5.5 The conceptual framework relies on several assumptions or preconditions that both shape and are shaped by activities in the framework. These include acceptable levels of political and economic stability, working institutions that support enforcement of contracts, and more. The country case studies are expected to yield rich information on the contextual conditions influencing the relevance and effectiveness of guarantees, as well as the interaction of sequential and complementary activities.

**Figure 5.1. Conceptual Framework for World Bank Group Guarantees**



Source: Independent Evaluation Group.

Note: The applicability of this framework to World Bank policy-based guarantees is limited. ESG = environmental, social, and governance; NHSO = nonhonoring of sovereign financial obligations; SDG = Sustainable Development Goal.

## Evaluation Questions

5.6 This evaluation seeks to answer three main questions regarding the relevance, coherence, and effectiveness of the Bank Group's use of guarantees globally over the past decade. They are as follows:

**Evaluation question 1.** How relevant and coherent has the design of Bank Group guarantees been in addressing the barriers to mobilizing private capital for development in key sectors and different country contexts?

Subquestions:

- 1.1. How well does the design of guarantees address barriers to private capital mobilization?<sup>6</sup>
- 1.2. How aligned are guarantees with Bank Group and country sectoral and regional priorities?
- 1.3. How well does the Bank Group ensure coherence and complementarity among its guarantee products and between guarantees and other Bank Group instruments, consistent with a One World Bank Group approach?

**Evaluation question 2.** To what extent is there evidence that the Bank Group's use of guarantees has been effective in enabling private capital mobilization? What has worked and what has not in which contexts?

Subquestions:

- 2.1. To what extent is private capital mobilization accurately and consistently measured and reported by the Bank Group across its guarantee portfolio?
- 2.2. How do guarantees mobilize private capital for the projects they supported? What factors explain success or failure?
- 2.3. What lessons can be derived to inform the Bank Group's plan to scale up guarantees for private capital mobilization, from
  - How the Bank Group is leveraging its balance sheet with guarantees while managing financial exposure?

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<sup>6</sup> Criterion iii (relief from regulatory constraints on the use of financial capital) applies only to the financial sector.

- How the Bank Group has been able to expand its client base for guarantees?

**Evaluation question 3.** What evidence is there that the Bank Group’s use of guarantees has contributed to positive market and development outcomes?

Subquestions:

- 3.1. To what extent do projects articulate clear market, foreign investment, and development outcomes and track and report them with relevant indicators?
- 3.2. What evidence is available to demonstrate that market, foreign investment, and development outcomes are associated with Bank Group guarantee interventions? What patterns emerge?

5.7 Answers to all three questions will inform lessons and recommendations on the future use, and Bank Group–envisaged scale-up, of guarantees to enable private capital mobilization for development.

## Evaluation Methods

5.8 The evaluation will apply mixed methods and triangulate multiple lines of evidence to address the evaluation questions. It includes a theory-based component and a case-based component, among others. The evaluation matrix explains the alignment between methods and the questions they seek to answer (table A.1). The evaluation will also address questions at different levels, including portfolio, instrument type, and country. In terms of sequencing, progress on the literature review and portfolio review is a prerequisite for finalizing the design of the case study component (see appendix A for further details).

5.9 The main components of the evaluation are as follows:

- **Literature review** of Bank Group and external literature on guarantees, focused on evidence of relevance and effectiveness associated with guarantees, including the following:
  - External publications on guarantees focused on their effect on private capital mobilization for development and on market development, as well as academic literature and research and evaluations by other MDBs and donors. This review may also shed light on the nature of investor demand for guarantees and the context in which they are most effective.

- Bank Group policy, research, and analytic documents on the use of guarantee instruments and their anticipated and realized relevance and effectiveness. IEG will also review relevant corporate and sector strategy documents.

The literature review will be supported by a consistent review protocol to identify and code information and will use artificial intelligence tools. It will be especially important for evaluation question 1 but will also help fine-tune the case study component design.

- **Portfolio review and analysis (PRA)** of all committed and evaluated Bank Group guarantees within the defined scope of products and years. (The evaluation team may extend coverage of evaluated projects to those evaluated within the focal period.) There is no sampling. The evaluation will use accepted instrument and sector categorizations. The portfolio identification strategy is explained in appendix A.

The PRA will cover the following:

- Patterns of use of guarantees by instrument, type of risk coverage, institution, sector, and country characteristics to inform analysis of relevance and coherence.
- Patterns and factors of performance of products, with capture of potential explanatory factors, to inform effectiveness analysis.

**Review of Country Partnership Frameworks.** Content analysis, aided by artificial intelligence, will be used to examine the treatment of guarantees and private capital mobilization in Bank Group country strategies. Data will be compared with data from the PRA on actual guarantees in those countries. The team will review Country Partnership Frameworks for a large cohort of diverse countries to understand how they frame the context and constraints, how they plan to use guarantees, and what the expected outcomes are. Through comparison with the actual portfolio, this work will also enable analysis of divergence between strategy and delivery.

- **Semistructured interviews** (starting from a common template of questions) with the following stakeholders:
  - Bank Group management and staff selected for knowledge of and experience with the use of guarantees regarding their relevance, efficiency, and effectiveness, including in specific sectoral and country contexts, the coherence of Bank Group use of guarantees, and the potential for scale-up.

- External stakeholders to inform analysis of relevance, including the following:
  - Multilateral, bilateral, and private providers of guarantees (as well as other donors and private financial and insurance companies), and
  - Investment banks and project financiers (users of guarantees and co-investors) on the role, use, and value of guarantees.
- **Case studies.** The case studies will be a key component:
  - The main unit of analysis for which will be the individual guarantee. This will produce at least 30 case studies, enabling qualitative comparative analysis (QCA). The QCA approach (box 5.1) will enable the team to identify the conditions that lead to private capital mobilization (or other outcomes) by examining how different configurations of conditions across multiple cases contribute to it. Using the guarantee as the unit of analysis lends itself to QCA-type analysis, especially to test the variables of interest robustly, for more than one instrument type, in different country contexts, in the two identified sectors (a higher number of factors of interest requires a higher number of cases).

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### Box 5.1. Qualitative Comparative Analysis

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The qualitative comparative analysis is an analytic technique used in identifying causal patterns through triangulation with results from other methods, integrating both quantitative and qualitative analysis. It draws on both the variable-oriented and case-oriented methodologies as a means of bridging quantitative and qualitative analysis (Cragun et al. 2015). It combines the use of quantitative techniques to identify patterns within one's data with in-depth qualitative understanding of the cases and subject matter being studied. The qualitative comparative analysis methodology uses Boolean algebra<sup>a</sup> to generate a set of inferences based on underlying data across multiple qualitative cases. Thus, the methodology generates findings that are generalizable across a wider population. It is based on two ideas: first, that change is often the result of different combinations of factors, rather than one individual factor, and, second, that different combinations of factors can produce similar changes.

*Sources:* Cragun et al. 2015; Rubinson et al. 2022.

*Note:* a. Boolean algebra is applied only in "crisp" qualitative comparative analysis models, in which variables take binary values. The evaluation team will discuss with the Methods Advisory team whether crisp set or fuzzy approach is more appropriate.

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- Data for the case studies will be collected through both physical missions and additional desk (virtual) missions, supplementing data emerging from the PRA and other analyses. It is anticipated that the sample will be grouped in 10 countries, as far as possible, to enable robust collection of contextual

factors there. While not all will require field missions, at least 4 countries will be included as physical missions. This effort will supplement the QCA with rich analysis for a subset of cases, bringing country and sector information to bear, including regarding coherence and change over time. In addition, these missions contribute data for other components, including sector and instrument analysis, and enhance diversity of semistructured interviewees.

- To better understand context, sequencing, and complementarity, project-level case studies will also be nested in up to 20 sector-within-country case studies. These case studies will capture the full engagement of the Bank Group and other key actors in the sector, as well as sectoral evolution, over the 10-year period of the evaluation, and country- and sector-related risk conditions as context for understanding the relevance and effectiveness of guarantees captured in the case studies.
- **Deeper sector analysis.** The analysis will draw together evidence from diverse sources (particularly portfolio review and case studies) within two key sector contexts (energy and financial sectors), covering guarantee relevance, risk and risk mitigation, cost efficiency, and development effectiveness:
  - The sectors have been purposively selected for predominance in portfolio and learning value to reflect a range of opportunities and challenges.
  - These are the top two sectors in terms of volume and number of projects, based on the Approach Paper portfolio review 40 percent sample. Each offers two substantial subsectors within them.
- **Instrument-focused analysis.** This analysis will draw together evidence, again from the data collection and analysis, on the leading six guarantee instruments to better understand their relevance, efficiency, and effectiveness. It will also allow consideration of innovative instruments alongside more traditional ones.
- **Analysis of private capital mobilization data and measurement.** Also drawing on the aforementioned components, to assess whether capital was mobilized for development, the evaluation will use the following approaches:
  - First, it will make use of the estimates generated by the World Bank, MIGA, and IFC using the agreed MDB methodology (reported in the Bank Group Corporate Scorecard and applied since FY18). The coverage of these estimates pertaining to guarantees is incomplete, and application of the methodology has evolved over time. IEG is discussing with its counterparts data availability and availability of substitutes. Given the uncertainties

around these data, the evaluation team (i) is not planning to rely on a large-scale econometric analysis and (ii) will include a subquestion on measurement.

- Second, the evaluation will explore the use of available databases to assess the link between Bank Group guarantees and private capital mobilization. These will be limited by the coverage of the data and not generalizable to the whole portfolio. Two such databases are as follows:
  - The Private Participation in Infrastructure database, made available by the Infrastructure Finance Global Department, provides historical information on more than 10,000 infrastructure projects, across 130 low- and middle-income countries, covering the 1990–2023 period. Project-level data record specific financial and nonfinancial information and any financial support from multilateral banks (including the Bank Group). The evaluation team will explore the feasibility of assessing whether projects supported by Bank Group guarantees attract greater private capital than similar projects that are not supported by Bank Group guarantees.
  - *Infrastructure Journal* has a comprehensive and up-to-date database, covering more sectors and countries on infrastructure projects. The team will access and use this database to triangulate findings from the Private Participation in Infrastructure database analysis.
- Third, the case studies will help identify whether guarantee interventions in the selected sectors within countries have generated capital flows. The evaluation will also yield qualitative insights into what types of guarantees appear associated with such flows in what contexts. Similarly, case studies will help identify sector- or market-level development outcomes.

5.10 The evaluation will generate learning about guarantees at four main levels, which also intersect:

- At the portfolio level, it will generate findings on the commonalities of guarantees, trends, and patterns.
- At the sector level, it will generate (and potentially contrast) findings on guarantees in the energy and the financial sectors.
- At the sector-within-country level, it will generate findings on the relevance and effectiveness of guarantees in different contexts (for example, stable versus fragile and deep versus shallow markets); sequences; and combinations.



- At the instrument level, it will generate (and contrast) findings on at least four and up to six leading instruments (political risk insurance, nonhonoring, investment project financing, and Risk-Sharing Facilities).

## **6. Staffing and Quality Assurance Process**

6.1 The evaluation will be prepared under the supervision of Carmen Nonay (director, Finance, Private Sector, Infrastructure, and Sustainable Development) and Penelope Jackson (acting manager, Private Sector, Finance, IFC and MIGA Evaluation Unit). The evaluation team includes Andrew Stone (adviser and lead evaluation officer and task team leader), Priyanka Jetwani (senior evaluation officer), Ridwan Bello (evaluation officer), and Mitko Grigorov (evaluation officer); the analyst team consisting of Soundarya Dundi, Maria Clemencia Monroy Hernández, Isra Hussain, Yulia Krylova, Xiaoyi “Baker” Lu, and Sanittawan Nikki Tan; and senior expert consultants on guarantees and risk. Romyne Pereira (program assistant) and Emelda Cudilla (temporary) will provide administrative support.

6.2 The Approach Paper and the evaluation will undergo IEG’s quality assurance processes, including internal IEG and Bank Group management review, a one-stop review meeting that also benefits from the Methods Advisory Function advice, and review by external peer reviewers. Regular interactions with Bank Group management are also anticipated to ensure factual accuracy and to maximize utility. This evaluation will be peer-reviewed by the following experts on guarantees (to be confirmed):

- Amer Baig, director of strategic investment partnerships, Green Climate Fund, and board member, Global Partnership for Sustainable Development Data;
- Laurence Carter, former senior adviser, Infrastructure, IFC, and former senior director, Infrastructure Finance, Public-Private Partnerships, and Guarantees, Bank Group;
- Manuel Moses, chief executive officer, African Trade & Investment Development Insurance, and former IFC country manager; and
- Daniel Villar (to be confirmed), former lead risk management officer, MIGA, and current adviser to the chief credit officer, World Bank (will review the report only).

Together, they bring diverse experience and global perspectives to the evaluation.

## **7. Evaluability, Limitations, and Mitigation**

7.1 Bank Group guarantees are amenable to evaluation using mixed methods and triangulation to mitigate limitations of information and analysis that can be gleaned from a single source. Certainly, there are hundreds of guarantee projects and country and sector experiences to draw on. The evaluation design matrix in appendix A provides details on the evaluation approach, including methods to answer each question, their limitations, and the mitigation approaches the evaluation team will take to address acknowledged constraints. Among the most important limitations are the following:

- Microevaluative data for guarantees are limited. According to IEG’s preliminary estimate, of the FY15–24 portfolio, to date, only 18 percent of IFC projects, 15 percent of MIGA projects, and less than 1 percent of World Bank projects were evaluated.
- Beyond direct mobilization in terms of financing or cofinancing of projects, data on mobilization and catalyzation of private investment are often limited. The MDB methodology, used to calculate private capital mobilization, began to be applied in 2017 but is not yet applied across the full portfolio of guarantees. The application of the methodology has evolved over time.
- Investments and market development may have multiple factors both advancing and constraining them. It may prove challenging to isolate the specific outcomes attributable to guarantees.
- Some interview candidates may be reticent to agree to interviews or may be circumspect in the information they disclose. In particular, private sector investment bankers and project financiers may pose challenges.
- The population of guarantees in scope is heterogeneous in nature and context, constraining the team’s ability to draw generalizable inferences.

7.2 To the extent possible, these limitations will be mitigated through rigorous methods, focusing on reliable subsets of data, triangulation of evidence between the multiple methods and data sources, purposive selection for case studies and interviews to ensure capture of key variables and variation, interview methods, and rich case studies. In addition, the team may be able to expand the evidence base of evaluated projects (see appendix A for further details).

## **8. Expected Outputs, Timeline, Resources, and Outreach**

8.1 The evaluation draft and IEG management review are planned for the second quarter of FY26. Bank Group management review and e-submission are planned for the fourth quarter of FY26. The main output will be a report.

8.2 With IEG's Knowledge and Communications unit, the evaluation team will develop an outreach plan in consultation with Bank Group staff. This plan may include internal and external dissemination through regional workshops in collaboration with partner organizations and online outreach tools.

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## Appendix A. Evaluation Design and Methods

Table A.1. Evaluation Matrix

Key Questions	Subquestions	Observable Implications	Information Sources and Data Collection	Data Analysis Methods	Risks and Mitigation Strategies
EQ 1. How relevant and coherent has the design of World Bank Group guarantees been in addressing the barriers to mobilizing private capital for development in key sectors and different country contexts?	EQ 1.1. How well does the design of guarantees address barriers to PCM?	There is evidence that the Bank Group's design of its guarantee products addresses one or more of the barriers to PCM in relevant sector and country contexts. Identified barriers are as follows: (i) investors' lack of accurate information, (ii) project risk-return profiles, (iii) capital constraints to financial institutions, and (iv) insufficient supply of bankable projects.	The sources include academic, institutional, and gray literature; portfolio of Bank Group guarantees; and interviews with Bank Group staff and external stakeholders.	The methods include (i) literature review to identify evidence and research on how guarantees address impediments to private capital flows to developing countries and emerging markets; (ii) portfolio review of approved and evaluated projects to identify patterns of use of guarantees by country and sector context, investor context, instrument, investment type, and types of barriers they address; and (iii) content analysis of semistructured interviews with staff, management, and stakeholders to establish how guarantees are being used and their appropriateness to and additionality in addressing key impediments, as well as the alignment and coordination of guarantee offerings.	Risks pertain to limited literature on guarantees, incomplete data on projects, and missing or limited microevaluation of some guarantee products and projects mitigated by supplementing the findings from interviews with Bank Group staff and government officials. Risks related to interviewee bias and limited access to key informants in private sector will be mitigated by increasing the number of stakeholders to be interviewed and by stakeholder identification and mapping.
	EQ 1.2. How aligned are guarantees with Bank Group and country sectoral and regional priorities?	There is evidence that there is a convergence with (or divergence from) the CPF in terms of the use of guarantees according to the priorities outlined in CPFs and sectoral and regional Bank Group strategic documents.	The sources include country strategy (CPF) and Bank Group-wide sectoral or regional strategies; portfolio of Bank Group guarantee projects (project approval documents, president's reports, board reports, XPSRs, PERs, and IEG Validation Notes); and interviews with internal and external stakeholders.	The methods include (i) review of CPFs to determine how guarantees fit into broader country and sector strategy; (ii) portfolio review of approved and evaluated projects to see if the use of these guarantees aligned with the Bank Group's strategic priorities and the development priorities of the client government; and (iii) country- and sector-level analysis of case study evidence to establish the relevance of guarantees in varying contexts and to determine how they fit into sequential and	There may be limited detail in CPFs on using guarantees or mobilizing private capital. To fill this gap, interviews with Bank Group staff and government officials will be used to gather additional information and will be triangulated with the use of guarantees in the portfolio.

Key Questions	Subquestions	Observable Implications	Information Sources and Data Collection	Data Analysis Methods	Risks and Mitigation Strategies
	EQ 1.3. How well does the Bank Group ensure coherence and complementarity among its guarantee products and between guarantees and other Bank Group instruments consistent with a One World Bank Group approach?	There is evidence that there are coherence and complementarity among the current guarantee product offerings, which address different clients' needs, and evidence that there are coherence and complementarity when guarantee is combined with other Bank Group financing instruments.	The sources include (i) interviews with Bank Group stakeholders, country government officials, and experts on guarantee products; (ii) data on complementarity and sequencing over the entire Bank Group portfolio, including guarantees (MIGA, World Bank, and IFC), World Bank lending, development policy operations, advisory services and analytics, and IFC investment services and advisory services; and (iii) in-depth data on project pipeline development in specific (country case) countries.	complementary country and sector interventions.  The methods include (i) case-based analysis of guarantees in selected countries, focusing on their coherence and complementarity with other products; (ii) content analysis of semistructured interviews with staff, management, government officials, and experts on guarantees to establish how guarantees are being used in relation to other guarantees and other Bank Group instruments; and (iii) portfolio review of approved and evaluated projects to identify the combinations of guarantee product offerings in countries and sectors.	Limited information on complementary activities in project documents will be mitigated by conducting interviews with relevant stakeholders.
EQ 2. To what extent is there evidence that the Bank Group's use of guarantees has been effective in enabling PCM? What has worked and what has not in which contexts?	EQ 2.1. To what extent is PCM accurately and consistently measured and reported by the Bank Group across its guarantee portfolio?	There is evidence that PCM is part of the results framework or is included as an indicator in projects in the portfolio, or whether and how the data are being tracked and reported at the project or the corporate level, and evidence that agreed PCM methodologies are being consistently applied.	The sources include (i) literature from multilateral development banks and other sources on how the calculation of PCM has evolved; (ii) data on PCM at the guarantee, project, and corporate levels; (iii) interviews with Bank Group stakeholders, country government officials, and experts on guarantee products; and (iv) data on PCM in PPP projects from the Private Participation in Infrastructure database.	The methods include (i) analysis of guarantee-related, project-specific PCM figures provided by the World Bank, IFC, and MIGA; (ii) portfolio review of evaluated projects to derive IEG-validated data on PCM; (iii) analysis of results frameworks and indicators of projects in the portfolio; (iv) quantitative analysis of Bank Group-generated measure of capital mobilization in PPP projects and comparison of those with and without Bank Group guarantees; (v) expert review of PCM mobilization methodology, changes over time, and coverage; and (vi) semistructured interviews of staff and key	Data on PCM are limited and are only available from 2018 onward. There may be some access to data issues due to the sensitivity of the PCM data. These risks will be mitigated by supplementing the data with third-party data, such as those from client companies, external data sources, and interviews with relevant stakeholders.

Key Questions	Subquestions	Observable Implications	Information Sources and Data Collection	Data Analysis Methods	Risks and Mitigation Strategies
	EQ 2.2. How do guarantees mobilize private capital for the projects they supported? What factors explain success or failure?	There is evidence that projects using guarantee as a financing instrument were able to mobilize private capital for development as evident in quantitative data (that is, amount of mobilized capital) or qualitative data from interviews. There are patterns by instrument, country and market type, sector context, and role of complementary or sequential activities.	The sources include (i) portfolio review and analysis (approval and evaluation documents) of Bank Group guarantees; (ii) interviews with Bank Group stakeholders, country government officials, private sector clients, and guarantee experts; (iii) data on PCM in PPP projects from the Private Participation in Infrastructure database; and (iv) other PCM data maintained by the Bank Group institutions on project-level capital mobilization.	stakeholders on how guarantee projects report and track PCM.  The methods include (i) individual guarantee project case studies and sector-within-country case studies to understand actual performance of guarantees in mobilizing capital, creating markets, and advancing development objectives; (ii) within individual project case study work, QCA applied to individual guarantee projects that will be used to unpack what causal mechanisms work in what context; (iii) expert review of PCM methodology, changes over time, and coverage; (iv) semistructured interviews with staff and key stakeholders on the effectiveness of the use of guarantees to mobilize PCM; (v) portfolio review of approved and evaluated projects to identify patterns of use of guarantees to mobilize private capital in various country and sector context; (vi) quantitative analysis of Bank Group-generated measure of capital mobilization in PPP projects and comparison with and without Bank Group guarantees; and (vii) cross-cutting analysis of sector and instrument bringing evidence from the portfolio review and analysis, case studies, interviews, and literature on effectiveness of the use of guarantees for capital mobilization in the context of several types of markets and activities.	As mentioned, there may be limited access to data, and data from country case studies might not be generalizable over the four categories (instrument, country, sector, and complementary activities). This will be mitigated by conducting a QCA on the level of the guarantees and by using third-party data sources and interviews with stakeholders.
	EQ 2.3. What lessons can be derived to inform the Bank Group's plan to scale up guarantees for PCM,	There is evidence from episodes where the Bank Group's use of guarantee as a financing instrument	The sources include (i) available data on the Bank Group's financial exposure stemming from guarantee	The methods consist of (i) analysis of PCM, including qualitative information from case studies and information on private capital flows in the selected	Risks include limited access to or the availability of relevant data on exposure, risk, and clients



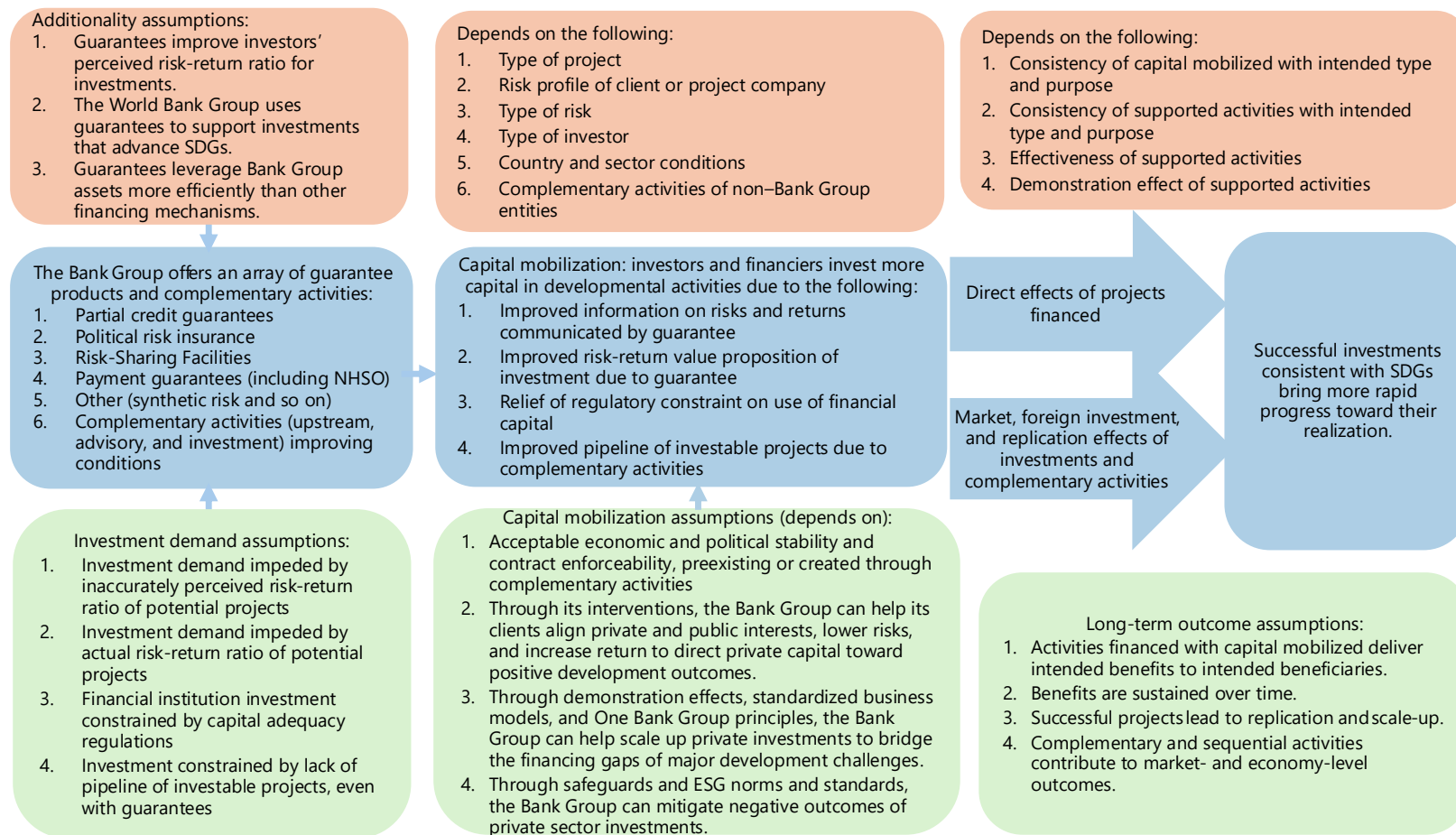
Key Questions	Subquestions	Observable Implications	Information Sources and Data Collection	Data Analysis Methods	Risks and Mitigation Strategies
	from (i) how the Bank Group is leveraging its balance sheet with guarantees while managing financial exposure? and (ii) how the Bank Group has been able to expand its client base for guarantees?	has increased over time in relation to the changing or similar level of financial exposure and risks, and evidence on Bank Group leveraging of its balance sheet with guarantees subject to its prudential practices.	products and its historical and current balance sheets; (ii) portfolio of Bank Group guarantees; and interviews with Bank Group stakeholders, country government officials, private sector clients, and guarantee experts.	sectors to identify association of guarantee interventions with capital flows, and qualitative comparison of how the Bank Group leverages balance sheet in using guarantees versus other guarantee providers (international financial institutions and private guarantors); (ii) semistructured interviews of Bank Group staff, key stakeholders, and experts on PCM, scale-up of the use of guarantees, risks, and financial exposure; (iii) country and sector case studies to understand actual performance of guarantees in mobilizing capital, creating markets, and advancing development objectives; (iv) within case study work, QCA that will be used to unpack what causal mechanisms work in what context; and (v) portfolio review of approved and evaluated projects focusing on risk and financial exposure.	due to its sensitivity and confidentiality. These risks will be mitigated by drawing evidence from interviews with Bank Group management, staff, and experts.
EQ 3. What evidence is there that Bank Group use of guarantees has contributed to positive market and development outcomes?	EQ 3.1. To what extent do projects articulate clear market, foreign investment, and development outcomes and track and report them with relevant indicators?	There is evidence that market (or for MIGA, foreign investment) and development outcomes were clearly stated in project documents, and evidence that there are relevant indicators included in the results frameworks to track development outcomes and that the results were properly monitored and evaluated.	The sources include (i) portfolio of Bank Group guarantees and (ii) results framework and indicator databases, such as ISR (the World Bank), AIMM (IFC), and IMPACT (MIGA).	The methods include (i) portfolio review of approved or evaluated projects providing information on performance of evaluated guarantees (IFC and MIGA only) and the types of outcomes they are intended to produce (the Bank Group); (ii) analysis of results frameworks and indicators of projects in the portfolio; and (iii) country and sector case studies to understand actual performance of guarantees in creating markets and advancing development objectives, and distribution of their benefits, with the use of QCA to unpack what mechanisms work in what context.	Risks mainly pertain to the weakness of monitoring and extremely limited outcome data on completed projects. These risks will be mitigated by gathering qualitative information from clients of guarantee projects via interviews. The results frameworks and indicator databases are usually incomplete, and the quantitative results sometimes are unavailable or unreliable. The team will conduct manual

Key Questions	Subquestions	Observable Implications	Information Sources and Data Collection	Data Analysis Methods	Risks and Mitigation Strategies
					document reviews to validate data pulled directly from databases.
	EQ 3.2. What evidence is available to demonstrate that market, foreign investment, and development outcomes are associated with Bank Group guarantee interventions? What patterns emerge?	There is evidence that projects supported by guarantees made a difference by creating positive market and development outcomes for clients, especially for projects that would not have gone through without guarantees.	The sources include (i) academic and gray literature focusing on the association between guarantees and market and development outcomes, and (ii) interviews with Bank Group stakeholders, country government officials, and clients.	The methods include (i) literature review identifying any empirical evidence of effect of guarantees (not only Bank Group guarantees) on development outcomes (positive or negative); (ii) semistructured interviews with staff and key stakeholders on the effectiveness of the use of guarantees, including direct market and development outcomes; (iii) country and sector case studies to understand actual performance of guarantees in creating markets and advancing development objectives (accounting for complementary Bank Group and external activities), and distribution of their benefits, with the use of QCA to unpack what mechanisms work in what context; and (iv) cross-cutting analysis of sector and instrument bringing evidence from the portfolio review and analysis, case studies, interviews, and literature on development effectiveness of the use of guarantees in the context of several types of markets and activities.	Literature on guarantees is small, and there may not be rigorous studies that link guarantees to market and development outcomes. Another risk may be limited information on outcomes and on the effects of complementary activities by the Bank Group or other actors. This risk will be mitigated by interviews with Bank Group staff and external experts on guarantee, as well as use of sector-within-country case studies. Some interviewees may have limited candor, which will be mitigated by targeting relevant stakeholders with adequate experience with guarantees and expanding the interviewee pool when necessary.

Source: Independent Evaluation Group.

Note: AIMM = Anticipated Impact Measurement and Monitoring; CPF = Country Partnership Framework; EQ = evaluation question; IEG = Independent Evaluation Group; IFC = International Finance Corporation; IMPACT = Impact Measurement and Project Assessment Comparison Tool; ISR = Implementation Status and Results Report; MIGA = Multilateral Investment Guarantee Agency; PCM = private capital mobilization; PER = Project Evaluation Report; PPP = public-private partnership; QCA = qualitative comparative analysis; XPSR = Expanded Project Supervision Report.

**Figure A.1. Conceptual Framework for World Bank Group Guarantees: Private Capital Mobilization Evaluation**



Source: Independent Evaluation Group.

Note: The applicability of this framework to World Bank policy-based guarantees is limited. ESG = environmental, social, and governance; NHSO = nonhonoring of sovereign financial obligations; SDG = Sustainable Development Goal.

## Overarching Principles

Three central principles guide the evaluation design: mixed methods, theory-based evaluation, and multilevel analysis. The evaluation will apply mixed methods and triangulate multiple lines of evidence to address the evaluation questions. It is theory based, rooted in the conceptual framework (figure A.1), and designed to focus on the assumptions and conditions underlying a simple causal chain. It draws substantially on a case-based component, which complements the portfolio review and analysis (PRA) and other methods. The evaluation matrix explains the alignment between methods and the questions they seek to answer (table A.1). In terms of sequencing, progress on the literature review and portfolio review is a prerequisite for finalizing the design of the case study component.

## Ensuring the Validity of Findings

The evaluation will adopt these measures to strengthen the validity of its findings:

- Use of standard templates and protocols, such as intercoder reliability to ensure consistency in evidence, including as applied to the portfolio review, semistructured interviews, and case studies;
- Triangulation of evidence across evaluation components and cross-checking (to the extent possible) within each source;
- External validation, including check-ins with identified World Bank Group counterparts and with expert consultants to the evaluation; once emerging findings are developed, they will also be validated with counterparts and experts; and
- Adherence to the human-in-the-loop principle by validating output generated by artificial intelligence (AI) in exercises where AI is used.

The main methodological components of the evaluation include the following:

- **Literature review** of Bank Group and external literature on guarantees, focused on evidence of relevance and effectiveness associated with guarantees, including the following:
  - External publications on guarantees that focus on their effect on private capital mobilization (PCM) for development and on market development. The Independent Evaluation Group (IEG) will review academic and gray literature, research, and evaluations by other multilateral development banks (MDBs) and donors.

- Bank Group policy, research, and analytic documents on the use of guarantee instruments and their anticipated and realized relevance and effectiveness. IEG will also review relevant corporate and sector strategy documents.
- The review of published literature will use IEG Methods Advisory Function guidance on structured literature reviews. The literature review will be supported by a consistent review protocol to identify and code information. It will be especially important for evaluation question 1 but will also help fine-tune the case study component design. It will seek to augment human review with AI where feasible.
- **PRA** of all guarantees issued by the Multilateral Investment Guarantee Agency (MIGA), the International Finance Corporation (IFC), and the World Bank that were approved or committed between July 1, 2014, and June 30, 2024 (FY 2015–24), with project status of either active or closed. The portfolio excludes any trade finance guarantees and other guarantees used for mobilizing working capital and short-term liquidity support because these fall outside the evaluation scope. The evaluation team used different data sources to identify projects for each institution. The data extraction is as of August 2024.
  - For World Bank projects using guarantees, the team referred to Standard Report P1.6 “Guarantees.”
  - For IFC, a list of projects was compiled from several IFC *Business Intelligence* reports, including only those with a guarantee commitment greater than zero, while excluding short-term finance, short-term guarantees, short-term loans, and the Global Trade Finance Program.
  - For MIGA, relevant projects were identified using a list published on the Bank Group Finances One website, including all projects with a start date between July 1, 2014, and June 30, 2024.

The resulting portfolio comprises 40 World Bank projects, 105 IFC projects, and 289 MIGA projects, totaling 434 projects (table A.2). Initial identification of the portfolio is being confirmed with identified counterparts in the Bank Group. The team may extend the capture of evaluated projects to include those evaluated within the focal period, even if they were approved or committed before the evaluation period began. There are eight main guarantee products covered by the evaluation (table A.3).

**Table A.2. Distribution of Project Counts and Amount by Institution**

<b>Institution</b>	<b>Count of Projects (no.)</b>	<b>Proportion of Projects (%)</b>	<b>Total Amount (US\$, billions)</b>	<b>Proportion of Amount (%)</b>
World Bank	40	9	7.7	13
IFC <sup>a</sup>	105	24	3.1	5
MIGA	289	67	49.7	82
Total	434	100	60.5	100

*Sources:* IFC *Business Intelligence* reports, World Bank Standard Report P1.6, World Bank Group Finances One.

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

a. Twenty-nine percent ( $n = 30$ ) of IFC projects are subprojects under the Small Loan Guarantee Program platform.

**Table A.3. Description of Major In-Scope World Bank Group Guarantee Products by Institution**

Instrument	Institution	Purpose	Scope	Use Case	Key Beneficiaries	Inferred Theory of Change
Partial risk guarantees	IBRD	Mitigate risks of policy, regulatory, or contractual breaches by governments or public entities.	Cover losses for private investors or lenders due to government nonperformance.	Infrastructure projects in sectors such as power, transport, and water	Private investors and lenders	Mitigates risks that deter private sector investment in infrastructure projects. By covering losses due to government or regulatory failures, partial risk guarantees enhance investor confidence, enabling private capital mobilization and leading to successful financing and implementation of infrastructure projects, improved service delivery, and economic resilience. Long-term impact includes economic growth, sustainable development, and enhanced infrastructure accessibility in developing markets.
Policy-based guarantees	IBRD	Support reforms by guaranteeing borrowing from private lenders or bondholders.	Cover credit risks associated with repayment obligations of a sovereign borrower.	Development policy operations	Sovereign borrowers	Enhances sovereign creditworthiness to support policy reforms by enabling governments to access financing for development policy operations. This leads to improved economic governance, policy effectiveness, and fiscal stability. In the long run, policy-based guarantees aim to contribute to sustainable economic growth, institutional resilience, and better public service.
MIGA guarantees (political risk insurance)	MIGA	Mitigate noncommercial risks such as expropriation, conflict, or currency inconvertibility	Protect against expropriation, breach of contract, currency inconvertibility, and more.	Facilitate private investments in emerging markets.	Private investors and lenders	Reduces noncommercial risks that deter private investment in emerging markets. PRI enhances investor confidence, encouraging foreign direct investment. This leads to increased economic activity, job creation, and infrastructure development. Over time, PRI contributes to sustainable growth and poverty reduction.

Instrument	Institution	Purpose	Scope	Use Case	Key Beneficiaries	Inferred Theory of Change
Nonhonoring of sovereign financial obligations	MIGA	Mitigate risk from a failure by a sovereign, subsovereign, or state-owned enterprise to make a payment when due.	Covers losses resulting from a government's failure to make a payment. It does not require an arbitral award. Compensation is based on the amount that the guarantee holder is entitled to recover from the host government pursuant to terms of the obligation.	Facilitate private sector investment and financing to sovereign and subsovereign entities for development projects.	Private investors and lenders exposed to the risk of a government failing to meet its financial obligations. These include foreign investors in infrastructure and development projects and financial institutions lending to sovereign-backed initiatives.	Mitigates the risk of governments failing to meet financial commitments. Nonhonoring of sovereign financial obligations boosts investor confidence, leading to increased private sector investment in sovereign-backed projects. This fosters economic stability and supports sustainable development in emerging markets.
IFC Risk-Sharing Facilities	IFC	Enable financial institutions to lend by sharing credit risks.	Partial guarantees for financial institutions' loan portfolios	Expand lending for infrastructure, SMEs, climate finance, and trade finance.	Local financial institutions, enabling them to lend to underserved markets	Aims to increase lending to high-risk sectors, such as SMEs, climate finance, and infrastructure, by sharing credit risk with financial institutions. This encourages banks to extend credit to underserved markets, boosting investment in priority sectors. As a result, Risk-Sharing Facilities foster financial inclusion and economic growth. Over time, this leads to enhanced resilience, social development, and greater investment in sustainable development.
Partial credit guarantees	IFC	Enhance the creditworthiness of debt instruments by mitigating credit risks.	Provide an irrevocable commitment to cover principal and interest payments up to a predetermined amount, often covering 100% of each debt service payment within a set limit.	Facilitate market access, extend tenors, and diversify funding sources for borrowers.	Subnational entities, state-owned enterprises, private sector borrowers, and financial institutions. Does not cover sovereign risk.	Improves the creditworthiness of sovereign and subnational borrowers, enabling them to access financing for development projects. By providing irrevocable credit guarantees, partial credit guarantees help borrowers secure better terms and longer debt tenors. This encourages increased investment in key infrastructure and development projects and ultimately contributes to financial stability and economic growth.



Instrument	Institution	Purpose	Scope	Use Case	Key Beneficiaries	Inferred Theory of Change
Synthetic risk transfer	IFC	Transfer credit risk from IFC's portfolio to private investors, freeing IFC's capital for new investments.	Covers a portion of losses on designated portfolios of financial institutions, enabling them to manage their regulatory capital.	Enhance IFC's lending capacity by reducing risk-weighted assets.	Institutional investors, IFC, and financial institutions	Enables financial institutions to manage and mitigate credit risk by transferring part of the risk associated with their portfolios to third parties. Synthetic risk transfer helps banks and investors free up capital, allowing them to extend more credit to high-risk sectors such as SMEs and infrastructure. This increased lending stimulates economic growth and development in underserved markets. Over time, synthetic risk transfer contributes to enhanced financial resilience and to financial inclusion.
Unfunded portfolio guarantee	IFC	Provide credit risk protection on a portfolio of assets without requiring up-front cash funding.	Offers partial risk coverage for loan portfolios, supporting lending expansion.	Support financial institutions in expanding lending to SMEs, climate projects, and emerging markets.	Banks, financial institutions, and lenders in emerging markets	Enables financial institutions to expand their lending capacity by providing guarantees on a portfolio of loans rather than individual loans. By covering a portion of the credit risk across a portfolio, unfunded portfolio guarantees encourage banks to lend more to higher-risk sectors such as SMEs and infrastructure. This drives increased investment in priority sectors, promoting financial inclusion and economic development. Over time, unfunded portfolio guarantees strengthen financial sector resilience and support sustainable growth.

*Sources:* Independent Evaluation Group preliminary portfolio review; World Bank Group website.

*Note:* IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; PRI = political risk insurance; SMEs = small and medium enterprises.

The PRA adheres to the IEG methodological guidance on the treatment of portfolio. During the Approach Paper stage, the evaluation team conducted a limited and comprehensive review of a representative sample of projects from the portfolio. The team took a stratified sample at a 90 percent confidence level with a 5 percent margin of error. The selected strata included institutions (the World Bank, IFC, and MIGA), Region, country income level, and fragile and conflict-affected situations status. Using the Cochran formula, it was determined that 165 projects were needed for the sample. An additional 5 projects were selected as a buffer, resulting in a total review of 170 projects. After the evaluation stage, this comprehensive review will be expanded to cover the entire portfolio. The team will also leverage AI to aid the review process.

The PRA covers the following:

- Patterns of guarantee use by instrument, institution, sector, and country characteristics to inform analysis of relevance and coherence;
- Patterns and factors of performance of products, with capture of potential explanatory factors, to inform effectiveness analysis; and
- Theory of change, results frameworks, and indicators that track PCM and project development outcomes.

Portfolio data will also contribute to other methods, including analysis of PCM and case studies.

- **Review of Country Partnership Frameworks (CPFs).** To examine the use of guarantees for PCM and for achieving broader development outcomes in country strategies, IEG will review CPFs and Completion and Learning Review Validations.<sup>7</sup> The large cohort will ensure inclusion of countries in which guarantees have been well used and in which the Bank Group has faced more challenges in deploying the instrument. The team will develop a structured template to extract data and will use AI to aid content analysis, where possible. The team will develop a quality assurance protocol to validate the output from AI, using human review. This exercise will contribute evidence on the relevance of guarantees to Bank Group strategic aims, coherence, their role, and their sectoral contribution. Qualitative and quantitative data from CPF and Completion and Learning Review Validation reviews will be triangulated with data from interviews with Bank Group staff and from PRA on actual guarantee

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<sup>7</sup> The Completion and Learning Review Validation (CLRV) was called the Completion and Learning Review Review (CLRR) before May 1, 2023. No change was made to the methodology.

operations in those countries. Through comparison with the actual portfolio, this work will shed light on the convergence and divergence between strategy and delivery.

- **Semistructured interviews.** Semistructured interviews with key informants (internal and external to the Bank Group) will be conducted on a purposively selected group based on their knowledge of guarantee products, experience, applications, and performance, either generally or in specific case contexts. Interviews will be conducted using a common template of questions to probe key issues of guarantee relevance and effectiveness. Respondents will include the following:
  - Bank Group management and staff selected for knowledge of and experience with the use of guarantees regarding their relevance and effectiveness, including in specific sectoral and country contexts, and the coherence of the Bank Group use of guarantees.
  - External stakeholders to inform analysis of relevance, including the following:
    - Multilateral, bilateral, and private providers of guarantees (as well as other MDBs, donors, and private financial and insurance companies), and
    - Investment banks and project financiers (users of guarantees) on the role, use, and value of guarantees.
- **Case studies.** The case studies will be a key component (the main unit of analysis for which will be the individual guarantee). This will allow about 30 case studies, enabling qualitative comparative analysis (QCA). The QCA approach (box 5.1) will enable the team to identify the conditions that lead to PCM (or other outcomes) by examining how different configurations of conditions across multiple cases contribute to it. Using the guarantee as the unit of analysis lends itself to QCA-type analysis, especially to test the variables of interest robustly, for more than one instrument type, in different country contexts, in the two identified sectors (a higher number of factors of interest requires a higher number of cases). The conceptual framework (figure A.1) plays a key role in identifying those factors of interest; stakeholder agreement on conditions and assumptions named will be a vital step in finalizing the QCA design.

Data for the case studies will be collected through both physical missions and desk missions, in supplement to data emerging from the PRA and other analyses. It is anticipated that the sample will be grouped in 10 countries to enable robust

collection of contextual factors there. These countries will be selected to ensure coverage of varying country contexts. On finalization of key parts of the PRA, the proposed approach will be validated or revisited based on a robust sampling framework, which examines (i) country diversity, (ii) instrument coverage, and (iii) sector coverage.

Not all cases will require field missions; it is anticipated that up to 5 countries will be included as physical missions, covering diversity in country context. This effort will supplement the QCA with richness of analysis for a subset of cases. In particular, this will provide evidence on coherence and complementarity and on change over time. In addition, these missions provide a means to supplement data for other components, including the sector and instrument analysis, and they also enable greater diversity for semistructured interviewees.

Visited countries will be purposively selected to maximize learning; to reflect different risk environments, instruments, country income level and fragility status, institutional capacity, and stages of capital market development; and to achieve regional coverage. Practical considerations, including burden on Country Management Units for countries already receiving IEG missions in the past 12 months, will also be relevant.

To better understand context, sequencing, and complementarity (including through partnerships), project-level case studies will also be nested in up to 20 sector-within-country case studies. These will help understand actual performance of guarantees in mobilizing capital, creating markets, and advancing development objectives, allowing for complementary or constraining activities and events.

- **Deeper sector analysis.** This analysis will draw together evidence from multiple evidence sources within two key sector contexts (energy and financial sectors), covering guarantee relevance, risk and risk mitigation, cost efficiency, and development effectiveness:
  - The sectors have been purposively selected for predominance in portfolio and learning value to reflect a range of opportunities and challenges.
  - These are the top two sectors in terms of volume and number of projects, based on the Approach Paper portfolio review 40 percent sample.
- **Instrument-focused analysis.** The analysis will draw together evidence on the leading six guarantee instruments to better understand their relevance, efficiency, and effectiveness. These include MIGA political risk insurance and

nonhonoring products, IFC Risk-Sharing Facilities and synthetic risk transfer, and World Bank project-based and policy-based guarantees.

- **Analysis of PCM data and measurement.** Drawing on the aforementioned components, this analysis will assess whether and to what extent capital was mobilized for development. It will use the following approaches:
  - First, it will make use of the estimates generated by the World Bank, MIGA, and IFC using the agreed MDB methodology (used for reporting in the Corporate Scorecard) and applied since FY18. Since FY18, the World Bank has monitored PCM for its relevant projects. The team has identified a website established by Operations Policy and Country Services that provides (ex ante) project-level mobilization data for guarantees. To date, this covers 20 World Bank guarantees, applying the MDB-agreed methodology. Because IFC and MIGA are also reporting aggregate values at the institutional level, IEG is requesting from IFC and MIGA counterparts similar project-level data on PCM for guarantees, which they treat as confidential. Unfortunately, the coverage of these estimates is unclear, and the methodology has been revised over time. IEG is discussing with the counterparts their availability or reasonable substitutes. Given the question marks around these data, the evaluation is not planning a large-scale econometric analysis. Given the challenges already identified around PCM data, the evaluation includes a subquestion on measurement, and the team will enlist external expertise to examine how capital mobilization can and should be conceptualized and measured.
  - Second, the evaluation will explore the use of available databases to assess the link between Bank Group guarantees and PCM. These will be limited by the coverage of the data and not generalizable to the whole portfolio. One such database is the Private Participation in Infrastructure database, made available by the Infrastructure Finance Global Department. The Private Participation in Infrastructure database provides information on more than 10,000 infrastructure projects, across 130 low- and middle-income countries, covering the 1990–2023 period. For each project, the database records project-specific financial and nonfinancial information, including whether projects received financial support from multilateral banks (including the Bank Group), and the type of support received (that is, loan, equity, or guarantee). The evaluation team will explore the feasibility of using these data (or a more homogeneous subset on energy generation) to assess the association of guarantees with PCM and to compare whether projects supported by Bank Group guarantees attract more private capital (or more capital per dollar of

financing) than similar projects in similar contexts that are not supported by Bank Group guarantees.

- Third, the case studies will help identify whether guarantee interventions in the selected sectors and countries have generated capital flows. The evaluation will also yield insights into what types of guarantees appear associated with such flows in what contexts. However, this evidence is expected to be primarily qualitative.
- Fourth, the evaluation provides an opportunity to consider ex post evaluation of PCM—what is the current state of practice, how PCM is attributed to guarantees, and what challenges or gaps remain to be addressed.
- Finally, the evaluation will use the portfolio review and case studies to explore outcomes of guarantees beyond PCM. The team will analyze the results indicators being used in project documents and evaluations by the various institutions as a starting point. From the case studies and interviews, it will develop an understanding of the types of outcomes expected—for example, in terms of subsequent market and any attributable jobs and growth or other development outcomes. This analysis should capture evidence of both positive and negative outcomes. In addition, the team can compare the alignment of guarantees’ stated outcome objectives with those of relevant CPFs and any other strategy documents.

## Evaluation Levels

The evaluation will generate learning about guarantees, including their relevance, coherence, effectiveness, and efficiency (box A.1) at four main levels:

- At the portfolio level, it will generate findings on the commonalities of guarantees.
- At the sector level, it will generate (and potentially contrast) findings on guarantees in the energy and the financial sectors.
- At the market (country and sector) level, it will generate findings on the relevance and effectiveness of guarantees in different contexts (for example, stable versus fragile and deep versus shallow).
- At the instrument level, it will generate (and contrast) findings on the six leading instruments detailed in this appendix.

## Box A.1. Definitions of Evaluation Criteria

The Organisation for Economic Co-operation and Development's Development Assistance Committee Network on Development Evaluation has defined six evaluation criteria, four of which (relevance, coherence, effectiveness, and efficiency) are applied in this evaluation. These are defined as follows:

**Relevance.** Is the intervention doing the right things? The extent to which the intervention objectives and design respond to beneficiaries' global, country, and partner or institution needs; policies; and priorities, and continue to do so if circumstances change.

**Coherence.** How well does the intervention fit? The compatibility of the intervention with other interventions in a country, sector, or institution.

**Effectiveness.** Is the intervention achieving its objectives? The extent to which the intervention achieved, or is expected to achieve, its objectives and its results, including any differential results across groups.

**Efficiency.** How well are resources being used? The extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way.

Source: OECD 2019.

Table A.4 indicates which of the evaluation components will generate evidence at each level.

**Table A.4. Evaluation Components and Levels**

Level or Component	Evaluation Subquestion Number							
	1.1	1.2	1.3	2.1	2.2	2.3	3.1	3.2
Portfolio level								
Literature review	✓							
PRA	✓	✓	✓	✓	✓	✓	✓	✓
CPF review		✓	✓					
Semistructured interviews	✓	✓	✓	✓	✓	✓	✓	✓
Case studies—guarantee	✓	✓	✓	✓	✓	✓		✓
Case studies—country		✓	✓	✓	✓	✓		✓
Sector analysis		✓				✓		✓
Instrument analysis	✓		✓			✓		
PCM analysis				✓	✓	✓		
Outcome analysis							✓	✓
Sector level								
Literature review	✓							
PRA		✓		✓	✓	✓		✓
CPF review		✓	✓					
Semistructured interviews	✓	✓	✓	✓	✓	✓	✓	✓

Level or Component	Evaluation Subquestion Number							
	1.1	1.2	1.3	2.1	2.2	2.3	3.1	3.2
Case studies—guarantee	✓		✓	✓	✓	✓		✓
Case studies—country		✓	✓		✓	✓		✓
Sector analysis		✓			✓	✓		✓
Instrument analysis	✓		✓			✓		
PCM analysis				✓	✓	✓		
Outcome analysis							✓	✓
Instrument level								
Literature review	✓							
PRA		✓		✓		✓		✓
CPF review		✓						
Semistructured interviews		✓	✓	✓	✓	✓		✓
Case studies—guarantee	✓		✓	✓	✓	✓		✓
Case studies—country			✓		✓	✓		✓
Sector analysis		✓			✓	✓		✓
Instrument analysis	✓		✓			✓		
PCM analysis				✓	✓	✓		
Outcome analysis							✓	
Market and country								
Literature review	✓							
PRA	✓	✓	✓		✓	✓	✓	✓
CPF review		✓	✓					
Semistructured interviews	✓	✓	✓	✓	✓	✓	✓	✓
Case studies—guarantee	✓	✓	✓	✓	✓	✓		✓
Case studies—country		✓	✓	✓	✓	✓		✓
Sector analysis		✓				✓		✓
Instrument analysis								
PCM analysis				✓	✓	✓		
Outcome analysis								✓

Source: Independent Evaluation Group.

Note: CPF = Country Partnership Framework; PCM = private capital mobilization; PRA = portfolio review and analysis.

## Evaluability, Limitations, and Mitigation

Bank Group guarantees are amenable to evaluation using mixed methods and triangulation to mitigate limitations of information and analysis that can be gleaned from a single source. Certainly, there are hundreds of guarantee projects and country and sector experiences to draw on. The design matrix (table A.1) elaborates on the evaluation approach, including methods to answer each question and their limitations, and the mitigation approaches the team will take to address acknowledged constraints. The most important limitations are outlined in table A.5.



**Table A.5. Risks and Mitigation Measures**

Risk	Mitigation(s)
<p>Limited microevaluation of guarantee projects: according to the Independent Evaluation Group's preliminary estimate, of the FY15–24 portfolio, to date, only 18% of IFC projects, 15% of MIGA projects, and less than 1% of World Bank projects were evaluated.</p>	<p>The team is investigating the extent to which (i) evaluative information on World Bank Group guarantees is nested within Implementation Completion and Results Reports for associated investment project financing and (ii) whether dividing the evaluation period into two parts of five years, or including projects closing, not only approved in the period, will allow sufficient coverage to increase the robustness of validation data in the earlier period.</p>
<p>Data on outcomes, including on PCM, are limited. First, estimates of ex ante PCM have not been consistently generated over the evaluation period and are not disclosed by IFC and MIGA. Ex post estimates of PCM are rarely generated, and approaches vary. Beyond direct mobilization in terms of financing or cofinancing of projects, data on mobilization and catalyzation of private investment are often incomplete or missing. The methodology used to calculate PCM has changed over time and is not yet applied across the full portfolio. Evidence on development outcomes is even more scarce.</p>	<p>The evaluation design (and the use of primary data collection to complement secondary data via case studies) has been chosen in part because of this limitation. In addition, the team is investigating (i) using pockets of reliable data (without inferring external validity) and (ii) retrofitting the portfolio with the more recently agreed PCM methodology.</p>
<p>Interviews are subject to a variety of potential biases.</p>	<p>Interviewees will be selected from a range of mapped stakeholder groups, interview protocols will be used to maximize factual and structured discussion, and interview data will be coded and triangulated with other data.</p>
<p>The volume of academic peer-reviewed literature on guarantees is limited, whereas gray literature, although more abundant, is not always rigorous.</p>	<p>The literature review's role is limited to a subquestion, and to inform design, it will be triangulated.</p>
<p>The population of guarantees in scope is heterogeneous in nature and context, constraining the team's ability to draw generalizable inferences.</p>	<p>The portfolio review and the case studies will ensure that the different instrument types are brought out to allow for comparison. Generalization will not be made from findings specific to one instrument.</p>

Source: Independent Evaluation Group.

Note: IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; PCM = private capital mobilization.

## Reference

OECD (Organisation for Economic Co-operation and Development). 2019. *Better Criteria for Better Evaluation: Revised Evaluation Criteria Definitions and Principles for Use*. OECD.