Approach Paper

The International Finance Corporation's and Multilateral Investment Guarantee Agency's Support for Private Investment in Fragile and Conflict-Affected Situations

June 4, 2020

1. Background and Context

1.1 In countries affected by fragility, conflict, and violence (FCV),[1] the private sector can play a critical role in providing jobs and income. Inclusive and sustainable economic growth led by private investment can help heal grievances stemming from economic exclusion. Although the private sector in fragile environments and in conflict is often informal, constrained, and distorted and may involve entities that are parties to conflict, it is essential for providing livelihoods, income, and services to people.

1.2 Accordingly, the new World Bank Group FCV strategy emphasizes the importance of the private sector and private investment for sustainable development in FCV (World Bank Group 2020). The Bank Group FCV strategy, which was endorsed by the Board of Executive Directors on February 25, 2020, recognizes the numerous challenges of the private sector in fragile and conflict-affected situations (FCS) and the need to tackle them, such as difficult operating environments, higher costs of doing business, skills shortages, lack of rule of law, high levels of informality, and poor infrastructure and supply chains. As such, the strategy sees a role for the private sector in all its four pillars (preventing violent conflict and interpersonal violence, remaining engaged during conflict and crisis situations, helping countries transition out of fragility, and mitigating the spillovers of FCV).

1.3 The strategy recognizes a particularly important role for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) in increasing support for private sector development and private investment specifically, in FCV. However, assistance for private investment in FCV needs to be adapted to the specific environments and characteristics of foreign investors and local private sectors. For IFC and MIGA, working in FCV involves significant financial and reputational risks, such as security issues; corruption; environmental, social, and governance risks; low sponsor quality; poorly developed markets; insufficient entrepreneurial and business skills; and longer project gestation. Thus, developing the private sector requires support through both public and private sector instruments, based on an analysis of drivers of fragility and conflict.

IFC and MIGA Strategies and Interventions in FCS

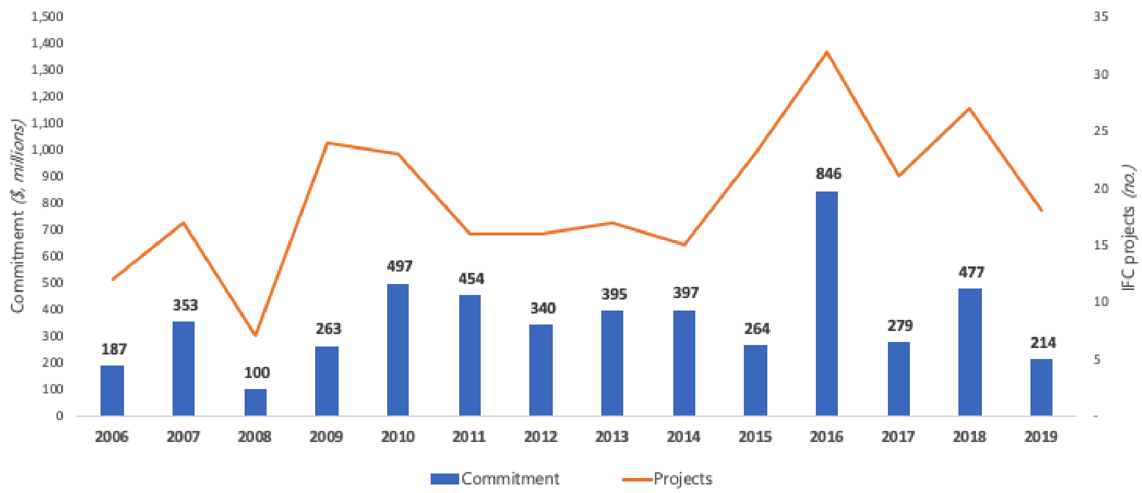
1.4 Helping increase private investment has been a core component of the Bank Group's strategy in FCS. Following the *World Development Report 2011: Conflict, Security, and Development,* the Bank Group's approach in FCS included a pillar to help enhance "private sector development and job creation" to help break the cycles of violence and fragility. The Bank Group's FCV strategy 2020–25 states that FCS need a "development approach that catalyzes private sector development to complement public efforts" (World Bank Group 2020). One of the four core themes of the strategy is "promoting livelihoods, markets, and sustainable private sector development" (World Bank 2019c).

1.5 IFC's and MIGA's corporate strategies have included a focus on FCS for more than a decade; more recently IFC has set ambitious corporate targets for scaling up FCS investments. Supporting investment in FCS has been an IFC corporate priority since 2009, and it adopted an FCS strategy in 2012. IFC has refined its approach over the past decade, introduced several initiatives and instruments to support its engagement in FCS, and expanded its engagements into new areas, such as forced displacement. As part of the 2018 capital increase package, IFC committed to delivering 40 percent of its overall business program in International Development Association (IDA) and FCS countries and 15–20 percent in low-income IDA and IDA-FCS countries, both targets to be achieved by 2030 (IFC 2019a). IFC's corporate strategies have also identified priority sectors, such as infrastructure, agriculture, and financial and social inclusion. MIGA has supported private investment in FCS through its political risk insurance guarantees. FCS have been a strategic priority for MIGA since 2005. MIGA's current fiscal year (FY)18–20 strategy aims to grow business in FCS to "have impact where private political risk insurers are unwilling to go" (MIGA 2017). The FY21–23 MIGA strategy continues the focus on FCS, with a target to increase the share of MIGA investments in IDA and FCS to an average 30 to 33 percent during FY21–23, underpinned by several initiatives related to the implementation of the Bank Group FCV strategy (MIGA 2020).

1.6 IFC and MIGA have introduced new instruments and modalities to help achieve their strategic objectives. Under the current IFC 3.0 strategy (FY17), IFC has introduced several mechanisms aimed at supporting FCS. IFC deployed diagnostic tools to support its engagement in FCS, including Country Private Sector Diagnostics, IFC country strategies, and—on a pilot basis—private sector conflict-sensitivity frameworks. It has implemented new instruments, such as Creating Markets (which promotes sector reform, standardization, building capacity, and demonstration to expand investment opportunities in key sectors); derisking (Private Sector Window [PSW], guarantees, blended resources); and upstream support (IFC 2016a). Additionally, IFC and the World Bank sought to support private investment indirectly by helping improve the business legal and regulatory environment through advisory services to governments. IFC has also developed the Conflict-Affected States in Africa initiative, a trust-funded program focused on FCS. Building on experience gained with single-country trust funds,[2] MIGA created a multicountry Conflict-Affected and Fragile Economies Facility in 2013 with a capacity of $500 million to increase its guarantee volume in FCS (MIGA 2011).

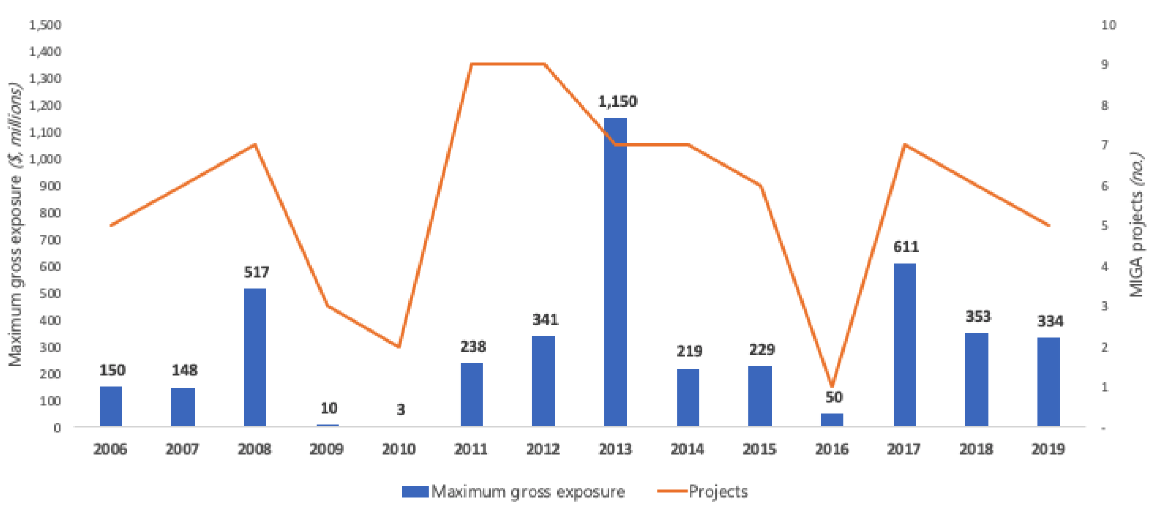
1.7 However, both institutions faced challenges in increasing the volume of their investments or guarantees in FCS countries during the last decade. IFC's investment volume in FCS countries remained relatively flat at $420 million annually. In FY10–19, FCS investments on average accounted for 4.5 percent of IFC's total long-term commitments and 7.5 percent of the number of projects. Commitment volumes have varied between fiscal years in part due to intermittent large investments supported in FCS. Figure 1.1 shows the evolution of IFC's commitment volume and the number of projects supported in FCS over time. IFC's portfolio in FCS countries is diversified across industry groups but concentrated in countries that already attract relatively high levels of foreign direct investment, including resource-rich countries. IFC's advisory services for private firms and governments are more highly concentrated in FCS compared with its investments; FCS account for 16 percent of overall IFC advisory projects. Given the low capacity of many FCS countries, advisory services can be important to enhance the capacity of some sponsors. In addition to advisory services to private firms, IFC—often in collaboration with the World Bank—has focused on business-enabling activities with governments. Figure 1.2 shows MIGA's guarantee volume and number of projects. During FY10–19, an average of 10 percent of MIGA's new guarantee volume, or $353 million annually, was in FCS. MIGA's guarantee volume was also characterized by some volatility between fiscal years without an upward trend, despite the introduction of MIGA's Conflict-Affected and Fragile Economies Facility in 2013. Appendix D provides a summary of IFC and MIGA portfolios in FCS.

Figure 1.1. International Finance Corporation Investment Commitments and Projects in Fragile and Conflict-Affected Situations



Sources: International Finance Corporation and Independent Evaluation Group staff calculations.
Note: IFC = International Finance Corporation.

Figure 1.2. Multilateral Investment Guarantee Agency Exposure and Projects in Fragile and Conflict-Affected Situations



Sources: Multilateral Investment Guarantee Agency and Independent Evaluation Group staff calculations.
Note: MIGA = Multilateral Investment Guarantee Agency.

1.8 The Independent Evaluation Group (IEG) has undertaken several evaluations that assessed IFC's and MIGA's activities to support the private sector in FCS.[3] Key findings derived from IEG's synthesis evaluation *The International Finance Corporation's Engagement in Fragile and Conflict-Affected Situations: Results and Lessons* (World Bank 2019b) are summarized in box 1.1.

Box 1.1. Evaluative Findings on the International Finance Corporation in Fragile and Conflict-Affected Situations

- Evaluated International Finance Corporation (IFC) investment projects in fragile and conflict-affected situations (FCS) perform similarly to those in non-FCS countries: 54 percent of projects in FCS countries are rated mostly successful or above for their development outcome, compared with 58 percent for projects in non-FCS countries.
- Evaluated investments have a range of positive development outcomes, including increased employment and income earning opportunities, upstream and downstream linkages with local businesses, generation of government revenues, lower consumer prices, and increased access to infrastructure and services.
- By industry group, projects in Telecom, Media, Technology, Venture Capital, and Funds and Infrastructure and Natural Resources performed well, but Manufacturing, Agribusiness, and Services projects faced challenges in meeting their financial and development objectives.
- Stronger results among evaluated investments were associated with larger investments and larger economies—characteristics that may be limited in FCS countries and may constrain scaling up IFC engagement in the future.
- The performance of IFC's advisory services in FCS—both to private firms and to governments—was below those in non-FCS countries. Forty-seven percent of evaluated FCS advisory services interventions achieved mostly successful or above ratings for their development effectiveness compared with 56 percent in non-FCS countries.
- An Independent Evaluation Group review of select blended finance operations found that this instrument can contribute to the success of private sector projects in high-risk environments. It also highlights the role of blended finance in addressing financial project risks and the need to address other risks through different interventions (World Bank 2019a).

1.9 Based on available evaluative evidence, IEG's synthesis concluded that promoting private sector investment in high-risk countries and FCS remains a major challenge, with key knowledge gaps in the effectiveness of approaches and instruments (World Bank 2019b). It identified a need to adapt IFC's business model, instruments, and risk tolerances to the characteristics and needs of FCS and to further align staffing, internal incentives, and performance metrics to IFC's strategic objective of scaling up business in FCS.

1.10 IEG identified knowledge gaps that this thematic evaluation will seek to address. These relate to the effectiveness of more recent modalities of engagement in FCS, such as the PSW; the experiences of comparator institutions supporting private investment in FCS; and updated analysis of institutional effectiveness factors such as IFC's evolving business model, risk appetite and mitigation, instruments, policy framework, staffing, incentives, and collaboration within the Bank Group and with other actors. This evaluation will also contribute in-depth assessments of the effectiveness of IFC support to financial intermediaries and of IFC advisory work.

1.11 This evaluation is part of IEG's work stream on FCV. IEG seeks to cover critical aspects of the FCV strategy to inform the strategy's implementation and to build evaluative evidence and promote learning about effective approaches in FCV contexts through a series of FCV-related evaluations. In addition to this study, IEG is evaluating the World Bank's engagement in situations of conflict. Although the latter covers World Bank strategies and programs, and this evaluation focuses on IFC and MIGA, both studies are implemented to ensure synergies in their analytical work.

2. Objectives and Audience

2.1 The evaluation seeks to inform the implementation of the Bank Group FCV strategy and IFC's and MIGA's commitments to scale up investments in FCS. As the Bank Group is launching its 2020–25 FCV strategy, this evaluation will inform its implementation. The report will help gauge the effectiveness of and develop lessons from efforts to enhance the range of IFC and MIGA initiatives to scale up and improve sustainable private investments in FCS under the Capital Increase Package and IFC's and MIGA's strategies.

2.2 The health and socioeconomic crises caused by the coronavirus pandemic (COVID-19) may have particularly severe impacts on FCS, and IEG anticipates adjustments to the scope and the delivery of the evaluation. The evaluation will seek to identify lessons from IFC's and MIGA's past engagements to identify the most relevant tools and approaches that IFC and MIGA can deploy in response to COVID-19 in FCS. IEG is also considering a phased delivery of the evaluation depending on the feasibility to interview key stakeholders in FCS (see section on Resources).

2.3 The objective of this evaluation is to assess how effectively IFC and MIGA have supported sustainable private investment in FCS and to derive lessons from experience. The evaluation will assess the effectiveness of IFC and MIGA to scale up investments in FCS and the outcomes of IFC and MIGA interventions, approaches, and instruments to support private investment in FCS. The evaluation will focus on IFC investments, MIGA guarantees, and IFC advisory services to firms.[4] This focused evaluation is intended to assess institution-specific issues such as instrument fit, risk management and tolerances, staffing and incentives, and initiatives such as the Conflict-Affected States in Africa initiative and the IDA PSW. It will also review and synthesize approaches and experiences of comparator institutions.

2.4 The evaluation aims to inform key stakeholders engaged in supporting development in FCS. The evaluation is intended for the Bank Group's Board of

Executive Directors; IFC, MIGA and, to a lesser degree, World Bank management; and operational staff working on FCS countries. It may also be of interest to government institutions, private companies, other development partners, and civil society groups in FCS. During the preparation of the evaluation, IEG will consult with IFC and MIGA counterparts to develop effective ways to disseminate both the emerging findings and final messages of the report to Bank Group management and operational staff.

3. Evaluation Methodology

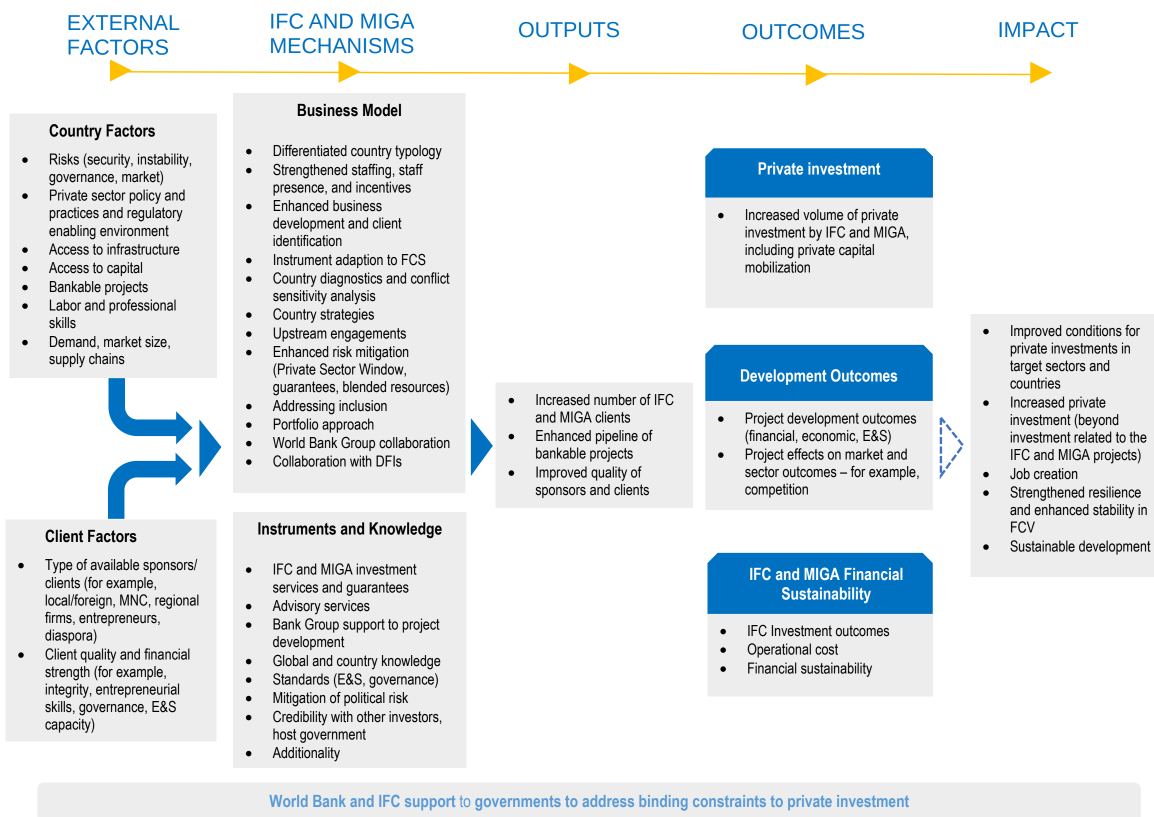
Theory of Change

3.1 The theory of change for the evaluation outlines the links among factors, inputs, and expected outputs, outcomes, and impacts. It depicts the links among IFC's and MIGA's instruments and knowledge (the inputs) as they are shaped and supported by their mechanisms and business models (internal factors) to assess and mitigate the heightened risks associated with FCS countries and clients (external factors) as they deliver their expected outputs, outcomes, and impacts (figure 3.1).

- IFC and MIGA instruments and knowledge (advisory services, investment services, guarantees, support to project development) are shaped and supported by these organizations' business models.
- IFC's and MIGA's business models are adapted to FCV (for example, through country diagnostics and strategies, strengthened staffing, staff presence and incentives, enhanced business development and client identification, conflict-sensitivity analysis, enhanced risk mitigation, and Bank Group cooperation) to assess and mitigate the heightened risks associated with external factors.
- External factors are those related to countries and clients that affect the ability to deliver the expected outputs, outcomes, and impacts. Country factors include risks, regulatory environment, access to infrastructure, access to capital, and bankable projects, whereas client factors refer to the type of available clients, client quality, and their financial strength given IFC's and MIGA's suite of instruments.
- Outputs include, for example, an increased number of clients and an enhanced pipeline of bankable projects.
- Outcomes at different levels include an increased volume of private investment supported by IFC and MIGA, project development outcomes and effects on markets and sectors, and effects on MIGA's and IFC's financial sustainability.

- Impacts include, for example, improved conditions for private investments, increased private investment beyond that which IFC and MIGA facilitated, job creation, and strengthened resilience and enhanced stability in FCS. Some impacts will not be attributable to the IFC or MIGA project, so the evaluation will note caveats in its findings on impact.

Figure 3.1. Theory of Change



Source: Independent Evaluation Group.
Note: DFI = development finance institution; E&S= environmental and social; FCS = fragile and conflict-affected situation; FCV = fragility, conflict, and violence; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; MNC = multinational corporation.

Evaluation Questions

3.2 The evaluation will address the following main evaluation question and subquestions:

- To what extent have IFC and MIGA contributed to development progress by supporting private investment in FCS?

- To what extent have IFC and MIGA instruments been effective in scaling up private investment in FCS?

- How effectively have investments supported by IFC and MIGA delivered development impact in FCS countries and contributed to the financial objectives of the two institutions?
- Which factors have enabled or constrained IFC's and MIGA's effectiveness in supporting private investment and development impact in FCS?
  - Factors relating to IFC's and MIGA's institutional performance, such as business models, policies, adaptation and selection of instruments, risk tolerance, risk mitigation tools, availability of analytical and diagnostic work, staffing and internal incentives, operational costs, and adequacy and effectiveness of partnerships with other actors and collaboration within the Bank Group
  - External factors related to specific country conditions (typologies), country and market risks, and general policy and enabling environment
  - Factors related to the availability, type, and quality of private clients (for example, foreign, local, or regional firms; state-owned enterprises)
- What are the lessons and implications for scaling up sustainable investment in FCS?

Assessing Performance

3.3 A range of criteria will be used to assess IFC's and MIGA's support for private investment in FCS. The criteria for assessing development contribution and institutional performance include the following:

- **Generation of investments.** This will assess the degree to which internal targets and expectations on the use of IFC and MIGA instruments to support private investment in FCS were met. A comparator benchmarking will be used to assess the use of IFC and MIGA private sector–facing instruments in this context. Both internal and external factors that facilitated and constrained deployment of IFC and MIGA instruments will be identified to extract drivers of performance and lessons of experience.
- **Country context factors.** The analysis of catalyzation of investments and outcomes of investments will use typologies of specific country conditions (including different country and market-risk databases and the general policy and enabling environment).

- **IFC's and MIGA's institutional performance.** Performance will be assessed based on key characteristics of their business models and internal standards within their control, including policies; adaptation and selection of instruments; risk tolerance and mitigation tools; adequacy of analytical and diagnostic work, including Country Private Sector Diagnostics and conflict-sensitivity analysis; staffing, internal incentives, and performance metrics; operational costs; appropriateness of results frameworks; and adequacy and effectiveness of partnerships, coordination, and collaboration.

- **Client factors.** These are factors and characteristics related to the availability, type, and quality of private clients (for example, foreign, local, or regional firms or state-owned enterprises).

- **Effects of IFC- and MIGA-supported investments (development outcomes).** This assessment for investments and guarantees will be drawn from assessments of projects, interventions, country programs and will involve project outcomes, market- and sectorwide outcomes (for example, enhanced competition, demonstration effects). The assessment will consider unintended negative or positive effects. Where feasible, the assessment will also apply a fragility lens to identify whether project design and implementation considered political economy issues or fragility drivers. The assessment will also review the sustainability of these types of outcomes. The existing evaluation databases (total portfolio level) will be supplemented by evidence generated from intervention-level and country-level analyses.

- **IFC and MIGA investment outcomes and financial sustainability.** Investment performance is essential to IFC and MIGA sustainability and to accomplishing their corporate purposes. The evaluation will assess cost indicators from projects in FCS for both institutions. IFC's and MIGA's operating costs in FCS are reportedly high, and further analysis will help develop a more granular understanding of cost drivers along IFC's and MIGA's project cycle.

3.4 The evaluation will assess possible trade-offs between profitability and market-creating outcomes. These include trade-offs between maximizing returns on investment and opening markets.

Coverage and Scope

3.5 The evaluation focuses on IFC and MIGA instruments that directly support private investment in FCS. These instruments are (i) IFC investment services, (ii) IFC advisory services to private firms in FCS, and (iii) MIGA guarantees. The evaluation covers select engagements aimed at project development and market creation that involve IFC and MIGA and their cooperation with the World Bank in this context. Coverage will include the range of IFC and MIGA initiatives, including the PSW, which aims to enable projects in higher-risk markets, such as FCS, through subsidies; the MIGA Conflict-Affected and Fragile Economies Facility, a first-loss facility that aims to increase MIGA's exposure in high-risk markets; the IFC Risk Envelope, which allows IFC to support projects outside its normal risk tolerance; the Creating Markets Advisory Window, which supports advisory services and capacity building initiatives to complement the PSW; small and medium enterprise venture funds; and blended finance products. The evaluation will primarily cover the IFC and MIGA portfolios approved or evaluated during FY10–20.

3.6 The evaluation will conduct a separate assessment of the IFC and MIGA PSW. As part of the evaluation, IEG is assessing IFC's and MIGA's early experience with the IDA PSW. This assessment will focus on corporate aspects of the PSW instrument, rather than on outcomes of projects, which are not yet operationally mature. The PSW assessment will seek to derive early lessons for the relevance, use, and additionality of the PSW as a specific instrument to scale up business in high-risk and FCS markets. It will also reflect on aspects of institutional performance to date, such as PSW governance and processes. IEG will prepare a background note with the findings and lessons as an input for IDA deputies. The findings of this review, and those from the 2019 IEG report on IFC's blended finance operations (World Bank 2019a), will also inform and be reflected in this evaluation (see box 1.1).

3.7 The evaluation will cover World Bank interventions and IFC advisory services to governments that are directly relevant to generating private investment in country case studies. The evaluation will assess the relevance and coherence of the World Bank and IFC advisory services to government portfolios as part of the country-level analysis, to examine to what extent these services have enabled IFC and MIGA to catalyze private investment and to contribute to the outcomes of these investments. The evaluation does not, however, comprehensively cover World Bank and IFC advisory services to government interventions that aim to influence the environment for private sector investment and private sector–led growth in FCS.[5] To keep the evaluation focused and allow for a thorough examination of institutional performance aspects of IFC and MIGA, the evaluation proposes to focus only on IFC and MIGA efforts to directly support private sector investments in FCS contexts—that is, those in which a private firm is the client. To offer a more comprehensive coverage of the range of IFC advisory work, in addition, IEG will review IFC's experience with Conflict-Affected States in Africa to derive lessons on the effectiveness and possible scale-up of this initiative.

3.8 The evaluation will undertake a qualitative analysis of comparators supporting private investment in FCS markets across several engagement and performance dimensions to place the contributions of IFC and MIGA in the context of other development finance agencies and contributors. This analysis will be based on interviews and a limited document review. The evaluation will seek lessons from approaches, business models, and instruments supporting the private sector that have been implemented among other development finance institutions and public and private comparator organizations. The evaluation will seek to benchmark the effectiveness of IFC and MIGA with that of these institutions.

3.9 **Definition of FCS.** The evaluation will use the World Bank's Harmonized List of Fragile Situations to identify FCS countries and interventions. This list is updated every year as some countries graduate and others enter or reenter the list (see appendix A). The evaluation will consider Bank Group operations to be FCS projects based on the country's classification at the time of project commitment unless otherwise indicated. The cohort of FCS countries are those identified as such during 2010–20. The evaluation will consider different country typologies to ensure its findings are context specific.

3.10 **Typologies of FCS countries.** FCS involve a heterogeneous country group having different characteristics and requiring differentiated, context-specific approaches to engage the private sector. The Bank Group's definition of FCS has evolved and was most recently revised in the 2020 FCV strategy, which distinguishes countries with high levels of institutional and social fragility from countries affected by violent conflict. The evaluation will refine and apply different typologies to the levels of analysis based on their operational relevance to IFC and MIGA. Criteria may include the size and type of economy (for example, resource rich), country risk, the degree and severity of fragility risks, and high institutional and social fragility versus violent conflict. This analysis will also draw on external databases (such as the Organization for Economic Co-operation and Development's States of Fragility). Appendix B provides a breakdown of the current list of FCS countries by income level and World Bank lending eligibility.[6]

Evaluation Design

3.11 The evaluation will be based on multilevel analysis and will derive its findings through triangulation among several sources. The evaluation will conduct its analysis at three levels: total portfolio, country (for selected countries), and intervention (case-based analysis for selected interventions within the selected countries). Table 3.1 provides the evidence base and sources for each evaluation question. Appendix C provides a detailed description of the evaluation components.

3.12 **Sampling and selection principles.** The evaluation will cover IFC and MIGA investments, guarantees and advisory services projects approved or committed during FY10–20. It will also include projects that were evaluated in FY10–20, regardless of approval year. To enrich this analysis, the team will seek to identify IFC and MIGA projects that were deselected after substantial efforts during project appraisal or underwriting to distill the reasons for deselection. For the country-level analysis, IEG will select approximately six countries, taking into account: (i) diversity of IFC and MIGA engagements in FCS, including specific modalities such as the PSW, and (ii) diversity in country characteristics (see the paragraph on Typologies of FCS Countries). Finally, intervention-level analysis will be conducted for approximately two projects in each selected case study country based on (i) projects in three main strategic sectors identified by IFC and MIGA (for example, infrastructure-power, agribusiness, financial inclusion); and (ii) projects for which Project Performance Assessment Reports are being conducted.

Table 3.1. Multilevel Evaluation Design Matrix

Question	Total Portfolio Level	Country Level[a]	Intervention Level[b]
To what extent have IFC and MIGA contributed to development progress by catalyzing and supporting private investment in FCS?			
Question 1: To what extent have IFC and MIGA modalities and instruments been effective in scaling up private investment in FCS?	Portfolio review of IFC and MIGA databases; Review of WDI and other macroeconomic-indicator and fragility databases; Analysis of IEG evaluation databases; Review of corporate strategies, assessments, academic literature; Interviews with key stakeholders, including IFC and MIGA staff, staff from DFIs and comparator institutions PSW assessment; Comparator benchmarking	Review of IEG evaluation databases; Document review of World Bank Group country diagnostic and strategy documents; Document review of project files and evaluation documents; Interviews with key stakeholders, including Bank Group country teams, and IFC and MIGA clients and comparators	Review of IEG evaluation databases; Document review of Bank Group project files and evaluation documents for selected interventions; Alignment with planned PPARs; Interviews with key stakeholders, including IFC and MIGA staff, clients, and peers
Question 2: How effectively have investments supported by IFC and MIGA delivered development impact in FCS countries and contributed to the financial objectives for the two institutions?	Portfolio review of IFC and MIGA databases; Review of WDI and other macroeconomic-indicator and fragility databases; Review of institutional databases related to risk, human resources; Interviews with key stakeholders, including IFC and MIGA staff, staff from DFIs and comparator institutions; Review of corporate strategies; PSW assessment; Comparator benchmarking	Review of IEG evaluation databases; Document review of Bank Group country diagnostic and strategy documents and project files and evaluation documents; Interviews with key stakeholders, including Bank Group country teams, IFC and MIGA clients and comparators teams, and IFC and MIGA clients	Document review of Bank Group project files and evaluation documents; Alignment with planned PPARs; Interviews with key stakeholders, including IFC and MIGA staff and clients

Question	Total Portfolio Level	Country Level[a]	Intervention Level[b]
Question 3: Which factors have enabled or constrained IFC's and MIGA's effectiveness in supporting private investment and development impact in FCS?	Portfolio review of IFC and MIGA databases; Review of WDI and other macroeconomic-indicator databases; Review of academic literature; Interviews with key stakeholders, including IFC and MIGA staff, staff from DFIs and comparator institutions; Comparator benchmarking	Country classifications; Review of external databases; Interviews with key stakeholders, including Bank Group country teams, and IFC and MIGA clients	Document review of Bank Group project files and evaluation documents; PPAR program; Interviews with key stakeholders, including IFC and MIGA staff and clients
Question 4: Which lessons and implications can be drawn for scaling up sustainable investment and for enhancing the universe of bankable projects in FCS?	Summative assessment from evaluative questions 1–3	Summative assessment from evaluative questions 1–3	Summative assessment from evaluative questions 1–3
Sampling and selection considerations	Universe of the approved and committed IFC and MIGA portfolio (according to evaluation delimitation criteria) and of evaluated IFC and MIGA interventions	Selection of approximately six countries taking into account (i) diversity of IFC and MIGA engagement and (ii) diversity in country characteristics	Two interventions per selected country based on (i) projects in selected countries; (ii) projects in three main strategic sectors identified by IFC and MIGA (infrastructure-power, agribusiness, financial inclusion); (iii) where feasible, projects for which PPARs are being conducted

Source: Independent Evaluation Group.
Note: DFI = development finance institution; FCS = fragile and conflict-affected situations; IEG = Independent Evaluation Group; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency; PPAR = Project Performance Assessment Report; PSW = Private Sector Window; WDI = World Development Indicators.
a. For selected countries.
b. Selected interventions nested in country level.

Limitations of the Evaluation

3.13 Several factors may constrain the evaluation:

- The evaluation focuses on IFC and MIGA instruments that directly support private investment. Promoting private investment, however, depends on an environment conducive to private enterprise, requiring assistance from both the public and the private sector. Country-level analysis will provide a limited assessment of broader determinants of private sector development. This evaluation, though, will not provide a systematic assessment of drivers of private investment and private sector–led growth. Examining World Bank and IFC advisory services to government interventions that are directly relevant to generating private investment in the six case study countries will mitigate this limitation.

- IFC's and MIGA's strategic context, approaches, and instruments for FCS continue to evolve. IFC and MIGA have introduced new instruments in recent years, and its toolbox continues to evolve. Many of these have yet to be evaluated. Although the evaluation will strive to generate new evaluative evidence wherever feasible, for instance, through field-based assessments such as the Project Performance Assessment Report program, country-level analyses, and interviews with key stakeholders, the scope of the evaluation may be constricted by the limited track record of the newer instruments.

- The heterogeneity of FCS countries implies limited generalizability of findings across countries. The evaluation will carefully draw out nuances in findings and implications that are derived from specific country typologies. It will focus on more relevant subsets of country typologies (based on engagement patterns and the significance of IFC's and MIGA's portfolio) rather than aiming for comprehensive coverage of different country types.

- Availability of data on projects' impacts and access to sites may be hampered. Many FCS countries are data poor, and in countries in violent conflict, access to project sites may be limited. In these cases, the evaluation will necessarily rely on IFC and MIGA project documentation and monitoring and evaluation reports. It will seek to triangulate findings by reaching clients and stakeholders through phone interviews and by exploring external data sources.

4. Quality Assurance Process

4.1 The evaluation follows quality assurance guidelines established for IEG reports. The evaluation will undergo IEG management and peer review to ensure relevance of evaluation questions and issues covered, adequacy of scope, and appropriateness of the methodology. Peer reviewers for the evaluation are Irene Basile (policy analyst, Private Finance for Sustainable Development, OECD); Inder Sud (senior consultant for international development and former Bank Group director, Middle East Department); Dr. Louise Walker (UK Department for International Development: head of office for Sudan, Khartoum; former lead, private sector development and economic stabilization in Afghanistan and Pakistan; head of office for the Republic of Yemen); and Laure Wessemius-Chibrac (former managing director, Cordaid Investment Management).

4.2 Regular stakeholder interaction will be sought to enhance the evaluation process. The team will engage with staff and management of the Bank Group throughout the evaluation process. The evaluation design emphasizes interviews with investment and guarantee officers and clients to distill insights. During evaluation preparation, the team will also solicit feedback and comments from other stakeholders and practitioners in global and government agencies in client countries to improve the evaluation's accuracy and relevance. Such stakeholder interaction will contribute information and qualitative data to supplement data, interviews, case studies, and other research.

5. Expected Outputs and Outreach

5.1 The main output will be a report to the Board of Executive Directors, which will be supplemented by other dissemination vehicles. The evaluation responds to a request from the Committee on Development Effectiveness of the Board for an in-depth evaluation of Bank Group support to private investment. The primary output of the evaluation will be the report to the committee. The final evaluation will be published and disseminated both internally and externally, including on the IEG website. IEG will develop additional dissemination products, such as presentations, blogs, videos, and conferences.

5.2 IEG aims to disseminate the report both in Washington, DC, and externally. Outreach efforts will target key stakeholders, including Bank Group staff at headquarters and FCS country offices, private sector investors, development finance institutions, government officials in FCS, and other relevant international and civil society organizations. Through these means and relevant international forums, the team will seek to maximize awareness and the value and use of findings and recommendations to strengthen development outcomes. A more detailed dissemination plan will be developed closer to completion of the evaluation.

6. Resources

6.1 **Timeline.** Because of the pandemic, the preparation of this evaluation may proceed in phases. The evaluation will be undertaken in FY20–21, and the final report is expected to be submitted to the Board's Committee on Development Effectiveness in December 2020.This assumes that partial mission travel to conduct country-level analyses will resume by September 2020. In case fieldwork cannot be completed within this timeframe, IEG will prepare a phase 1 report summarizing the findings from the total portfolio and intervention-level analyses this year, which will be based on desk work and remote interviews of key stakeholders. The team will also explore the use of local consultants to conduct interviews with local stakeholders and beneficiaries for intervention-level case studies where this is safe and feasible. Under this scenario, the team will prepare a phase 2 report based on findings of the country case studies.

6.2 **Team and skills mix.** The study team comprises staff and consultants with expertise in the evaluation of private sector operations and institutional knowledge of IFC and MIGA and their products. The team consists of IEG staff including Stephan Wegner (task team leader), Mitko Grigorov, Aurora Medina Siy, and Emelda Cudilla. Additional IEG staff and consultants with special expertise will complement the team. Jozef Vaessen, IEG methods adviser, will provide guidance on evaluation methodology. The report will be prepared under the direction of Marialisa Motta, manager, and José C. Carbajo, director, and the overall guidance of Alison Evans, Vice President and Director-General, Evaluation.

[1] The World Bank Group uses two terms related to fragility and conflict. *Fragile and conflict-affected situations* (FCS) refers to a group of countries included in the Harmonized List of Fragile Situations, whereas *fragility, conflict, and violence* (FCV) refers to a set of vulnerabilities irrespective of whether a country is classified as FCS (including instances of subnational conflict, forced displacement, and urban violence). Consistent with the International Finance Corporation's and Multilateral Investment Guarantee Agency's operational practice, the paper refers to the FCS group of countries unless otherwise indicated.

[2] For Bosnia and Herzegovina, West Bank and Gaza, and Afghanistan.

[3] Past Independent Evaluation Group evaluations of relevance to this evaluation include World Bank 2006, 2013b, 2016a, 2018a, and 2019d.

[4] Advisory services for firms covered by this evaluation include the following institution types: private, publicly listed company, private (unlisted) company, private (unlisted) company going public (before initial public offering), nongovernmental or civil society organization, private (unlisted) company associated with a publicly listed company, international.

[5] Stimulating a vibrant private sector in FCS requires holistic support through public and private interventions to create an enabling environment and address leading constraints to private sector activity (World Bank 2019, 2). Chief among these constraints in FCS are political instability, limited access to electricity, corruption, and limited access to finance and land.

[6] The evaluation will use the annually updated Harmonized List of Fragile Situations and FCS classification to delimit the International Finance Corporation, Multilateral Investment Guarantee Agency, and World Bank portfolios. The fiscal year 2020 list includes 37 countries; 16 are in violent conflict and 21 have high institutional and social fragility.

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Appendix A. Harmonized List of Fragile Situations

Table A.1. Harmonized List of Fragile Situations for Fiscal Years 2010–20

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Afghanistan	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Angola	FCS	FCS	FCS	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS
Bosnia and Herzegovina	FCS	FCS	FCS	FCS	FCS	FCS	FCS	non-FCS	non-FCS	non-FCS	non-FCS
Burkina Faso	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	FCS
Burundi	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Cameroon	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	FCS
Central African Republic	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Chad	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Comoros	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Congo, Dem. Rep.	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Congo, Rep.	FCS	FCS	FCS	FCS	FCS	non-FCS	non-FCS	non-FCS	FCS	FCS	FCS
Côte D’Ivoire	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	non-FCS
Djibouti	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	FCS	FCS	FCS	non-FCS
Eritrea	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Gambia, The	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	FCS	FCS	FCS	FCS	FCS
Georgia	FCS	FCS	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS
Guinea	FCS	FCS	FCS	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS
Guinea-Bissau	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Haiti	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Iraq	non-FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Kiribati	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Kosovo	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Lebanon	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	FCS	FCS	FCS	FCS	FCS

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Liberia	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Libya	non-FCS	non-FCS	non-FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Madagascar	non-FCS	non-FCS	non-FCS	non-FCS	FCS	FCS	FCS	FCS	non-FCS	non-FCS	non-FCS
Malawi	non-FCS	non-FCS	non-FCS	non-FCS	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS
Mali	non-FCS	non-FCS	non-FCS	non-FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Marshall Islands	non-FCS	non-FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Micronesia, Fed. Sts.	non-FCS	non-FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Mozambique	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	FCS	FCS	non-FCS
Myanmar	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Nepal	FCS	FCS	FCS	FCS	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS
Niger	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	FCS
Nigeria	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	FCS
Papua New Guinea	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	FCS	FCS	FCS	FCS
São Tomé and Príncipe	FCS	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS
Sierra Leone	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	non-FCS	non-FCS
Solomon Islands	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Somalia	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
South Sudan	non-FCS	non-FCS	non-FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Sudan	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Syrian Arab Republic	non-FCS	non-FCS	non-FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Tajikistan	FCS	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS
Timor-Leste	FCS	FCS	FCS	FCS	FCS	FCS	FCS	non-FCS	non-FCS	FCS	FCS
Togo	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	non-FCS
Tonga	FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS
Tuvalu	non-FCS	non-FCS	non-FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Venezuela, RB	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	non-FCS	FCS

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
West Bank and Gaza	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Yemen, Rep.	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS
Zimbabwe	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS	FCS

Source: World Bank Harmonized Lists of Fragile Situations (FY10-19), FY20 List of Fragile and Conflict-affected Situations.
Note: FCS = fragile and conflict-affected situation.

Appendix B. Distribution of Fragile and Conflict-Affected Situation Countries

Table B.1. Fragile and Conflict-Affected Situation Countries by Income Level and Financing Eligibility

Financing Eligibility	Low Income *(n* = 17*)*	Lower-Middle Income *(n* = 13*)*	Upper-Middle Income *(n* = 7*)*
IDA *(n* = 26*)*	Afghanistan	Comoros	Kosovo
	Burkina Faso	Kiribati	Marshall Islands
	Burundi	Micronesia, Fed. Sts.	Tuvalu
	Central African Republic	Myanmar	
	Chad	Solomon Islands	
	Congo, Dem. Rep.	Sudan	
	Eritrea		
	Gambia, The		
	Guinea-Bissau		
	Haiti		
	Liberia		
	Mali		
	Niger		
	Somalia		
	South Sudan		
	Syrian Arab Republic		
	Yemen, Rep.		
Blend *(n* = 6*)*		Cameroon	
		Congo, Rep.	
		Nigeria	
		Papua New Guinea	
		Timor-Leste	
		Zimbabwe	
IBRD *(n* = 4*)*			Iraq
			Lebanon
			Libya
			Venezuela, RB
Other *(n* = 1*)*		West Bank and Gaza	

Source: World Bank databases.
Note: Number of countries in each group in parentheses (out of 37 countries), based on 2020 classification. IBRD = International Bank for Reconstruction and Development; IDA = International Development Association.

Table B.2. Fragile and Conflict-Affected Situation Countries by Region and Financing Eligibility

	Africa (*n* = 19)	East Asia and Pacific (*n* = 8)	Europe and Central Asia (*n* = 1)	Latin America and the Caribbean (*n* = 2)	Middle East and North Africa (*n* = 6)	South Asia (*n* = 1)
IDA-eligible (*n* = 32)	Burkina Faso Burundi Cameroon Central African Republic Chad Comoros Congo, Dem. Rep. Congo, Rep. Eritrea Gambia, The Guinea-Bissau Liberia Mali Niger Nigeria Somalia South Sudan Sudan Zimbabwe	Kiribati Marshall Islands Micronesia, Fed. Sts. Myanmar Papua New Guinea Solomon Islands Timor-Leste Tuvalu	Kosovo	Haiti	Syrian Arab Republic Yemen, Rep.	Afghanistan
IBRD (*n* = 4)				Venezuela, RB	Iraq Lebanon Libya	
Other (*n* = 1)					West Bank and Gaza	

Source: World Bank.
Note: Number of countries in each group in parentheses, based on 2020 classification. IDA-eligible includes IDA (26 countries) and blend (6 countries). IBRD = International Bank for Reconstruction and Development; IDA = International Development Association.

Appendix C. Evaluation Components

This section elaborates on the evaluation components introduced in chapter 3 and summarized in table 3.1. As noted there, the evaluation will develop its findings from three different levels of analysis: total portfolio, intervention, and country. Most of the components straddle several if not all of these levels. For example, portfolio reviews will be undertaken for both the total portfolio and country-level analyses.

Portfolio review and desk research. Based on International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) corporate databases and the Independent Evaluation Group's (IEG) evaluation database, a comprehensive review covering the entire portfolio of IFC investments, IFC advisory services, and MIGA guarantees and their related evaluative databases will be conducted to identify design features, development outcomes, institutional performance, and drivers of success and failure. Building on work done for the IEG synthesis report (World Bank 2019), for evaluated projects, this will include a desk review of project documents to distill drivers of performance and lessons.

Database analysis. Databases pertaining to country and project risk ratings, staffing and human resources, project costs, and project preparation and processing times will be analyzed.

IFC Project Performance Assessment Reports (PPARs). In fiscal year 2020, IEG is conducting a programmatic PPAR series focused on IFC modalities of engagement in fragile and conflict-affected situations (FCS) to enhance the evaluative database on FCS project. It is assessing five IFC operations covering different types of engagements and instruments. The PPARs include a field-based assessment of project performance using IEG's standard project evaluation methodology. They will also seek to gather evidence on the relevant evaluation questions to derive findings and lessons that will be reflected in the evaluation report. The team will closely coordinate and leverage the PPAR fieldwork with case country work for this evaluation.

Document review. The evaluation will also conduct a structured review of IFC, MIGA, and World Bank documents, and academic and other development partner literature on private investment in FCS contexts.

Interviews with key stakeholders. The evaluation will conduct interviews with (i) a sample of private sector clients of World Bank Group–supported projects; (ii) IFC, MIGA, and World Bank staff and management engaged in FCS private sector work; (iii) government representatives; and (iv) external stakeholders, including private sector entities, other development finance institutions, and foundations and philanthropic institutions supporting private investment in FCS. During the evaluation, regular stakeholder interaction will be sought to enhance the evaluation process and improve the evaluation's accuracy and relevance. The evaluation will consider the use of focus groups or surveys for better understanding of enabling and constraining factors in IFC and MIGA support and effectiveness in FCS.

Country-level analysis. Up to six country case studies will be conducted to deepen the understanding of IFC and MIGA FCS interventions, illustrate development outcomes, assess additionality, and develop further lessons of experience. The case studies will follow a common outline and template to ensure uniform collection of evidence. The case studies allow IFC's and MIGA's support to be contextualized given country-specific constraints and opportunities for private investment and private sector characteristics. They will also be a tool for deriving insights and lessons from approaches and engagement models of comparator institutions supporting private investment. The case studies will allow for an assessment of project investment and development outcomes over a longer period than the standard five years for IFC investment projects and three years for MIGA guarantees. The country case studies will include interviews with private sector entities, government officials, Bank Group staff, development finance and other comparator institutions, business associations, private sector firms (peers), and other stakeholders.

Case studies will also be a vehicle to cover World Bank interventions directly relevant to generating private investment. Furthermore, they will distill lessons on the implementation of the "one Bank Group" approach and Maximizing Finance for Development at the country level in FCS contexts and allow an assessment of the adequacy of collaboration and coordination among Bank Group entities and with other actors. The country lens will also be an opportunity to assess the evidence regarding any tension between internal financial return objectives and development outcomes by assessing the extent to which IFC and MIGA support promoted competition and market creation. IEG will select countries for case studies to cover a wide range of FCS country typologies. The case studies may include countries that have graduated from the FCS list to identify lessons on what worked in those countries.

Comparator benchmarking. The evaluation will undertake a qualitative analysis of institutions supporting private investment in FCS markets across several engagement and performance dimensions to place the contributions of IFC and MIGA in the context of other development finance agencies and contributors. This analysis will be based on interviews and a limited document review. The evaluation will seek lessons from approaches, business models, and instruments supporting the private sector that have been implemented among other development finance institutions and public and private comparator organizations. The evaluation will seek to benchmark the effectiveness of IFC and MIGA with that of these institutions.

Assessment of the IFC and MIGA Private Sector Window (PSW). As part of the evaluation, IEG is assessing IFC's and MIGA's early experience with the IDA PSW in fiscal year 2020. The findings of this review, and those from the 2019 IEG report on IFC's blended finance operations (World Bank 2019), will be reflected in this evaluation. The PSW assessment will seek to derive early lessons for the relevance, utility, and additionality of the PSW as a specific instrument to scale up business in high-risk and FCS markets. It will also reflect on aspects of institutional performance to date, such as the PSW governance and associated processes.

Reference

World Bank. 2019b. *The International Finance Corporation's Engagement in Fragile and Conflict-Affected Situations: Results and Lessons.* Synthesis Report. Independent Evaluation Group. Washington, DC: World Bank.

Appendix D. Portfolios in Fragile and Conflict-Affected Countries

Table D.1 summarizes the commitment or guarantee volumes and number of operations by the International Finance Corporation and the Multilateral Investment Guarantee Agency for fiscal years 2010–19, based on the fragile and conflict-affected situation country classification at the time of project, guarantee, or advisory services activity approval.

Table D.1. Operations and Commitment Volumes by Institution, Fiscal Years 2010–19

Category	FCS Operations *(no.)*	Commitment or Guarantee Issuance *($, billions)*	Evaluated Operations[a] *(no.)*
IFC			
Investment	208	4.16	44
Advisory	104	0.13	41
MIGA			
Guarantees	59	3.53	18

Source: IFC, MIGA and IEG databases.
Note: IFC advisory services include the following institution types: private, publicly listed company, private (unlisted) company, private (unlisted) company going public (before initial public offering), nongovernmental or civil society organization, private (unlisted) company associated with a publicly listed company, international. For IFC advisory services, the column "commitment volumes" refers to total funds managed by IFC. FCS = fragile and conflict-affected situation; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency.
a. The number of evaluated operations refers to evaluation years 2010–19; the numbers include projects or activities approved before fiscal year 2010.