IDA20 MID-TERM REVIEW:
PRIVATE SECTOR WINDOW UTILIZATION AND IMPLEMENTATION

Development Finance, Corporate IDA & IBRD (DFCII)

November 15, 2023

ACRONYMS AND ABBREVIATIONS

Fiscal Year (FY) = July 1 to June 30
All dollar amounts are US dollars

AIMM	Anticipated Impact Measurement and Monitoring
AMEF	Africa Medical Equipment Facility
ATRI	Africa Trade Recovery Initiative
BFF	Blended Finance Facility
BOP	Base-of-the-Pyramid
DFIs	Development Finance Institutions
FCS	Fragile and Conflict-affected Situations
FCV	Fragility, Conflict, and Violence
GHG	Green-house Gas
GTFP	Global Trade Finance Program
J-CAP	Joint Capital Markets Program
HIPSO	Harmonized Indicators for Private Sector Operations
IDA	International Development Association
IDA18	18th Replenishment of IDA
IDA19	19th Replenishment of IDA
IDA20	20th Replenishment of IDA
IDA PSW	IDA-IFC-MIGA Private Sector Window
IPSVE	IDA PSW SME Ventures Envelope
IFC	International Finance Corporation
LAC	Latin America and Caribbean
LCF	Local Currency Facility
MDBs	Multilateral Development Banks
MENA	Middle East and North Africa
MGF	MIGA Guarantee Facility
MIGA	Multilateral Investment Guarantee Agency
MSME	Micro, Small and Medium Enterprises
PC	Policy Commitment
PCM	Private Capital Mobilization
PFLG	Pooled First Loss Guarantee
PSW	IDA-IFC-MIGA Private Sector Window
RMF	Risk Mitigation Facility
SLGP	Small Loan Guarantee Program
SMEs	Small and Medium Enterprises
WBG	World Bank Group
WCS	Working Capital Solutions

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EXECUTIVE SUMMARY

i. **This paper responds to IDA Participants'[i] request for insights into the evolution, lessons learned, and results of the International Development Agency (IDA), International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA) Private Sector Window (PSW) since its inception in IDA18. The paper also provides an opportunity to reflect on the future direction of the PSW, especially in the context of the World Bank Evolution.[ii]** The PSW was established in IDA18 and continued in IDA19 and IDA20 in recognition of the essential role played by the private sector in lifting people out of poverty through sustained job creation, economic transformation, and domestic resource mobilization. The PSW is an innovative financial mechanism created to mobilize private investment in IDA-only and IDA Fragile and Conflict-affected Situations (FCS). This paper provides lessons useful for the World Bank Evolution, for example on the principles for the allocation of concessionality and on private capital mobilization.

ii. **The five years since the launch of the PSW have witnessed unprecedented threats to development, including in IDA-only and IDA FCS countries, and have put more than 70 million people back into extreme poverty.** As the World Bank Evolution emphasizes, fragility, conflict and violence (FCV) remain key threats forming the unprecedented confluence of global crises that has upended development progress and threatens people and the planet. Moreover, the mid-term review (MTR) of the World Bank Group (WBG)'s strategy for FCV[iii] emphasizes the private sector's critical role in building resilience and supporting countries transiting out of FCV.

iii. **Supporting the private sector as a development partner, along with government and civil society, has never been more urgent or more challenging.** The private sector is the engine of sustained economic growth and poverty reduction that provides resilience to economies. It provides capital, innovation, employment, and tax revenues, and accounts for more than 90 percent of employment in emerging markets and developing economies.[iv] But the private investment environment in IDA-only and IDA-FCS countries has become dramatically more precarious since IDA18. Private investment flows to emerging markets and developing economies have fallen sharply, as rising macroeconomic and financial instability, growing sovereign debt distress, and soaring inflation and interest rates have dampened investor interest.

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i "IDA Participants" refers to IDA Deputies, the representatives of IDA donor governments, and Borrower Representatives, the representatives of IDA borrower governments, which are collectively participating in the IDA20 Mid Term Review.

ii Ending Poverty on a Livable Planet: Report to Governors on World Bank Evolution. Washington, D.C.: Development Committee. *https://www.devcommittee.org/content/dam/sites/devcommittee/doc/documents/2023/Final Updated Evolution Paper DC2023-0003.pdf*

iii Mid-Term Review of the World Bank Group Strategy for Fragility, Conflict, and Violence (2020–25) (English). Washington, D.C.: World Bank Group. *http://documents.worldbank.org/curated/en/099102523150028132/BOSIB00eef97e208a0937700f5b7e85e393*

iv Poverty and Shared Prosperity 2022, World Bank Group. *https://openknowledge.worldbank.org/server/api/core/bitstreams/b96b361a-a806-5567-8e8a-b14392e11fa0/content*

iv. **The PSW was conceived as a key tool for the WBG to enable impactful private sector investments and support the most vulnerable, working together as "One World Bank".** Since inception and as of June 2023, the PSW has supported 238 investment transactions globally, covering over 60 percent of PSW-eligible countries, and contributed to all IDA20 special themes. To illustrate a few of these, the PSW has: (i) enabled IFC's and MIGA's first investments in countries like Burkina Faso, Djibouti, Liberia, Samoa, South Sudan and Yemen in over a decade; (ii) facilitated the expansion of financial intermediaries' portfolios to support micro, small and medium enterprises (MSMEs) and at the base of the pyramid, including women-owned and healthcare MSMEs; (iv) provided finance for clean energy and other climate-related projects, also by enabling first-of-a-kind renewable independent power producers; and (v) expanded housing finance for low-income households.

v. **PSW-supported projects have enabled large-scale job creation, sustained livelihoods, empowered women, ensured food security, and promoted renewable energy in the world's most challenging places, supporting market creation and depth essential to sustained growth.** PSW-supported transactions are generating between 1.0 and 1.3 million[v] direct, indirect and induced jobs in IDA-only and IDA FCS countries. Moreover, they are expanding access to healthcare for over one million patients, supporting more than 170,000 farmers, installing renewable energy capacity of 560 MW, and reducing annual greenhouse gas (GHG) emissions by over 490,000 tons of CO_2-equivalent.

vi. **The PSW has proved to be a flexible instrument, capable of evolving to respond to the deteriorating external environment since 2018, and incorporating lessons learned to maximize development outcomes.** As access to credit for MSMEs and trade finance dried up during the COVID-19 pandemic, the PSW was used to provide critical countercyclical support in these areas.

vii. **By crowding in the private sector, the PSW uses IDA resources to mobilize new financing, thereby preserving fiscal headroom. The pace of PSW approvals has grown consistently since IDA18 and reached a cumulative $3.9 billion as of June 2023. Each dollar of the PSW has mobilized $5.2 of additional private sector investment, resulting in over $20 billion of new financing for low income and fragile countries.** In line with the World Bank Evolution and the priority to increase private capital mobilization, PSW-supported transactions attract private capital to finance impactful development projects. Projects in infrastructure exhibit the highest mobilization,[vi] followed by platforms supporting access to finance for MSMEs.

viii. **Looking ahead, the PSW pipeline indicates that utilization will exhaust the IDA20 PSW allocation.** IDA20 showed an accelerated rate of approvals, with a total of $900 million approved in the first year of the cycle, far above the $160 million and $533 million approved in the first year of IDA18 and IDA19, respectively. New pipeline development benefits from

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v The current estimate is between 1,009,000 and 1,269,000 jobs. Jobs estimates include direct jobs (such as jobs created by a client company as a result of a project), indirect jobs (which can occur downstream and/or upstream from project or client company) and induced jobs (which are caused by an increase in domestic consumption resulting from an increase in direct and indirect employment and income).

vi Mobilization is calculated based on the total cost of the project that the PSW supports.

increased awareness of the PSW tools among WBG institutions and shows a continued strong demand.

Table ES. 1. IDA-IFC-MIGA Private Sector Window Performance Summary

<table>
<tr><td>Portfolio Overview</td><td>Uptake
• $3.9 billion of PSW Board approvals across 238 transactions
• IDA20 shows the strongest uptake with $900 million Board approvals in the first year
• Strong IDA20 pipeline at $2.6 billion as of FY23
• $1.8 billion of PSW approved in platforms as of FY23</td><td>Geographic reach
• 77% of PSW Board approvals by volume in Sub-Saharan Africa.
• 7 new countries since PSW inception, of which 4 FCS.</td></tr>
<tr><td>Mobilization and Concessionality</td><td colspan="2">PSW has mobilized a total of $20.3 billion (5.2x overall ratio – 4.5x in FCS), including:[(i)]
• $8.7 billion of IFC’s own account commitments
• $3 billion of MIGA’s gross issuance
• $11.6 billion of additional capital from third parties, of which at least $5.1 billion are purely commercial private capital

Average concessionality: 6.7% of total project cost (5.6% in FCS)</td></tr>
<tr><td>Development Impact</td><td>Average impact scores of PSW-supported projects consistently higher than other projects’
• IFC’s FY23 Anticipated Impact Measurement and Monitoring (AIMM) score = 59 for PSW projects; 56 for IFC overall
• MIGA’s FY23 IMPACT score = 65 for PSW projects; 54 for non-PSW projects

Expected job creation (direct, indirect and induced)
1,009,000 – 1,269,000</td><td>Contribution to IDA Special Themes
• 100% of projects support Jobs and Economic Transformation
• 39% Fragility, Conflict and Violence
• 16% Climate Change
• 16% Gender and Development</td></tr>
</table>

Note: [(i)] The total mobilization does not equal the sum of IFC, MIGA and third-party mobilization. This is to avoid double-counting of unfunded products such as guarantees.

ix. **This paper provides an opportunity for reflection on the PSW results and to further improve the operational model.** Management would welcome IDA Participants’ reflections on the following:

a. What are IDA Participants’ views on the experience of PSW to date?

b. To further mobilization, do IDA Participants support the proposal to modify the PSW Policy to extend the PSW Blended Finance Facility and Local Currency Facility to third parties in IDA20, alongside IFC in IFC-led transactions without a need for a waiver from the IDA Executive Directors to the PSW Policy?

c. Do IDA Participants endorse the proposal in IDA20 for the PSW’s MIGA Guarantee Facility (MGF) to extend additional products that can promote trade finance and infrastructure projects through liquidity support guarantees?

I. INTRODUCTION AND STRATEGIC CONTEXT

1. **The International Development Agency (IDA), International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA) Private Sector Window (PSW) was established in IDA18 as an innovative mechanism to stimulate private sector investment in IDA-only[1] and IDA Fragile and Conflict-affected Situations (FCS)**, using IDA resources and leveraging the IFC and MIGA's business platforms.[2] Across IDA18, IDA19 and IDA20 replenishments, the PSW has deployed $3.9 billion in IDA resources and mobilized $20.3 billion of additional capital as of June 2023.

2. **The implementation of the PSW provides experience and lessons to the World Bank Evolution and the broader development finance community**. **In turn, the Evolution process will inform future PSW enhancements.** IDA is the largest single source of concessional financing for the world's poorest countries, and the PSW is its only window dedicated entirely to private sector projects, while being fully integrated in IDA's financial architecture. The PSW model uses concessional resources and blends them with private capital to rebalance projects' risk-return characteristics such that commercial projects can achieve development objectives in the poorest and riskiest of markets. The World Bank Evolution[3] recognized the central role of the private sector, alongside governments, to achieve development goals. The PSW experience can provide lessons to the ongoing discussions on enabling and mobilizing private capital, as well as on the principle and governance for the allocation of concessional finance.

3. **The PSW is an innovative example of the "One World Bank" approach, emphasized by the 2016 Forward Look, the 2018 IBRD and IFC Capital Packages and, more recently, by the World Bank Evolution.** This approach is operationalized through the "Cascade," which urges the World Bank Group (WBG) to help countries in maximizing their development resources by using private financing and sustainable solutions from the private sector whenever feasible. In this regard, IFC and MIGA work with IDA to leverage PSW resources and help mobilize sustainable private sector investment in the poorest and most fragile IDA markets. The PSW is jointly governed by IDA, IFC and MIGA, and projects that are approved must be aligned with the WBG Country Partnership Frameworks as well as IDA Special Themes. This mechanism has nurtured cross-institutional discussions on policy reforms, IFC's upstream activities, and World Bank's public sector financing that can spur private sector activities. The PSW leverages the three institutions' strengths, knowledge, and resources, and is the only directly shared financial mechanism linking IDA's policy framework and IFC's and MIGA's investment activities. As such, it provides lessons from cross-institutional governance and organizational structure, as well as staff skills.

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1 IDA-only refers to IDA regular, non-Gap, non-Blend countries. "Gap" countries are those whose per-capita incomes have been over IDA's operational cut-off for more than two years, but not yet creditworthy for the International Bank for Reconstruction and Development's (IBRD) financing. "Blend" countries have access to both IDA and IBRD resources.

2 Annex 1 provides additional details on PSW strategic objectives and operational design.

3 Ending Poverty on a Livable Planet: Report to Governors on World Bank Evolution. Washington, D.C.: Development Committee. *https://www.devcommittee.org/content/dam/sites/devcommittee/doc/documents/2023/Final Updated Evolution Paper DC2023-0003.pdf*

4. **The PSW was created after recognizing that progress toward the Sustainable Development Goals and IDA objectives cannot be made by relying solely on public resources and official development assistance, and that scaling up private investment will be essential.** The PSW places significant emphasis on market creation, enabling IFC and MIGA to design new structures and support impactful investments that would not have otherwise happened because of their lack of bankability. The PSW was introduced as a tool to leverage the private sector's development-partner potential and mobilize private investments in IDA-only and FCS countries to meet development objectives, including the IDA special themes of Jobs and Economic Transformation, Gender and Development, and Climate Change. For instance, IDA-only and IDA-FCS countries are particularly impacted by the growing effects of climate change, where 16 FCS countries among the 25 are most vulnerable to climate change globally.

5. **The WBG operates in an increasingly challenging global context, demanding a sharpened focus on fragility, conflict, and violence (FCV). The private sector can play a crucial role in building resilience and supporting transition out of FCV.** The WBG's FCV Strategy 2020–25 was launched in 2020. The recent mid-term review[4] not only highlights the important role that the private sector can play, but also the challenging investment conditions that often limit private investment and growth. The PSW can help overcome typical FCV-related risks (e.g., operational risks related to fragility or violence) to make projects bankable. This helps WBG institutions to remain engaged and strengthen their focus on creating jobs, delivering essential goods and services, supporting reconstruction efforts, and providing economic empowerment opportunities to help mitigate fragility.

6. **The period since the introduction of the PSW has seen a significant deterioration in investment conditions in IDA and FCS countries, making the PSW more important than ever.** Unprecedented economic impacts that started with the COVID-19 pandemic and continued with inflation, rising interest rates, and Russia's invasion of Ukraine, have disproportionately affected the private sector in IDA and FCS countries. The pandemic resulted in a 28 percent decline in foreign direct investment across emerging markets and developing economies,[5] as well as a precipitous decline in global trade with supply chain disruptions. Furthermore, it led to reduced access to finance, especially for micro, small and medium enterprises (MSMEs), and declining profitability, with over 80 percent of firms in emerging markets and developing economies reporting persistent declines in sales in 2020.[6]

7. **This paper responds to IDA Participants' request to assess the achievements of the PSW since its launch. The paper seeks feedback by IDA Participants on proposals to further enhance the PSW's operational model.** After outlining the PSW's main strategic objectives, design features and main portfolio characteristics in Section II, Section III presents initial results

[4] Mid-Term Review of the World Bank Group Strategy for Fragility, Conflict, and Violence (2020–25) (English). Washington, D.C.: World Bank Group. *http://documents.worldbank.org/curated/en/099102523150028132/BOSIB00eef97e208a0937700f5b7e85e393*

[5] IFC estimates based on IMF, WB and Central Bank Data. Cross-border syndicated loan data based on Dealogic.

[6] Apedo-Amah, Marie Christine; Avdiu, Besart; Cirera, Xavier; Cruz, Marcio; Davies, Elwyn; Grover, Arti; Iacovone, Leonardo; Kilinc, Umut; Medvedev, Denis; Maduko, Franklin Okechukwu; Poupakis, Stavros; Torres, Jesica; Tran, Trang Thu. 2020. Unmasking the Impact of COVID-19 on Businesses: Firm Level Evidence from Across the World. Policy Research Working Paper; No. 9434. © World Bank, Washington, DC. *http://hdl.handle.net/10986/34626* License: CC BY 3.0 IGO, accessed October 26, 2023.

from PSW implementation based on a review of the portfolio to date. Section IV provides an update on lessons learned from implementation, and Section V presents issues for Participants' consideration and feedback. An evaluation of the PSW produced by the WBG Independent Evaluation Group (IEG) is forthcoming. IEG's evaluation provides further elements on the PSW's usage, market development factors such as scale and scope, and enabling factors such as concessionality, financial and non-financial additionality.

Box 1. 1. Boosting Sustainable Avocado Production and Creating Jobs in Rural Mozambique: Westfalia Fruto Mozambique (WFM)

(FY19) $1.85 million Blended Finance Facility.

Mozambique has experienced a series of crises, including a sovereign debt default in 2016, violent extremist attacks in 2017, two devastating cyclones in 2019 and, more recently, the COVID-19 crisis. Compounding these crises, the country has one of the lowest GDP-per-capita levels in the world(1) and its population is expected to almost double by 2050. Agriculture is a promising sector to help promote inclusive growth, representing 25(2) percent of GDP and an important source of new jobs. However, agricultural production is characterized by small plots, low inputs, inadequate equipment, and low yields and returns.

In 2020, IFC, with AgDevCo(3) and PSW, invested in Westfalia Fruto Mozambique Limited (WFM), a company producing and sourcing avocados and litchis to export to Europe and South Africa. The investment enabled WFM to acquire land, develop 100 hectares for a greenfield avocado orchard, and build the infrastructure needed to operate the farm. The private sector has limited access to finance in Mozambique, with typical tenors less than 12 months and interest rates in the double digits. After the 2016 debt crisis, long term financing has been particularly scarce for greenfield projects, due to their perceived high market risk and low expected returns given the poor infrastructure in rural areas. It is therefore difficult for high-impact greenfield projects to obtain cost-competitive, long-term, financing. The risk-transfer provided by PSW allowed IFC to invest in an agribusiness in Mozambique for the first time in four years and encouraged AgDevCo to participate.

The project is creating over 600 jobs. Ninety five percent of the jobs created are in Barue District, near the town of Catandica, a remote and poor area in Mozambique where opportunities for employment are scarce. WFM has met and surpassed its production target, thanks to an increase in avocado production and in litchis sourced. By 2024, IFC estimates that the project will contribute $4 million to Mozambique's GDP. The project has attracted other avocado farmers to invest in the area and persuaded other smallholders to plant avocados. The number of fruit and vegetable commercial farmers in Catandica went from two to five in 2022, meeting the project's target ahead of time.

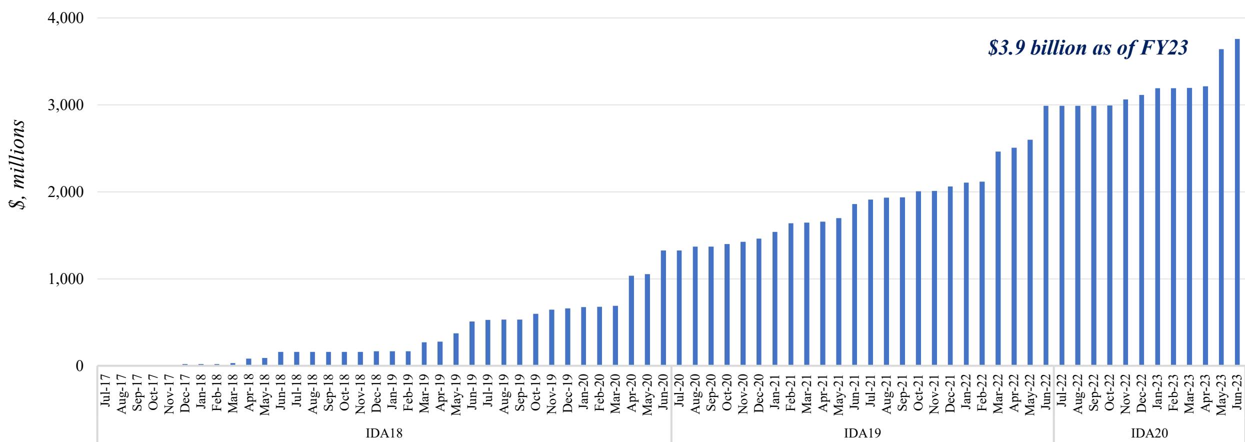
(1) GDP per capita of $492 as of 2021 GDP. Source: *https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=MZ&most_recent_value_desc=false*
(2) Source: Country Private Sector Diagnostics: Creating Markets in Mozambique. June 2021 *https://www.ifc.org/wps/wcm/connect/fc4c5e95-6f41-4ca2-b43a-ce5ad5801310/CPSD-Mozambique-summary-v2.pdf?MOD=AJPERES&CVID=nMNI2ss*
(3) AgDevCo is a private not-for-profit company incorporated in the United Kingdom, and a social impact investor focused on developing a commercial agricultural sector in Sub-Saharan Africa.

II. OVERVIEW OF THE PSW BOARD-APPROVED PORTFOLIO

8. **The PSW has seen its portfolio grow since its inception, solidifying into an important tool for supporting IFC and MIGA's investments in IDA and FCS markets.** From FY18 to end of FY23, cumulative PSW Board approvals reached a total of about $3.9 billion (Figure 2.1).

9. **While the initial uptake of IDA18 was slow, reflecting lack of awareness among operational teams, deployment steadily accelerated, and IDA20 has seen a record start.** Since IDA18, investment and underwriting teams have developed new projects and clients at an accelerating pace, in response to growing demand and risks, and supported by continuous training and outreach. IDA20 had a record amount of Board approvals in the first year, equivalent to 36 percent of the total IDA20 PSW allocation as of June 2023. Such an accelerated pace was driven by rapid utilization of the Blended Finance Facility (BFF) (42 percent of its IDA20 allocation) and the Local Currency Facility (LCF) (36 percent of its IDA20 allocation), which were used to support MSMEs, trade and working capital platforms, and the MIGA Guarantee Facility (MGF) (38 percent of its IDA20 allocation, surpassing the full IDA18 and IDA19 utilization in the first year of IDA20) for infrastructure projects. Board approvals under the Risk Mitigation Facility (RMF) resumed in July 2023, and amounted to 29 percent of its IDA20 allocation.

Figure 2. 1. Cumulative PSW Board Approvals

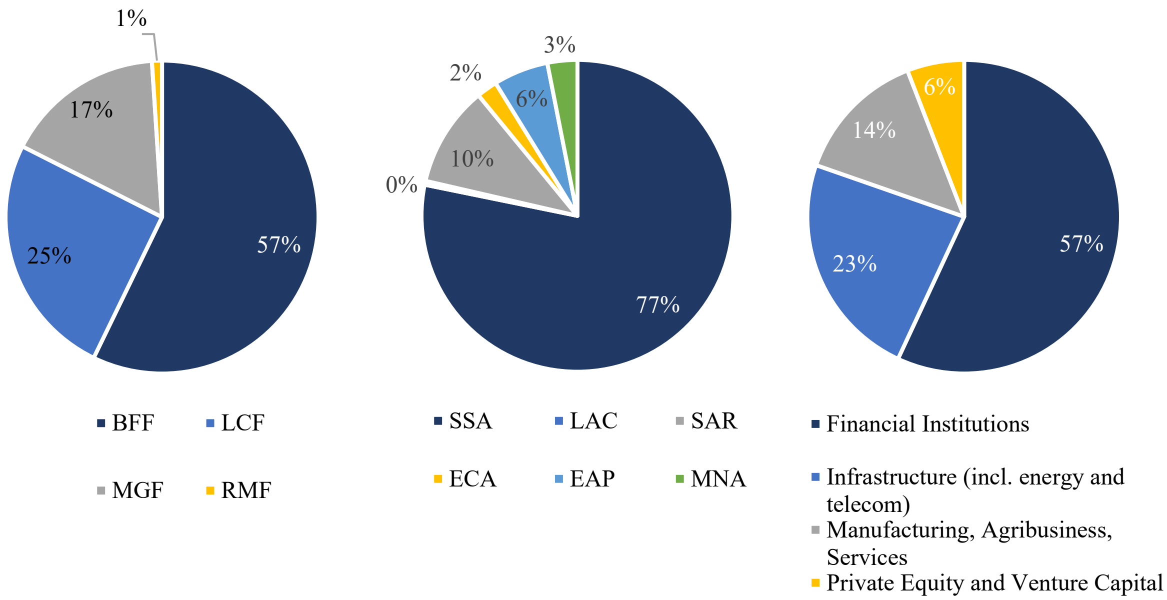


10. **PSW resources have mainly been used in IDA-only and IDA-FCS countries, which are concentrated in Sub-Saharan Africa and South Asia (Figure 2.2).** While the PSW helped some IDA-Gap and IDA-Blend countries during the COVID-19 crisis,[7] the focus of PSW has remained on IDA-only and IDA-FCS countries. The breakdown by region largely reflects the distribution of PSW-eligible countries. Across sectors, PSW utilization has been the highest in the financial institutions and banking sector. This reflects IFC's work through financial intermediaries to reach particularly MSMEs, which are the engine to create jobs and lift people out of poverty. The BFF and the LCF have been used to expand access to financing through IFC's MSME

[7] Annex 1 describes the extension of eligibility during the COVID-19 crisis to IDA-Gap and IDA-Blend countries.

platforms, including the Base of the Pyramid,[8] the Working Capital Solutions[9] and the Small Loans Guarantee Program.[10] The BFF and the MGF also supported firms in infrastructure, manufacturing, agribusiness, and services.

Figure 2. 2. PSW Board-Approved Portfolio by Facility, Region, Industry[11]



11. **PSW co-invests in projects alongside IFC and MIGA to provide concessional resources that enable projects to take place, for the benefit of the project sponsor, lenders and the end beneficiaries (e.g., MSMEs, consumers, etc.).** PSW co-investments come in many forms, including first-loss guarantees, subordinated loans, and local-currency swaps. **"**Concessionality"[12] comes from the fact that the PSW absorbs some of the project or macro risk, thereby enabling projects to become bankable. Based on the Development Finance Institutions

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[8] *https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/msme-finance/base-of-the-pyramid-facility#:~:text=IFC's%20Base%20of%20the%20Pyramid,from%20the%20COVID%2D19%20pandemic*., accessed October 26, 2023.

[9] *https://disclosures.ifc.org/project-detail/SII/44346/wcs-ida-psw,* accessed October 26, 2023.

[10] *https://www.worldbank.org/en/about/partners/brief/ida-private-sector-window-support-for-the-small-loan-guarantee-program*, accessed October 26, 2023.

[11] The Figure is based on Board approvals, including for platforms that are global, and therefore not initially allocated to regions. Board approvals under platforms are allocated to regions following the distribution of the commitments happened under such platforms. SSA = Sub-Saharan Africa, LAC = Latin America and the Caribbean, SAR = South Asia, ECA = Eastern Europe and Central Asia, EAP = East-Asia and Pacific, MENA = Middle East and North Africa. BFF = PSW Blended Finance Facility, LCF = PSW Local Currency Facility, MGF = PSW MIGA Guarantee Facility, RMF = PSW Risk Mitigation Facility.

[12] Concessionality from the PSW is estimated as the opportunity cost to the donor. It is calculated as a net-present value based on the difference between: (i) a "reference price" (a market price, if available; or a price calculated using IFC's or MIGA's pricing model when a market price for the same product is not available – benchmarked against the closest comparable market reference); and (ii) the "concessional price" being charged by the PSW co-investment or guarantee, as determined by the project needs and by the application of the Development Finance Institutions Enhanced Principles for Blended Concessional Finance for Private Sector Projects.

Enhanced Principles for Blended Concessional Finance for Private Sector Projects (DFI Principles)[13], concessionality is designed to be used in minimum quantities and time-bound, with a view to generating commercial sustainability over time. In other words, IFC and MIGA use the smallest amount of PSW possible to enable a project to go forward and use it only in cases where the project sponsor has a clear path to commercial viability. Concessionality is reported as a percentage of the total project cost[14] and communicated in Board documents and public disclosure websites.

12. **The average amount of concessionality (or subsidy) projected by the PSW in IFC and MIGA projects remains small, in single digits, at 6.7 percent of total project cost Table 2.1).**[15] As IFC and MIGA are the only Development Finance Institutions (DFI) that publicly disclose concessionality at a project level, cross-DFI comparisons are not possible. The level of concessionality is heavily influenced by the structure and risk profile of the instrument. The LCF exhibits the highest subsidy levels due to the high forex and interest-rate risks that the LCF covers in underdeveloped IDA and FCS capital markets, and the fact that the local currency swap covered by IDA is often equal to the size of the loan.[16] In contrast, BFF subsidy levels are much lower, although variable by sector. For example, the BFF has primarily been used in the form of: (i) guarantees when working with financial institutions; (ii) loans in infrastructure and manufacturing, agribusiness and services; and (iii) equity in private equity funds and venture capital.

Table 2. 1. Concessionality Levels, Simple Averages

	BFF	LCF	MGF	RMF	Average by Industry
Financial Institutions	7.1%	12.2%	0.5%	n.a.	**9.6%**
Infrastructure (including Power and Telecom)	2.7%	4.9%	1.3%	0.0%	**2.1%**
Manufacturing, Agribusiness, and Services	5.2%	20.8%	2.4%	n.a.	**7.4%**
Private Equity Funds and Venture Capital	0.6%	n.a.	n.a.	n.a.	**0.6%**
Average by Facility	**5.2%**	**13%**	**1.5%**	**0.0%**	**6.7%**

13. **Slightly higher concessionality is provided to projects in the lowest-income countries, which carry higher real or perceived risks.** On average, concessionality in PSW-supported projects in low-income IDA countries is 6.9 percent of total project cost, while it is 6.7 percent in

[13] The DFI Principles are described in detail in Annex 5.

[14] Total project cost is defined as the amount it takes to construct or expand a plant, facility or building or the operations of a company, including equity financing and third parties' debt. In the case of transactions with financial institutions, the total project cost value refers to the size of the loan, the size of the client's loan portfolio, or the amount of investment in a capital-market issuance.

[15] The total US dollar amount of concessionality provided so far overall by PSW is about $580 million, which is the sum of the concessionality amounts across all PSW operations, equivalent to about 15% of the $3.9 billion of PSW Board approved amount to June 2023. This is not comparable with the standard IDA grant element, as it is calculated with a different discount rate more specific to private sector operations.

[16] The higher concessionality level in the services sector is linked to three health projects that the PSW has supported in response to the COVID-19 health crisis. The LCF has been used to respond to currency mismatches when IFC clients earn revenues in local currency (particularly evident in the services sector where clients serve the local market) and the market only offers US dollar-denominated loans or unviable local currency loans. The use of the LCF in infrastructure is relatively recent and therefore limited, and the concessionality level is not representative.

PSW-supported projects in lower middle-income countries. Over time, concessionality levels have increased due to factors including deteriorating market conditions. IDA18 shows average concessionality levels of six percent of total project cost, growing to 6.3 percent in IDA19 and to 9.5 percent in the first year of IDA20. The increase also reflects the growing need for local currency swaps to cover high levels of foreign exchange risks in markets today.

Box 2. 1. First-of-a-kind Wind Power: Djibouti Ghoubet

(FY20) $48.4 million MIGA Guarantee Facility.

To satisfy its electricity needs, Djibouti relies almost entirely on electricity imported from Ethiopia. The country also has 135 MW of installed generation capacity, comprising aging and expensive heavy fuel oil and diesel thermal plants, of which only 57 MW is reliably available.

The Project consists of the development, design, construction, operation, and maintenance of a 58.9 MW wind farm and interconnection facilities in Ghoubet. MIGA provided gross guarantees of up to $101 million to cover equity, quasi-equity and shareholder loan investments, as well as future earnings on the shares and future interest on the quasi-equity/shareholder loans. MIGA guarantees provide coverage against the risks of currency inconvertibility and transfer restriction, expropriations, breach of contract, and war and civil disturbance, for a period of 20 years. The transaction was enabled by a first loss facility, in which the PSW MIGA Guarantee Facility (MGF) assumed 80 percent of the first loss. Thanks to the first loss, MIGA was able to reinsure $21 million with private reinsurance partners. The use of the MIGA Guarantee Facility was critical for MIGA to proceed with the transaction, due to Djibouti being an IDA and FCS (at the time) country, with weak institutional capacity and an untested model for independent power production.

MIGA's support aligns with the Djibouti Country Partnership Strategy FY14-17, which identified power availability as a key constraint to the country's development. As the country's first Independent Power Producer (IPP) and the first wind project, the Project has the potential to not only double the amount of reliable energy available but also to significantly reduce the need for importing electricity. Moreover, the Project helps make the tariff for renewable energy more competitive, with benefits on greenhouse gas emission reductions. As energy needs increase, the demonstrative effect of the Project is expected to attract more private investment into the sector. Moreover, the project shows how the PSW can support climate and development outcomes simultaneously.

III. RESULTS

14. **The PSW Performance and Results Framework was developed at the inception of the IDA18 PSW to measure its additionality and performance. It comprises: (i) scale additionality; (ii) scope additionality; (iii) development outcomes; and (iv) financial performance.** The full PSW Performance and Results Framework can be found in Annex 2.

A. PSW has Achieved Additionality of Scale

15. **PSW scale additionality plays out in two ways**: (i) directly supporting investment projects that would not have been financed without PSW; and (ii) strategically freeing up economic capital for IFC and MIGA to do more in the same markets, including without PSW support. This

section assesses scale additionality against the expectations defined at time of PSW inception,[17] although market conditions have dramatically changed since then, given the impact of COVID-19 and worsening global economic conditions stemming out of multiple overlapping crises.

i. International Finance Corporation

16. **IFC's annual commitments in PSW-eligible markets increased by 60 percent since the PSW's inception.** In FY18 when the PSW was launched, Management expected that IFC's own account investments in PSW-eligible markets would grow to $2 billion by FY20. This expectation was approximately met in FY21 as IFC's own-account long-term, and trade and supply chain financing reached $1.974 billion (Table 3.1). Volume has continued to grow as total own-account commitments in PSW-eligible countries increased to $2.702 billion in FY23, about a 60 percent increase over FY18.[18]

Table 3. 1. IFC Financing Commitments in PSW-Eligible Markets[19]
(*in $, millions*)

	Trade & Supply Chain Finance (TSC), O/A (a)	Long-Term Finance (LTF), O/A (b)	Total Finance, O/A (TSC + LTF) (c=a+b)	PSW Supported LTF, O/A (d)	PSW Supported % of O/A LTF (e=d/b)
FY18	648	1,051	1,699	85	8.1%
FY19	388	884	1,272	135	15.3%
FY20	641	1,186	1,827	398	33.5%
FY21	744	1,229	1,974	480	39.0%
FY22	1,073	1,346	2,419	507	37.7%
FY23	1,301	1,401	2,702	518	36.9%
Total O/A	4,796	7,097	11,893	2,122	**29.9%**
Total LTF Core Mobilization⁽¹⁾ (FY18-FY23)	11,102				
Total O/A + LTF Core Mob (FY18-FY23)	22,995				

Note: (1) Total long-term finance Core Mobilization refers to IFC's core mobilization as reported in IFC's annual reporting. Core mobilization is defined as non-IFC financing or risk-sharing arranged on commercial terms due to the active and direct involvement of IFC for the benefit of a client. Core mobilization is financing from entities other than IFC that becomes available to clients due to IFC's direct involvement in raising resources.

17. **Long-term finance.** IFC's long-term finance has steadily increased across IDA cycles. During IDA18, IFC's own-account long-term finance commitments in PSW-eligible countries averaged $1.040 billion per year. During IDA19, this increased to $1.288 billion per year (up by 24 percent), and to $1.401 billion in the first year of IDA20.

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17 Operationalizing the IDA18 IFC-MIGA Private Sector Window. Washington, DC: World Bank. *http://documents.worldbank.org/curated/en/928011520447801610/Operationalizing-the-IDA18-IFC-MIGA-Private-Sector-Window*

18 Long-term finance own-account figures do not include regional projects or projects in countries where only subnational regions are PSW-eligible (i.e., Kenya and Pakistan). Trade and supply chain finance own account figures do not include volume in Nigeria - adding Nigeria increases the volume by $8.16 billion.

19 Trade and supply chain finance own-account excludes Nigeria, which became PSW-eligible in FY20. Between FY20-23, Nigeria accounted for 63 percent of total IFC trade and supply chain finance own account in PSW-eligible countries. Including Nigeria brings trade and supply chain finance own account to $12,954 million.

18. **Trade and supply chain finance.** Demand for trade and supply chain finance has increased sharply since FY18 driven by rising food and energy prices following Russia's invasion of Ukraine, ongoing supply chain disruptions from the COVID-19 pandemic, and the withdrawal of trade finance from global banks.[20] PSW guarantees enabled IFC to fundamentally shift its trade and supply chain finance program toward low income and fragile markets. IFC's flagship Global Trade Finance Program increased its volume in PSW-eligible countries from 10 percent in FY19 to 40 percent in FY23[21], enabling $2.2 billion in cumulative trade commitments. Overall, IFC committed more than $4.7 billion in IFC's own-account trade and supply chain finance in PSW countries between FY18 and FY23, with annual volumes increasing from an average of about $560 million during IDA18 to $1.3 billion during the first year of IDA20.

ii. Multilateral Investment Guarantee Association

19. **Total MIGA gross issuances in PSW-eligible markets surpassed expectations made at the time of PSW inception.** Between FY18 and FY23, MIGA issued an average $1.4 billion per year in PSW-eligible countries, including $398 million supported by the PSW and $987 million without PSW support. This compares with an expectation in FY18 of an average annual MIGA gross issuance in PSW-eligible countries of $400 million. Moreover, in FY18, the expectation was that MIGA would reach $0.85 billion by FY20 in PSW-eligible markets, compared with the actual result of $1.3 billion. Finally, in FY18 the expectation was that the proportion of PSW-supported gross issuances would have reached about 50 percent of total gross issuances in PSW-eligible countries. As of June 2023, MIGA had used the PSW more efficiently: on average, 29 percent of gross issuances in PSW-eligible countries were supported by the PSW, as compared with the expectation of 50 percent.

Table 3. 2. MIGA's Guarantee Issuances in PSW-Eligible Markets
(in $, millions)

	Total Gross Issuance (a)	**Gross Issuance in PSW eligible countries (b)**	**Gross Issuance in PSW eligible countries (c = b/a)** *(Percent of Total Gross Issuance)*	**MGF Facilitated Gross Issuance (d)**	**Additional MGF Facilitated Guarantees (e = d/b)** *(Percent of Gross Issuance in PSW-eligible countries)*
FY18	5,251	1,242	24%	218	18%
FY19	5,548	1,006	18%	213	21%
FY20	3,961	1,252	32%	202	16%
FY21	5,199	1,279	25%	131	10%
FY22	4,935	1,546	31%	609	39%
FY23	6,436	2,038	32%	1,055	52%[(2)]
Total	**31,330**	**8,363**	**27%**	**2,428**	**29%**

Note: [(2)] This high percentage is due to only one project (Safaricom Ethiopia). In this project, MIGA issues gross guarantees for $ 1 billion, supported by $ 76 million of the PSW. Without this, this percentage would be 5%.

[20] Having peaked in mid-2022, commodity prices remain very high compared with their pre-pandemic levels. Based on data from IMF, overall primary commodities were up 171 percent in April 2023 compared with 2016, with energy prices up by 192 percent and food prices up by 146 percent (*https://www.imf.org/en/Research/commodity-prices*, accessed October 26, 2023).

[21] Data are based on the IDA18 PSW country eligibility list as the GTFP platform was approved in the IDA18 cycle.

> *PSW has mobilized more than $20 billion of additional investment in eligible markets.*

20. **Mobilizing private sector capital for projects with high development impact has been a core objective of the PSW and aligns with the World Bank Evolution.** By leveraging private solutions, the PSW reduces the need for public finance and sovereign debt to fund the same development objectives, freeing up scarce public resources for development challenges that can be more sustainably supported by the public sector.

21. **Since inception, $3.9 billion of PSW approvals have mobilized $20.3 billion[22] of additional capital in eligible markets from IFC, MIGA, and other third-party investors (including DFIs and purely commercial private sources), as of June 2023. The resulting mobilization ratio of 5.2 times surpassed Management's initial expectation of 4.0.** The ratio is in line with that observed by IFC in low and lower middle-income countries throughout its experience implementing other blended finance facilities. In IDA20, each dollar invested from the PSW has mobilized $3.1 of IFC own-account investments, $2.9 of MIGA gross guarantee issuance, and $1.4 of third-party capital.[23] Regions show similar mobilization ratios. The Middle East and North African and the Latin American and Caribbean regions exhibit a mobilization ratio lower than the average, given that PSW-eligible countries in these regions are mostly FCS (e.g., Haiti and Yemen) and are impacted by high-risk perception and lower pipeline opportunities. Infrastructure exhibits the highest mobilization ratios, together with financial institutions, in line with initial expectations.[24]

Figure 3. 1. Mobilization Amounts of the PSW since Inception[25]

($, billions)

22 Mobilization refers to the total cost of the projects that the PSW supports, and is based on Board-approved amounts. This definition differs from IFC's measure of core mobilization. IFC defines "core mobilization" as non-IFC, third party financing arranged on commercial terms due to the active and direct involvement of IFC - this definition includes co-investments from other lenders, including DFIs, but does not include the sponsor's equity contribution. In contrast, calculations of the mobilization of the PSW refer to the total investment in a project, and therefore include sponsor's equity contributions.

23 These ratios exclude Safaricom Ethiopia, an outlier across all IDA cycles and especially in IDA20 alone, given the magnitude of its total project cost of $3 billion. Including Safaricom Ethiopia, the IDA20 mobilization ratios are: IFC own-account investment = 3.1x, MIGA gross guarantee issuance = 7.0x, third parties = 4.6x.

24 In the case of funded products (i.e., equity and loans) third-party mobilization is calculated as the project size minus the IFC and PSW funded investments, and total mobilization is equal to the total project size minus IFC funded investment. On the other hand, in case of unfunded products (e.g., unfunded MIGA guarantees supported by unfunded PSW guarantees), third-party mobilization is the total project size minus any funded IFC investment, and total mobilization is equal to the total project size.

25 The total displayed in this figure does not equal the sum of the PSW commitment, IFC, MIGA and third-party mobilization. This is to avoid double-counting of unfunded products such as guarantees.

22. **Platforms, in particular those supporting MSMEs[26] and trade finance, provide an effective mechanism to scale up mobilization and will be an increased focus in the future.** For example, in the Global Trade Finance Program I, the mobilization of IFC commitments equals 8.0 times the PSW allocation. Furthermore, the IDA PSW SME Ventures Envelope (IPSVE) shows a high mobilization ratio of third-party capital in equity funds of over 9.0 times the PSW allocation.

Table 3. 3. Mobilization Ratios[27] by Facility, Instruments and Industry

	IFC O/A Investment	MIGA Gross Issuance	Third Parties	Total Mobilization
Facility and products				
BFF	3.6	n.a.	2.2	5.8
- BFF equity	1.7	n.a.	3.4	5.1
- BFF guarantees(3)	6.1	n.a.	2.3	8.4
- BFF loans	1.3	n.a.	3.4	4.7
LCF	1.3	n.a.	1.3	2.3
RMF	0.8	n.a.	2.2	3.0
MGF(4)	n.a.	3.8	7.4	7.7
Industry				
Financial Institutions	3.0	3.2	2.4	5.0
Infrastructure (including Power and Telecom)(5)	1.2	4.5	4.9	5.4
Manufacturing, Agribusiness, and Services	1.2	2.7	2.0	3.0
Private Equity Funds and Venture Capital	2.0	n.a.	2.2	4.1

Notes: (3) Includes pooled first loss guarantees and partial credit guarantees to single loans.
(4) These ratios do not include the mobilization rate of Safaricom Ethiopia, which is an outlier. When including this outlier, MGF projects show leverage ratios of: MIGA gross issuance = 5, Third-Party = 11.4, Total = 12.2.
(5) These ratios do not include the mobilization rate of Safaricom Ethiopia, which is an outlier. When including this outlier, infrastructure projects show leverage ratios of: IFC O/A Investment = 1.2, MIGA gross issuance = 6.2, Third-Party = 8.7, Total = 9.6.

23. **The PSW has so far mobilized $5.1 billion of purely commercial private (non-DFI) capital, based on estimated private capital mobilization[28] data reported for about 43 percent of the PSW Board approved volumes (or $1.6 billion).** Based on this subset, the average private capital mobilization ratio is $3.2 for each dollar of the PSW.[29] The MGF has the highest private

26 In this paper, MSMEs are identified as per the definition available at *https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors*, accessed October 26, 2023.

27 The calculation of mobilization ratios depends on whether the PSW, IFC and MIGA products are funded or unfunded. As a way of illustration, the total mobilization ratio is calculated as the total project cost over the amount of the PSW utilized in the project, at time of Board approval. The amount of the PSW and IFC investments are netted out of the total project cost when such investments are funded (i.e., they contribute to the funding of the total project cost). Unfunded IFC investments and MIGA gross issuances do not affect the total project cost because they do not directly fund it.

28 Private-capital mobilization (PCM) calculations follow a methodology developed for the Mobilization of Private Finance by Multilateral Development Banks and Development Finance Institutions Report (*https://www.ifc.org/en/insights-reports/2023/mobilization-of-private-finance-by-mdbs-dfis-2020-21-joint-report*, accessed October 26, 2023). PCM is calculated for committed projects (not all Board approved projects, but only those signed with the clients), and is produced with a lag of over one year (following the joint Report which is on a on a calendar year basis). The figures calculated with this methodology are different from the mobilization described in paragraph 21, but the two are complementary to provide an overall picture of the mobilization supported by the PSW.

29 This is calculated as $5.1 billion private-capital mobilization divided by $1.6 billion of PSW Board approved volumes for which private-capital mobilization data are available.

capital mobilization ratio driven by infrastructure projects (with a private capital mobilization ratio of 7.0 times). The BFF and the LCF exhibit private-capital mobilization ratios of two to 2.5 times, driven by projects in the infrastructure and financial sectors. The LCF shows higher private capital mobilization when it directly supports bond issuances subscribed by IFC and other investors.

B. PSW has Achieved Additionality of Scope

IFC's and MIGA's reach has expanded into seven new countries and enabled transformative investments.

24. **The PSW has supported the expansion of IFC's and MIGA's activities in the world's lowest-income and most fragile markets.** Since PSW inception, IFC and MIGA have expanded their reach to seven new countries, of which four FCS. PSW enabled IFC's first investments in more than a decade in Yemen[30] (local manufacturing of a staple foodstuff for the country), Samoa (lending to SMEs, including women-owned and agriculture-focused SMEs), South Sudan (for job creation and improved energy and water efficiency). PSW facilitated MIGA's first transactions in Burkina Faso[31] and Liberia[32] in more than ten years, and the first ever in Somalia and the Solomon Islands, to deliver clean energy (e.g., solar and hydro power) to businesses and consumers.[33]

25. **The PSW supports job creation and economic transformation in nascent markets.** PSW-supported projects have higher development impact and potential to catalyze markets than non-PSW projects in the same countries. Notable examples include Sonatel Telecom in Sierra Leone,[34] which supports the entry of a new service provider that brings high-quality and low-cost services, thus improving market competitiveness. In turn, Tulu Moye in Ethiopia,[35] Ghoubet Wind in Djibouti,[36] and Salima Solar in Malawi[37] demonstrate the commercial viability of renewable energy generation. In the Kyrgyz Republic, the PSW supports an SME-focused private equity fund, which sustains the private equity industry and alternative financing in the country. One of the SME investees received Standard 100 certification, which ensures that textiles do not contain any substances harmful to people, a key aspect in exporting to Europe.

New products and mechanisms have been introduced by IFC and MIGA as part of the COVID-19 response.

26. **The PSW supported countercyclical finance to help viable businesses weather the immediate effects of the COVID-19 pandemic.** IFC used new and existing platforms to implement a swift but well-governed response. The PSW complemented these efforts by enabling IFC to extend the reach of these platforms to the most challenging and greatest effected markets. For example, with the COVID-19 crisis causing a

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30 *https://disclosures.ifc.org/project-detail/SII/43466/hsa-foods-yemen,* accessed October 26, 2023.
31 *https://www.miga.org/project/tile-energie-sas*, accessed October 26, 2023.
32 *https://www.miga.org/project/escotel-africa*, accessed October 26, 2023.
33 *https://www.miga.org/project/tina-hydropower-limited*, accessed October 26, 2023.
34 *https://www.miga.org/project/sonatel-mobile-telecom-services?pid=4654*, accessed October 26, 2023.
35 *https://www.miga.org/project/tulu-moye-geothermal-operations-plc*, accessed October 26, 2023.
36 *https://www.miga.org/project/ghoubet-djibouti-windfarm-project-0*, accessed October 26, 2023.
37 *https://www.miga.org/project/salima-solar*, accessed October 26, 2023.

severe contraction in global trade and supply chain financing, PSW support for IFC's trade platforms, including the Global Trade Finance Program (GTFP) I,[38] helped extend trade flows in low-income IDA and FCS markets. By FY23, the GTFP volume in PSW countries has increased to over 40%, from 10% of the program total in FY19. The Working Capital Solutions[39] and the Base of the Pyramid program[40] supported IFC's COVID-19 response to provide liquidity to SMEs. The Africa Medical Equipment Facility[41] was established to support health SMEs in acquiring necessary medical equipment. These platforms are expected to increase access to credit and job creation/preservation and improve health outcomes. As of June 2023, IFC estimates that the Base of the Pyramid program will create between 43,000 and 64,000 direct, indirect, and induced jobs in PSW-eligible countries. In addition, IFC has expanded the use of guarantees, in particular pooled first-loss guarantees, supporting diversification and mobilization.

Box 3. 1. Strengthening Food Security in Yemen - Hayel Saeed Anam (HSA) Group

(FY21) $37.5 million Blended Finance Facility.
(FY22) $30 million Blended Finance Facility.

Ongoing conflict and instability have devasted Yemen's economy, shrinking it by over one third.[(4)] The COVID-19 pandemic, a subsequent decline in remittances and humanitarian assistance, a currency crisis and rising global food costs exponentially increased the risk of food insecurity and malnutrition. The private sector, which handles most of the Yemen's food supply, faces immense challenges: supply chain disruptions, difficulties importing and distributing fuel, and destruction of critical infrastructure.

Hayel Saeed Anam Group (HSA), a family-owned company and the largest food provider in Yemen, has been facing significant challenges, including limited availability of foreign currency financing and strict prepayment requirements from international suppliers. In July 2021, IFC, together with PSW and FMO (Dutch Entrepreneurial Development Bank), invested in the company. PSW transferred a significant portion of the credit risk to itself, enabling IFC to invest in Yemen for the first time in over a decade, and giving FMO the confidence to invest alongside IFC to meet HSA's financing needs.

The most significant outcome was the increased supply of staple goods and thereby the ability to mitigate the high levels of food insecurity. The investment improved market resilience by increasing food production, which built HAS's capacity to withstand shocks. The increased capital allows HSA to enjoy economies of scale through the purchase of larger qualities of raw materials, translating into lower end prices for consumers. The project ensured continued employment for more than 5,000 jobs and is expected to create 61,000 jobs as the company expands. Furthermore, the company is working with IFC's advisory services to create a more inclusive workforce and improve gender balance among white-collar employees. With the goal of increasing female employees by 24 percent during the life of the project, this undertaking has the potential to positively impact women's participation in Yemen's labor force. This transaction set a precedent for how concessional finance can help re-balance the risk and reward profile of a project and crowd in other development finance institutions to provide working capital in an FCS context.

(4) *https://www.worldbank.org/en/country/yemen/overview*

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38 *https://disclosures.ifc.org/project-detail/SII/44011/gtfp-ida-psw*, accessed October 26, 2023.

39 *https://disclosures.ifc.org/project-detail/SII/44346/wcs-ida-psw*, accessed October 26, 2023.

40 *https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/msme-finance/base-of-the-pyramid-facility#:~:text=IFC's%20Base%20of%20the%20Pyramid,from%20the%20COVID%2D19%20pandemic.*, accessed October 26, 2023.

41 *https://disclosures.ifc.org/project-detail/SII/42706/africa-medical-equipment-facility*, accessed October 26, 2023.

Table 3. 4. IFC's COVID-19 Platforms Supported by the PSW

	Africa Medical Equipment Facility (AMEF)	Global Trade Finance Program (GTFP) I	Base of the Pyramid (BoP)	Working Capital Solutions (WCS)
Program description	The Africa Medical Equipment Facility supports access to finance for SME healthcare providers to finance the acquisition of needed medical equipment.	The GTFP extends and complements the capacity of banks to deliver trade financing by providing risk mitigation where trade lines are constrained.	IFC debt funding to base of the pyramid financial service providers to sustain their operations under COVID-19 and extend longer-tenor financing to their MSME clients.	IFC debt funding to FIs to enable them to extend new loans to SMEs whose cash flows had been hit by the COVID-19 pandemic.
Target Beneficiaries	Healthcare SMEs	Issuing Banks in cross-border trade transactions with SME importers and exporters in emerging markets and developing economies to ensure SMEs' businesses remain sustainable, preventing jobs loss and disruptions to supply of goods and services	MSMEs, informal enterprises, and low-income households	SMEs
PSW Instrument and Amount	BFF PFLG: $18 million	BFF PFLG: $50 million BFF Limit Enhancement: $ 200 million	BFF PFLG: $130 million LCF: $280 million	BFF PFLG: $215 million
Expected IFC Own Account Portfolio	$60 million	$2 billion (cumulative PSW-enabled commitments through FY23)	$433 million	$860 million
PSW Impact[(6)]	• $2.8 million in loans committed to date in PSW countries. • 10 partnerships established with globally recognized original equipment manufacturers (OEMs) [(7)]	• Increased GTFP volume in PSW countries from 10% in FY19 pre-facility to 40% in FY23 • End-use sectors: chemicals (33%), agriculture/forestry (30%), industrial/consumer products (19%) • Average transaction size was ~$1.7 million	• 197,000 SMEs and 1.6 million micro enterprises expected to be reached (incremental of 118,000 SMEs and 524,000 micro) • Expected average end beneficiary loan size: $29,249 (SMEs) and $848 (micro • Expected to create between 43,000 and 64,000 direct, indirect and induced jobs	• 39,000 clients served • $1.6 billion trade finance, working capital and SME finance facilitated • Expected to support about 80,000 jobs at the beneficiary companies[(8)]

Notes: [(6)] *Impact data for the AMEF and GTFP I are based on actuals; while the impact data for BoP and WCS represents expected impact based on the difference between the target and the baseline.*
[(7)] *Partnerships with original equipment manufacturers are in all participating countries, including six PSW-eligible (Cameroon, Côte d'Ivoire, Rwanda, Senegal, Tanzania and Uganda).*
[(8)] *IFC does not collect data on the employment of the beneficiary MSMEs. Therefore, the number of employees with MSMEs receiving finance from all client banks is estimated by multiplying the number of MSMEs that receive loans (this piece of information is collected) by the average MSME size in the respective country.*

27. **To date, MIGA has signed 21 projects under its dedicated COVID-19 response program, for a gross guarantee issuance of $4.7 billion. Three of these projects, amounting to a gross-guarantee issuance of $396 million, were in PSW-eligible countries,[42] where MIGA provided its capital optimization guarantees.** Since the capital optimization guarantees are relatively low-risk compared with real sector projects, additional risk-mitigation from the PSW was deemed unnecessary. Therefore, the PSW was not utilized toward MIGA's direct COVID-19 response program per-se. However, the PSW has been highly relevant to MIGA's ability to issue guarantees during the pandemic and during post-pandemic reconstruction. Between FY20 and

42 Cambodia and Kosovo.

FY22, while MIGA's resources were stretched to offer more support to client countries, the PSW supported $942 million of gross guarantee issuance through $219 million of PSW resources. Thus, the MGF played a crucial role in supporting MIGA in its efforts to enable and retain foreign direct investment flows in developing markets in a situation of severe macro-economic and financial stress, and health concerns.

C. PSW Contributes to IDA Special Themes

28. **PSW-supported projects help millions of families in IDA and FCS countries and can provide lessons learned on replicable approaches that can contribute to IDA special themes and inform the operationalization of some Global Challenge Programs under the World Bank Evolution.**[43] Synergies have been established across the WBG through the PSW, and they center on IDA special themes, namely, Jobs and Economic Transformation, Fragility, Conflict and Violence, Climate Change, Gender and Development, and Human Capital.[44] The introduction of the PSW has helped further integration between IDA, IFC and MIGA. For the first time in IDA20, the IDA Policy Framework explicitly includes IFC and MIGA's activities, further enhancing the alignment between IDA, IFC and MIGA.

Table 3. 5. Summary of Expected Contributions to the IDA Special Themes

Jobs & Economic Transformation	Gender & Development	Climate Change	Human Capital	Fragility, Conflict, & Violence	Technology
Estimated creation of **1,009,000 to 1,269,000 direct, indirect, and induced jobs**[(9)] in IDA and FCS countries. **Expansion of MSME credit by about $12.9 billion.** Expansion projected to benefit additional 4 million MSME beneficiaries through IFC projects. Support to over **170,000 farmers**, supporting rural livelihoods.	**Expansion of women-led MSME credit** by about $2.2 billion. This expansion is projected to benefit an additional 1.5 million micro and women-led SME beneficiaries.	**Reduction of over 490,000 tons of CO_2-equivalent greenhouse gas (GHG) emissions per year.** **Installation of renewable energy capacity for almost 560 MW**, of which **60% in FCS countries .**	**Expansion of health services to over 1 million patients** through projects in the health sector.	**Expansion of MSME credit by about $4.9 billion in FCS countries**.	**Expansion of over 9,000 kilometers of fiber optic cable and construction of 1,600 new broadband tower sites** in FCS countries. Expansion of **mobile money services to over 20 million users and of mobile phone and internet services to over 29 million subscribers**, all in FCS countries.

Note: (9) Estimates of job creation for individual projects are based on IFC's Economic Impact Estimation Framework. The Framework comprises sector-specific models that use a variety of assumptions across countries and sectors to estimate direct, indirect, and consumption-induced jobs. Direct jobs created are coming directly from clients that expect to hire more workers due to the investment (jobs created and not improved) - these can be assumed to be full-time equivalent. For investments in financial intermediaries, estimates only include on-lending of IFC funds and not any further growth in the portfolios of client financial intermediaries.

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43 Annex 4 offers a condensed summary of the expected impact of the PSW. It includes impact indicators that are most frequently employed and have aggregable data across projects within the portfolio.

44 Human Capital was added as a Special Theme in IDA20.

Box 3. 2. Support from the Local Currency Facility to Local Capital Market Development

(TMRC FY19) $0.75 million Blended Finance Facility and $2.2 million Local Currency Facility. (NMB FY22) $10 million Local Currency Facility.

The PSW Local Currency Facility (LCF) helps IFC extend viable long-term local currency financing for high-impact projects, in situations where capital market solutions are absent or insufficient. This is important to ensure that project sponsors and end beneficiaries in IDA countries are not subject to large swings in exchange rates, which can dramatically increase the cost of their loan and make repayment untenable. The LCF supports transactions where vulnerable populations are exposed to currency movements, such as in microfinance loans, financial intermediary programs to reach MSMEs, including women-owned businesses, and renewable energy projects. Beyond its core mandate, the LCF has the potential to support local capital market development, for example by supporting domestic bond issuances and currency hedging with commercial entities. Developing local bond and equity markets is a priority for developing countries to finance their growth and is supported by joint World Bank Group programs, like the Joint Capital Markets Program (J-CAP).

In Tanzania, IFC has participated as an anchor investor in several bond issuances, thus helping deepen the country's capital markets. It started with the Tanzania Mortgage Refinancing Company's (TMRC) corporate bond in 2019 (IDA/R2019-0202), which supported the expansion of affordable long-term housing finance, following IDA's engagements in 2010 and 2015 which paved the way for bond issuance on the local capital markets. IFC purchased bonds issued by TMRC at maturities of five and seven years, longer than the client had issued in previous years, and expecting to help the client reach a 15-year tenor by 2023. In 2022, in Tanzania, IFC also supported the first social bond under the International Capital Markets Association (ICMA) Social Bond Principles (SBP) issued by a financial institution in Sub-Saharan Africa. In this case, IFC worked as an anchor investor for the National Microfinance Bank's (NMB) gender bond (IDA/R2022-0099) to expand local currency financing to women-led MSMEs. New projects are in the pipeline to further deepen Tanzania's capital market with more and more sophisticated products. The work that IFC has undertaken in Tanzania complements a World Bank technical assistance program with the Bank of Tanzania and the Ministry of Finance and Planning to implement two key preconditions for a functional local capital market: (i) the establishment of a yield curve; and (ii) an action plan for the development of a local currency bond market.

The LCF also plays a capital market-building role when used alongside commercial hedge providers, such as the Currency Exchange (TCX), when their commercially available solutions are not available in the amounts or pricing required for the projects to be viable. In these cases, the use of commercial products alongside the LCF provides positive signaling to the market and contributes to the development of financial and capital markets by promoting pricing transparency, market-making in risk-management products for local currencies, and capacity building of financial sector stakeholders.

29. **Jobs and Economic Transformation.** All PSW Board approvals are assessed as contributing to the IDA special theme of Jobs and Economic Transformation. In total, PSW supported projects are creating over 1 million new direct, indirect, and induced jobs. PSW-supported projects can directly or indirectly contribute to the creation and/or preservation of jobs. For example, expanded manufacturing capacity directly creates jobs (e.g., CBC Haiti).[45] In the case of financial intermediaries that expand access to finance for SMEs, job creation happens indirectly through SMEs that benefit from an expanded access to finance (e.g., Base of the

[45] *https://disclosures.ifc.org/project-detail/SII/40610/caribbean-bottling-company-s-a*., accessed October 26, 2023.

Pyramid).[46] In the case of energy infrastructure, while some jobs are directly created during the construction and operation phases, most jobs are indirectly created in companies that benefit from improved access to services such as electricity (e.g., in Djibouti[47] or Malawi[48]) or telecom (e.g., in Sierra Leone or Liberia[49]). Moreover, PSW-supported private sector projects help create or reinforce markets, thanks to transformational characteristics – e.g., the first Independent Power Producer in Djibouti (Box 2.1).

30. **Fragility, Conflict and Violence.** Over $1.5 billion[50] (or about 39 percent of the total) of Board-approved PSW resources are used in FCS countries. In these countries, the role of the PSW is to transfer risks amid fragility and high levels of uncertainty, for example, in the context of the high risk of operational disruptions to cash flows, like in fragile areas such as Northern Nigeria[51] or Afghanistan.[52] To date, the PSW has supported private sector investments in 25 FCS countries. The average subsidy level is 5.6 percent of the total project cost, lower than average due to the high proportion of MGF guarantees and BFF loans, which show a lower subsidy. Projects that contribute to the FCV special theme show a slightly lower mobilization ratio due to the highly uncertain political and macro environment. Still, every dollar from the PSW invested in FCS mobilizes $4.5 of additional investment (including IFC, MIGA and third parties),[53] a significant achievement in the riskiest markets in the world. These results are sustained by several large infrastructure projects[54] in the subset.

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46 *https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/msme-finance/base-of-the-pyramid-facility#:~:text=IFC's%20Base%20of%20the%20Pyramid,from%20the%20COVID%2D19%20pandemic*., accessed October 26, 2023.

47 *https://www.miga.org/project/ghoubet-djibouti-windfarm-project-0*, accessed October 26, 2023.

48 *https://www.miga.org/project/salima-solar* and *https://www.miga.org/project/golomoti-solar*, accessed October 26, 2023.

49 *https://www.miga.org/project/escotel-africa*, accessed October 26, 2023.

50 Annex 4 provides more details on how this was calculated under the heading "Focus on FCS".

51 *https://disclosures.ifc.org/project-detail/SII/45225/robust-nigeria*, accessed October 26, 2023.

52 *https://www.miga.org/project/afghanistan-rikweda-raisins*, accessed October 26, 2023.

53 These ratios exclude the outlier of Safaricom Ethiopia (IDA/R2022-0469). Including this project, the ratio would be higher at $1.0 of the PSW expected to enable $6 of additional investment.

54 *https://disclosures.ifc.org/project-detail/SII/43099/central-termica-de-temane,* *https://disclosures.ifc.org/project-detail/SII/40065/lagos-city-infra,* *https://disclosures.ifc.org/project-detail/SII/35701/upper-trishuli-1*; and *https://www.miga.org/project/tina-hydropower-limited*, accessed October 26, 2023.

Box 3. 3. PSW Support to IFC's Engagement in Haiti

(Ayiti Leasing FY19) $5.5 million Blended Finance Facility.
(Sogesol FY19) Part of the SLGP platform supported by the Blended Finance Facility.
(CBC FY19) $2.5 million Blended Finance Facility.

The PSW has played an important role in enabling IFC investments in challenging FCS markets, such as Haiti. In recent years, Haiti has been hampered by continuing political instability, institutional fragility, and severe vulnerability to natural disasters. Haiti's economic recovery from the 2010 earthquake and Hurricane Matthew in 2016 was interrupted by political and economic instability following the departure of the UN Peacekeeping Mission and a failed attempt to eliminate fuel subsidies in 2018. The COVID-19 pandemic and the assassination of Haiti's President, Jovenel Moise, in July 2021, further exacerbated the situation. FDI inflows dropped and from July 2018 to April 2023, Haiti entered a period of extreme insecurity (*Peyi Lok*/*Locked Country* period) characterized by increased gang violence, kidnappings, and severe movement restrictions. Businesses have been significantly affected by these ongoing challenges, with 84 percent of firms citing political instability as their biggest obstacle. Against this backdrop, the PSW was instrumental in enabling IFC to remain active and support private sector investments, even as political and economic conditions deteriorated. To date, the Board has approved three PSW-supported investments:

- Ayiti Leasing, Haiti's first leasing company for SMEs, with an initial financing package comprising a $5.5 million senior loan from the PSW, a $4 million IFC A loan and $1.5 million B loan. This project is expected to create 900 new jobs throughout the economy.
- Sogesol, a leading microfinance institution in the country (an unfunded pooled first loss guarantee through the SLGP program supported by the PSW, structured as an unfunded 50:50 risk sharing facility of up to $10 million, with $5 million from IFC's own account). Sogesol expanded lending capacity will create 400 new jobs throughout the economy.
- Caribbean Bottling Company (CBC), a beverage and drinking water producer (a $2.5 million subordinated loan from the PSW and a $2.5 million IFC A loan), which will expand employment and create 400 jobs in total.

The experience in Haiti exemplifies the important role of World Bank-IFC collaboration for private sector development. IFC's investment in Ayiti Leasing was made possible by prior advisory work that the World Bank and IFC had conducted jointly to establish a regulatory framework for leasing and for the company to set up operations. The company and its SME clients benefited from partial disbursements of IFC A and B loans and PSW disbursement of $1.375 million, allowing Ayiti Leasing to grow its SME leasing portfolio by 164 percent between FY18 and FY22. The difficult environment prompted the client to ultimately cancel financing as the situation failed to allow operations to ramp-up as expected.

31. **Climate Change.** Sixteen percent of all PSW Board approvals (or over $600 million) support the IDA special theme of Climate Change. The MGF is the primary contributor to this theme, mostly through renewable energy projects. For example, a solar hybrid power plant with battery storage will replace existing small-scale costly diesel generation in Somalia,[55] translating into GHG emissions savings of 2,800 tons of CO_2-equivalent per year. Other MGF examples include wind power in Djibouti,[56] hydropower in Nepal[57] and the Solomon Islands,[58] and solar

[55] *https://www.miga.org/project/kube-energy-baidoa*, accessed October 26, 2023.
[56] *https://www.miga.org/project/ghoubet-djibouti-windfarm-project-0*, accessed October 26, 2023.
[57] *https://disclosures.ifc.org/project-detail/SII/35701/upper-trishuli-1*, accessed October 26, 2023.
[58] *https://www.miga.org/project/tina-hydropower-limited*, accessed October 26, 2023.

power in Burkina Faso.[59] The BFF, through IFC investments, supports both infrastructure and smaller projects that green the manufacturing and agribusiness base (e.g., plastics circularity and green agribusiness practices in Nigeria)[60] and in green buildings (e.g., first EDGE-certified building in South Sudan).[61] Moreover, the BFF supports the expansion of climate financing – for example through IFC-financed Africa Go Green Fund, which provides financing, guarantees, and advisory services for energy efficiency and renewable energy solutions such as green housing, green appliances, green mobility solutions, and distributed solar, creating an estimated 1,800 direct, indirect and induced jobs in the process. PSW directly contributes to the IDA20 policy commitment (PC) of increasing climate co-benefits,[62] and PSW approvals supporting this special theme since FY21 are also aligned with implementing the WBG Climate Change Action Plan 2021-2025.[63] Replicable PSW-supported projects can provide lessons for the operationalization of the Energy Transition, Efficiency and Access Global Challenge Program under the World Bank Evolution. The average subsidy level of four percent of total project cost is lower than average, as climate projects use a large portion of low-subsidy instruments, such as MGF guarantees and BFF loans. PSW is highly effective in mobilizing third parties' capital under this theme, strongly supported by MIGA's issuances for large infrastructure projects. In fact, every dollar of PSW mobilizes $5.7 of additional investment (including IFC, MIGA and third parties).

32. **Gender and Development.** The PSW supported the IDA special theme of Gender and Development with $620 million in Board approvals ($405 million excluding the Working Capital Solutions platform)[64], equivalent to 16 percent of total PSW Board approvals (10 percent excluding Working Capital Solutions). All PSW facilities contribute to the theme. Most of the contribution is in MSME financing, including targeting women owned MSMEs. The rest of the expected gender-related impact is distributed across industries and comes mostly from employment and improved access to services, including finance, telecommunication, energy, and housing. Notable examples include the first gender-based financial instrument to be listed on a Sub-Saharan African stock exchange (NMB Gender Bond in Tanzania)[65] and the expansion of financial intermediaries' portfolios to women entrepreneurs and micro-housing (in the Kyrgyz Republic).[66] Some projects highlight the nexus between gender and other priorities like climate. For example, in Kosovo the PSW is supporting access to finance for women-owned MSMEs and

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59 *https://www.miga.org/project/tile-energie-sas*, accessed October 26, 2023.

60 *https://disclosures.ifc.org/project-detail/SII/39713/engee-plant*, accessed October 26, 2023.

61 *https://disclosures.ifc.org/project-detail/SII/45729/dembesh-hotel*, accessed October 26, 2023.

62 Within the IDA20 Climate Change Special Theme, PC1 Increasing Climate Co-Benefits includes a sub-target for PSW: "For IDA PSW operations, climate Co-Benefits will increase to 35 percent of IFC and/or MIGA own account commitments under such operations, on average". As of end-FY23, IFC PSW climate finance as a percentage of O/A commitments for IDA PSW stood at 36% and MIGA PSW climate finance as a percentage of O/A commitments for IDA PSW stood at 31%.

63 World Bank Group. 2021. World Bank Group Climate Change Action Plan 2021–2025: Supporting Green, Resilient, and Inclusive Development. © World Bank, Washington, DC. *http://hdl.handle.net/10986/35799* License: CC BY 3.0 IGO, accessed October 26, 2023.

64 While the platform is expected to contribute to the Gender and Development special theme, all projects under the platform may not.

65 *https://disclosures.ifc.org/project-detail/SII/46156/nmb-gb*, accessed October 26, 2023.

66 *https://disclosures.ifc.org/project-detail/SII/46695/bop-bailyk-finance, https://disclosures.ifc.org/project-detail/SII/46697/bop-elet-capital*, accessed October 26, 2023.

MSMEs' climate investments;[67] in DRC, PSW is supporting solar-hybrid mini and metro-grid investments, which also have a focus on increasing women's participation in management and technical/digital roles.[68] The average subsidy level of 7.9 percent of total project cost is driven up by the use of the LCF to expand access to local-currency finance for women-MSMEs. On average, every dollar of PSW invested in Gender-themed projects mobilizes $3 of additional investment (including IFC, MIGA and third parties).[69]

33. **Human Capital.** This topic was introduced as a special theme in IDA20. Since then, the PSW has supported three projects under this theme, mainly in the health sector, for a total amount of $40 million. For example, the PSW enabled IFC to support a leading distributor and services provider of medical equipment and consumables in Ethiopia and a local service provider in Ghana to increase access to quality healthcare.[70] The PSW also enabled IFC's investment in the Africa Medical Equipment Facility (AMEF), a risk sharing mechanism established by IFC with local financial institutions and original equipment manufacturers to support access to loans and leases for SME healthcare providers to acquire medical equipment in several African countries.[71]

34. **Technology.** The cross-cutting issue of Technology has been supported by $434 million of PSW Board approvals ($271 million excluding IFC's platforms in early-stage and venture capital), equivalent to 11 percent of total PSW Board approvals (seven percent excluding platforms). Moreover, the PSW contributed to the IDA20 policy commitment of closing the connectivity gap.[72] Contributions to this theme are through mobile money (e.g., Airtel),[73] digitalization (e.g., Safaricom Ethiopia in Ethiopia[74] or Raxio data centers[75]), and innovative tech companies financed by equity investments (e.g., CSquared in Togo[76] and more recently in Liberia[77]). The project of Safaricom Ethiopia also demonstrates the potential for WBG institutions to partner in project generation. This project originated from IDA and IFC's engagements with the government to lay the building blocks for the country's digital economy, and culminated with an investment with IFC, MIGA and PSW. Replicable PSW-supported projects can provide lessons for the operationalization of the Accelerating Digitalization Global Challenge Program under the World Bank Evolution. Although in an early stage, outcomes tracked under this Theme include

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67 *https://disclosures.ifc.org/project-detail/SII/47141/raiffeisen-leasing-kosovo-senior-loan-climate*, accessed October 26, 2023.

68 *https://www.miga.org/project/nuru-solar-hybrid-mini-grids-0*, accessed October 26, 2023.

69 This statement excludes two large outlier projects that were tagged as supporting the Gender and Development theme, namely the Safaricom Ethiopia (*https://www.miga.org/project/safaricom-telecommunications-ethiopia-1*, accessed October 26, 2023), and IFC's investment in the Build-Back-Better Emerging Markets Social, Sustainability, and Sustainability-linked Transaction Bond Fund *https://disclosures.ifc.org/project-detail/SII/44671/ifc-best-bond-fund*, accessed October 26, 2023). Including them brings the leverage above the average, and specifically to $1 of PSW expected to mobilize $10.8 of additional investment.

70 *https://disclosures.ifc.org/project-detail/SII/46180/accra-medical-i*, accessed October 26, 2023.

71 *https://disclosures.ifc.org/project-detail/SII/42706/africa-medical-equipment-facility*, accessed October 26, 2023.

72 By developing digital infrastructure, as well as increasing inclusive, secure and affordable access to and usage of broadband connectivity.

73 *https://www.miga.org/project/airtel-mobile-commerce*, accessed October 26, 2023.

74 *https://www.miga.org/project/safaricom-telecommunications-ethiopia-0*, accessed October 26, 2023.

75 *https://www.miga.org/project/raxio-data-centers-0*, accessed October 26, 2023. .

76 *https://disclosures.ifc.org/project-detail/SII/37790/link-africa*, accessed October 26, 2023.

77 *https://www.miga.org/project/escotel-africa*, accessed October 26, 2023.

access to connectivity services and installation of digital capacity. The average subsidy level is two percent, driven by the high proportion of BFF equity and MGF guarantees with low subsidy levels. Under the Technology theme, each dollar of PSW resources mobilizes \$5.2 of additional investment (including IFC, MIGA and third parties).[78] This includes digital infrastructure and telecom projects supported by the MGF, and by IFC-led early-stage investments in digital start-ups supported by the BFF.

D. PSW Enables Strong Development Outcomes

PSW-supported projects deliver job creation, economic transformation, climate, and gender investments.

35. **PSW-supported projects help millions of families in IDA and FCS countries.** PSW projects approved in IDA18-IDA19 support financial institutions in IDA/FCS to enable them to expand their lending to MSMEs and are expected to increase such credit by \$12.9 billion through their project lifecycles, reaching an additional four million MSME beneficiaries, of which 37 percent are women or women-led enterprises. Climate-related projects supported by PSW are projected to reduce GHG emissions by 490,000 tons of CO_2 equivalent per year and bring online 560 MW of installed renewable energy. PSW projects are also expected to reach more than 170,000 farmers, supporting rural livelihoods, and provide healthcare for one million patients. Finally, PSW-supported transactions are expected to generate between 1,009,000 and 1,269,000 direct, indirect, and induced jobs, a significant achievement in countries in which formal employment opportunities are rare.[79]

The PSW portfolio has consistently achieved high ex-ante development impact scores.

36. **PSW-supported projects have been consistently associated with higher development impact scores than those assigned to IFC's and MIGA's overall portfolios. Moreover, the PSW-supported portfolio has a higher proportion of projects that scored 'Excellent' than the overall level for IFC's and MIGA's portfolios.** Country context is a key variable that helps explain the higher scores, because the PSW is mainly used in contexts where the development gaps are wider, and the PSW-supported interventions are most needed. Since FY18, ex-ante Anticipated Impact Measurement and Monitoring (AIMM) and IMPACT scores have been a helpful metric for IFC and MIGA, respectively, to illustrate the impact potential of projects receiving PSW support.

i. International Finance Corporation

37. **PSW enables projects in markets with very large development gaps, or needs, where the development impact potential is high.** Nearly nine out of ten PSW-supported projects are

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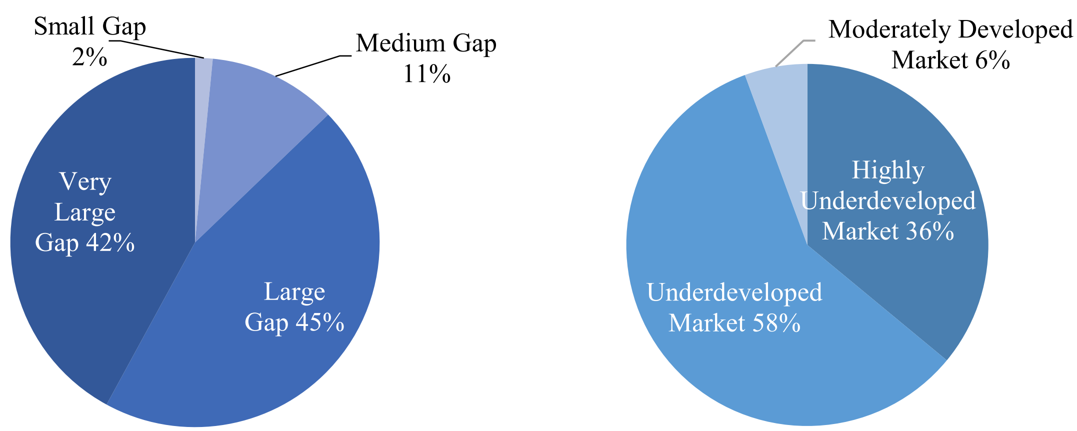
78 This leverage figures exclude the outlier of Safaricom Ethiopia. Including it, \$1.0 of PSW would be expected to mobilize \$11.7 of additional investment.

79 Estimates of job creation for individual projects are based on IFC's Economic Impact Estimation Framework. The Framework comprises sector-specific models that use a variety of assumptions across countries and sectors to estimate direct, indirect, and consumption-induced jobs. Direct jobs created are coming directly from clients that expect to hire more workers due to the investment (jobs created and not improved) - these can be assumed to be full-time equivalent. For investments in financial intermediaries, estimates conservatively include on-lending of IFC funds, and not any further growth in the client financial intermediaries' portfolios.

situated in markets where the development gap (for instance, access to finance, access to electricity, or employment opportunities) was assessed "large" or "very large" under the AIMM system. In addition, nine out of ten PSW-supported projects contribute to the development of markets[80] in underdeveloped or highly underdeveloped contexts.

Figure 3. 2. Development Gaps and Market Stages in the PSW Portfolio



38. **PSW projects have been consistently associated with AIMM scores that are higher than those in IFC's portfolio overall.** The PSW-supported portfolio shows a higher proportion of projects with high transformational, market creating potential: about 26 percent of projects with PSW received an AIMM market rating of "very strong", against just 12 percent in IFC's total portfolio committed during the same period.

Table 3. 6. IFC's Ex-Ante AIMM Scores[81]
(Committed Projects)

Average Ex-ante AIMM Score	FY18	FY19	FY20	FY21	FY22	FY23
IFC projects with the PSW [(10)]	60	59	57	57	58	59
IFC overall	46	50	51	53	53	56

Note: [(10)] The AIMM scores for PSW-supported projects are in line with those for the broader IFC's blended finance portfolio supported by other blended finance facilities.

80 Increasing competitiveness, enhancing sustainability, developing local ecosystems and supply chains.

81 IFC's AIMM framework assigns to investment projects an impact (or AIMM) score that represents the impact potential of the investment. Ex-ante AIMM scores range from 10 to 100 points, with the following qualitative rating breakdowns: 10-22 "Low" (impact potential), 23-42 "Satisfactory", 43-67 "Good", and 68-100 "Excellent".

Box 3. 4. Scaling up the Housing Market in West Africa: CRRH

(FY18) $18 million Local Currency Facility.
(FY22) $9 million Local Currency Facility.

The West African Economic and Monetary Union (WAEMU) faces a significant housing challenge, with a housing deficit of around 11.5 million units. The region also has limited mortgage financing and high construction costs, making affordable housing inaccessible to the region's growing population. To address these challenges, the West African mortgage refinancing company (the Caisse Régionale de Réfinancement Hypothéecaire - CRRH), began operations in 2012. The company issues long-term bonds in the regional capital market and uses the bond proceeds to refinance retail mortgages extended by commercial banks, which in turn provide long-term housing loans to consumers. The CRRH's ability to expand has been limited by a combination of factors, such as scarcity of long-term local-currency capital.

To support the development of housing finance and extend debt maturities in WAEMU, IFC with the support of the PSW Local Currency Facility (LCF) invested in the CRRH's 12- and 15-year bonds in 2017 and 2018, respectively. The investments helped bridge a funding gap and attract foreign investors.

These investments in CRRH have increased the availability of mortgages at affordable rates and the number of banks and other financial institutions offering housing finance. Between 2018 and 2020, the total number of mortgage providers increased from 90 to 214, while the number of outstanding mortgages increased from 189,706 to 518,648. The average loan tenor for home buyers increased from 10 years prior to the program to 15 years by October 2020. By supporting demand for housing, the investment is also creating 1,700 jobs in the region under housing construction and related real estate services. In 2023, IFC and PSW invested in a second 15-year bond issuance. The projects with the CRRH helped deepen and increase the sophistication of local bond markets and have expanded housing finance in the region. Both projects are linked to the World Bank Group's WAEMU Joint Capital Markets Program (J-CAP), which aims to help increase private sector access to long-term, local currency financing through capital market development.

39. **Based on data collected for 13 committed PSW-supported projects that have surpassed early operating maturity and received an FY23 portfolio AIMM assessment, there has been a decline in the portfolio AIMM score relative to the ex-ante AIMM score, reflecting a significant deterioration in the economic environment in the intervening years, including COVID-19.**[82] Investing for development impact is subject to risks that are likely to materialize in challenging environments and have an impact on project performance during supervision. For example, factors outside clients' control (e.g., external shocks, political upheavals, global crises, etc.) shape the trajectory of portfolio impact performance. More favorably, in all years and for both

[82] These results should be interpreted with caution, given that many of these projects are immature and have not reached the end of their life cycle. Only a small set of the projects committed under the PSW is beyond the "too early to tell" period. As most PSW projects were committed in FY20 or later, it may be several years before there are sufficient observations to make general statements about portfolio performance. Moreover, a range of projects have seen declining portfolio AIMM scores due to negative macroeconomic shocks, political instability, and the COVID-19 pandemic, all of which affect clients' operating capacity and ability to report data. The PSW portfolio has been particularly affected by these shocks. For example, Anthem Asia, a fund in Myanmar, went into liquidation in its first year of operational maturity due to the deteriorating political situation in the country. This resulted in a portfolio AIMM rating decline. Investing for impact is an inherently risky business, but these past two years have been an anomaly with the pandemic and its reverberating effects.

the entire IFC and PSW portfolios, the portfolio AIMM score average has exceeded IFC's scorecard target of 45.

Table 3. 7. IFC's Portfolio AIMM Scores[83]

	FY20	FY21	FY22	FY23
IFC Portfolio				
Average Ex-Ante AIMM Score	44	46	48	49
Average Portfolio AIMM Score	44	45	47	48
PSW Portfolio				
Average Ex-Ante AIMM Score	59	58	58	59
Average Portfolio AIMM Score	59	58	55	55

ii. Multilateral Investment Guarantee Agency

40. **Ex-ante IMPACT scores**[84] **of executed PSW-supported projects are, on average, higher than those for other executed MIGA projects.** Between FY19 and FY23, executed PSW-supported projects had an average IMPACT score of 62, higher than the average of 49 for other projects. This holds true every year since PSW inception. Moreover, 32 percent of projects in the PSW FY19-23 portfolio have an "Excellent" IMPACT rating, compared with 6 percent for projects in IDA countries without PSW support and 4 percent for other MIGA projects.

Table 3. 8. MIGA's Ex-ante IMPACT Scores
(Executed Projects)

Average Ex-ante IMPACT Score	FY19	FY20	FY21	FY22	FY23
MIGA projects with the PSW	69	68	53	63	65
Other MIGA projects in IDA countries	37	47	51	48	58
Other MIGA projects	49	47	50	50	54

E. PSW Has Started to Generate Financial Returns to IDA

41. **PSW enables IFC and MIGA to generate financial returns for IDA. Estimated net revenues generated from PSW to IDA amount to $16.4 million**[85] **as of June 2023, with limited losses to date amounting to $2.9 million.** The PSW portfolio is still ramping up and too young to allow a full profitability analysis, but it has started to generate reflows. Other than the Risk Mitigation Facility (which does not have commitments as of June 2023), all PSW facilities are generating revenues to IDA. More than half of PSW net revenues come from the MIGA Guarantee

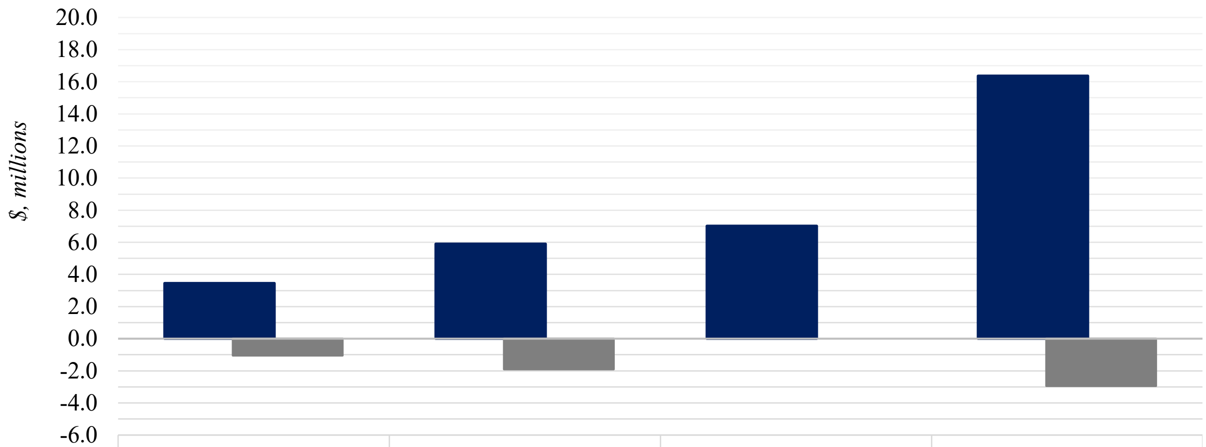
83 The ex-ante AIMM scores in Table 3.6 include all committed projects in each fiscal year, whereas the ex-ante AIMM scores in Table 3.7 include only those committed projects that have received a portfolio AIMM score in the given year, hence the difference in the ex-ante AAMM scores in the two tables.

84 MIGA's IMPACT framework assigns to projects an IMPACT score that represents the impact potential of the investment. Ex-ante IMPACT scores range from 10 to 100 points, with the following qualitative rating breakdowns: 10-22 "Low" (impact potential), 23-42 "Satisfactory", 43-67 "Good", and 68-100 "Excellent".

85 Revenues in this paragraph include net cash flows from interests and fees only. The revenues to IDA are net of the compensation of administrative costs (e.g., origination, structuring, portfolio management) related to the PSW, shared across institutions and amounting to $17.4 million as of June 2023.

Facility. With regards to the Local Currency Facility, the figures are indicative point-in-time estimates, as the final net gain or loss to IDA can only be determined once transactions have fully matured.[86] Revenues from the Blended Finance Facility are largely generated by guaranteed fees.[87]

Figure 3. 3. Net revenues and losses from PSW-supported Projects as of June 2023[88]



	BFF	LCF	MGF	Total
Losses	-1.0	-1.9	0.0	-2.9
Revenues	3.4	5.9	7.0	16.4

86 As of June 2023, too few LCF transactions have matured to provide an appropriate assessment of gains and losses.

87 The remaining come from BFF loans and equities.

88 The $1 million BFF "losses" relate to payouts under the Small Loan Guarantee Program. For the LCF, "revenues" are cash flows received by IDA from IFC related to LCF hedging transactions; "losses" are cash flows that IDA paid to IFC under the same LCF transactions. These figures exclude one transaction where, as of June 2023, IDA had not yet received payments from IFC due to market illiquidity conditions; such payments occurred in September 2023.

IV. LESSONS LEARNED FROM IMPLEMENTATION AND PROPOSED ENHANCEMENTS

42. **The analysis presented above helps reflect on ways to enhance the PSW implementation. This section covers a deeper analysis of usage, pipeline and operations.** Ex-post reflections build institutional knowledge and establish a feedback loop mechanism from implementation.

A. Lessons Learned from PSW Utilization

Training and upstream engagements have helped accelerate PSW utilization.

43. **The pattern of PSW utilization shows a need for continual investment in staff training and upstream engagement across the WBG institutions.** Building momentum for the PSW required training across the three institutions, for example on the application of the DFI Principles and the PSW structures. Moreover, PSW has been used most successfully where there has been proactive upstream engagement among operational teams on country investment priorities, the role of the private sector, and the need for concessionality. The IDA18 cycle was a learning period, and training and outreach to operational teams scaled up PSW utilization and built a strong pipeline. The uptake of PSW was initially slow, as institutions and staff familiarized themselves with the new products and governance procedures and built a pipeline. For example, higher familiarity with the PSW instruments and governance led to the design of the PSW Pooled First Loss Guarantee[89] to de-risk IFC's platforms. This was a driving factor for the PSW uptake in the second half of IDA18 in support of IFC's COVID-19 response.

44. **Teams are continuing to learn and develop products under the RMF, where materialization of a growing project pipeline has been limited to date.** A challenge faced by RMF utilization is the nature of Public-Private Partnerships (PPP) projects, which take years to be designed and reach a stage of bankability, especially in FCS contexts where most of the pipeline is located. In addition, RMF is meant to specifically address gaps not met by existing WBG instruments such as IDA and MIGA guarantees. Such novelty requires significant time for creation, design, implementation and coordination for technical IDA, IFC and MIGA teams. IDA18 saw the first Board approval under the RMF,[90] and recently the Africa Release project was Board approved.[91] Africa Release was the first project to use the Liquidity Support Guarantee under the RMF, and will enable a pioneering and scalable leasing platform for modular, mobile

[89] Pooled first loss guarantees (PFLG) are loss-absorbing guarantees on a portfolio of homogeneous assets, such as loans to MSMEs. PFLGs can be called by IFC or the relevant beneficiary in case of a default on any of the eligible assets in the portfolio. When called, a PFLG covers losses from defaulted assets fully, on a first-come first-served basis, until the entire amount of the PFLG is depleted. A PFLG helps lower the perceived/real risk for IFC/private investor beneficiaries over a portfolio of assets. A PFLG is more efficient in lowering risks for its beneficiary, because it benefits from the diversification of the underlying portfolio of assets (rather than a single asset).

[90] *https://www.miga.org/project/afghan-power-plant-company, https://disclosures.ifc.org/project-detail/SII/35413/mazar-ipp-afghan*, accessed October 26, 2023.

[91] *https://disclosures.ifc.org/project-detail/SII/46568/africa-release*, accessed October 26, 2023.

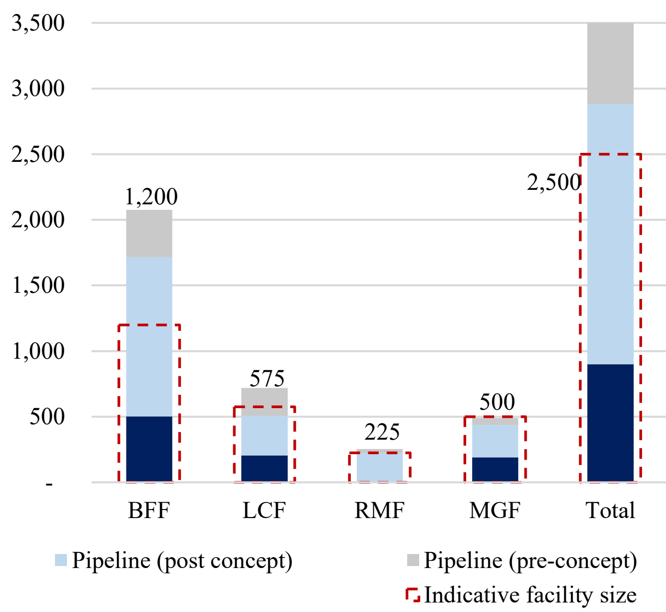
and re-deployable solar photo-voltaic with battery storage solutions in Sub-Saharan Africa, also showing complementarities with World Bank's interventions and upstream engagements.[92]

Need for robust, diversified project pipeline development.

45. **Efforts to develop a robust and diversified pipeline are paramount, given the high volatility and lower conversion rates from pipeline to commitments in IDA and FCS countries.** PSW-supported projects have a higher attrition rate from concept to commitment, and lower disbursement rate than projects in more developed markets. For example, at the end of 2020, IFC had more than $700 million in pipeline in countries that saw increased conflict and fragility, and of this pipeline nearly $600 million had been disengaged, dropped, or put on hold by the end of 2021. This situation may worsen given increasing outbreaks of fragility. While PSW delivery could be impacted, operational teams will remain focused on developing a robust and diversified pipeline to continue delivering impact, also maximizing upstream efforts and synergies with advisory and technical assistance, as recommended by the 2021 IEG evaluation.[93] Over time, the PSW has shown the adaptability of a concessional finance model that allowed to shift resources rapidly and adapt products and geographical focus in response to fast-moving market conditions.

46. **The PSW pipeline stands at $2.6 billion as of June 2023, suggesting that the IDA20 PSW allocation will be fully exhausted.** Historically, about 50 percent of the pipeline has translated in commitments in the same IDA cycle. Figure 4.1 shows the utilization and pipeline by PSW facility. The current pipeline suggests that the $2.5 billion IDA20 allocation for PSW will be fully utilized. However, the pipeline is only one year through the IDA20 cycle, and new projects that are originated in the latter two years will also come to fruition during the IDA20 cycle, increasing the likelihood that demand exceeds the allocation. Management will monitor the pipeline and reallocate resources across PSW facilities, if needed.

Figure 4. 1. IDA20 PSW Utilization and Pipeline as of June 2023
($, millions)



92 Western and Central Africa, Liberia, Sierra Leone, Chad, Togo - Regional Emergency Solar Power Intervention Project (English). Washington, D.C. : World Bank Group. *http://documents.worldbank.org/curated/en/099655012092213765/BOSIB0982688f909f0b3870c1ea29a534dd*, accessed October 26, 2023.

93 The WBG's experience with IDA Private Sector Window: An early-stage assessment. *https://ieg.worldbankgroup.org/evaluations/ida-private-sector-window-early-assessment*, accessed October 26, 2023.

Need to regularly monitor and adjust PSW concessionality based on risk.

47. **Monitoring the utilization of PSW and the materialization of risks has allowed IFC to reduce PSW guarantee coverage, thereby enhancing the principle of minimum concessionality.** IFC's platforms helped scale up the use of PSW and about $1.8 billion has been Board-approved so far under these mechanisms. In line with the World Bank Evolution's objective to enhance speed and innovation, platforms have provided an opportunity to experiment innovative financial products and ease operational processes through simplified reviews and approvals,[94] as they define impact objectives in advance and pursue them through projects that comply with platforms' criteria. IDA and IFC have been monitoring the use of PSW under platforms to inform potential adjustments.

Box 4. 1. Bridging the Funding Gap for Small Business in Central and East Africa: XSML's African Rivers Fund III

(FY20) $7.5 million Blended Finance Facility.

In Africa, SMEs provide an estimated 80 percent of jobs.[(5)] Yet 40 percent of these vital businesses require more funding than they can currently access.[(6)] This percentage is even higher for low-income countries and FCS countries in Central and East Africa. In 2019, the PSW and IFC, through their SME Ventures Program, invested $15 million ($7.5 million each) in XSML's African Rivers Fund III (ARF III). With this fund, XSML—a fund manager providing long-term financing to SMEs in Africa—seeks to expand and diversify its portfolio of small business investments in Central and East Africa. XSML has struggled to raise capital given the challenging market that it invests in and the limited track-record of its clients. The PSW and IFC support helped XSML catalyze new investors and successfully raise $85 million, surpassing its first closing target commitment.

As of June 2023, ARF III had invested in 29 companies across a variety of sectors, including retail, transport, healthcare, construction, and manufacturing.[(7)] Over half of the companies that have been in the portfolio for over a year grew at least five percentage points faster than the GDP of the country in which the companies are based or operate. ARF III contributed 5,100 jobs, including direct, indirect and induced. In addition, the fund helped provide capital to women-owned companies:[(8)] Fifteen percent of the portfolio companies are majority-owned by women and four of these companies are led by women. [(9)]

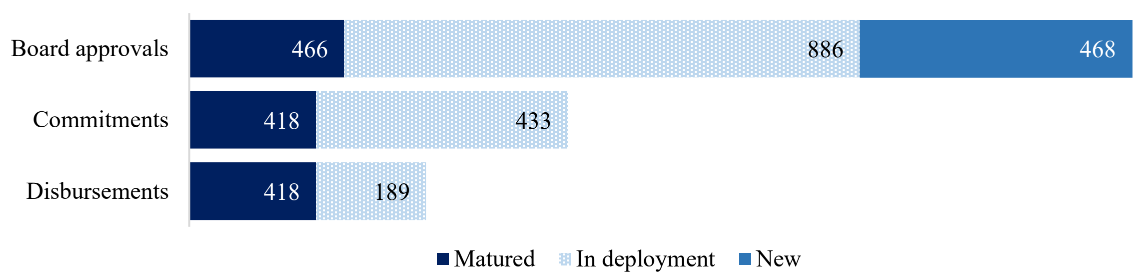
Among the companies financed by ARF III are Coffeelac, a processor and exporter of Arabica coffee, and Ecopharm, a chain of retail pharmacies. The fund's investment in Coffeelac allowed the company to secure supply of the raw product (coffee cherries), support over 2,500 local farmers, and gain a competitive advantage in the industry. Ecopharm, with the support of ARF III introduced a wholesale business and opened an online and delivery operation to serve customers during COVID-19 lockdowns. As of June 2023, Ecopharm employed 200 people and served around 1,600 clients a day, with plans to reach 2,000 by the end of 2023.

(5) *https://www.mckinsey.com/featured-insights/middle-east-and-africa/how-south-african-smes-can-survive-and-thrive-post-covid-19*
(6) *https://www.lseg.com/content/dam/lseg/en_us/documents/media-centre/africa-sme-financing.pdf*
(7) Out of the 29 investments - 7 investments in 2020, 13 in 2021, 7 in 2022 and 2 in 2023.
(8) Majority ownership refers to more than 50% of company shares at the time of investment being owned by women.
(9) This refers to CEO, Managing Director or primary decision-maker role being helped by a woman.

94 Platforms are presented to the Board for approval, including with their own delegation parameters.

48. **Matured platforms (i.e., those that reached the end of the investment period)[95] have fully used PSW resources. The platforms that are still in deployment[96] continue to provide valuable lessons learned and have been adjusted to optimize the use of PSW.** Although platforms in deployment are expected to utilize their full PSW allocation, their utilization pace has been in some cases slower than initially planned, due to shifting market conditions. This has been informing the assessment of the risks that the PSW covers in platforms. For example, the Base of the Pyramid program exhibited a slower uptake than initially expected because, during the COVID-19 and subsequent unfolding crises, financial institutions focused on their existing portfolios, rather than on expanding into new MSME assets. To allow full utilization of the Base of the Pyramid program and onboarding of new clients, in June 2023 the Board approved an extension of the program,[97] which was designed to reduce the risk absorbed by the PSW. In fact, the same amount of PSW resources now sustains a larger IFC portfolio over a longer availability period. This adjustment further maximizes the utilization of the PSW and provides time for operational teams to work with financial institution clients to expand offering of much-needed financing to MSMEs in IDA-only and IDA-FCS countries. As in the Base of the Pyramid, further assessments of PSW utilization will continue to inform the design of new platforms, paying close attention to anticipated and materialized risk, as well as to the deployment timeline.

Figure 4. 2. Usage of PSW in IFC's Platforms as of June 2023
($, billions)



49. **The level of disbursements of individual projects outside of platforms is deemed overall appropriate, and risks will be monitored to optimize PSW utilization.** As projects evolve, it will be important to observe how market conditions and political shocks can affect the pace of utilization. For example, while most committed individual (out-of-platforms) projects started to disburse, some were affected by adverse conditions in FCS contexts, and have either not disbursed or disbursed less than expected (e.g., Haiti, as discussed in Box 3.3). The portfolio is still not mature enough to draw firm lessons, but close monitoring of disbursements will help identify and anticipate risks specific to IDA-only and IDA-FCS contexts, and adjust strategies, including building local capacity to understand new risks (e.g., those of a new target segment like women-MSMEs) and to effectively absorb financing.

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95 GTFP, RSE, WCS, for a total amount of $466 million.

96 These include AMEF, ATRI, BOP, the Small Loan Guarantee Program (SLGP), IPSVE, the Startup Catalyst, the IDA PSW Venture Capital Envelope and SLGP with the European Commission.

97 *https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/msme-finance/base-of-the-pyramid-facility#:~:text=IFC's%20Base%20of%20the%20Pyramid,from%20the%20COVID%2D19%20pandemic.*, accessed October 26, 2023.

B. Operational Enhancements

50. **A reflection on the PSW's cross-institutional experience provides lessons to further enhance its operational model.** Based on reflections on the results and lessons learned, this section includes additional reflections on working as "One World Bank", maximizing impact and enhancing operational efficiency.

Enhancement of the PSW capital allocation in IDA's capital adequacy framework.

51. **In line with the World Bank Evolution, measures to enhance IDA's financing capacity will be discussed at the IDA20 mid-term review (MTR).** As part of the ongoing review of IDA's capital adequacy framework, PSW's capital allocation is being re-assessed. The outcome of this assessment and corresponding impact on IDA's financial capacity will be presented at the IDA20 MTR, together with other measures.

Simplification of internal governance processes to support PSW delivery.

52. **As the portfolio grows and efforts to build a larger project pipeline intensify, IDA, IFC and MIGA have been working on streamlining internal processes, with the aim of enhancing speed and predictability, in line with the operations efficiency enhancements under the World Bank Evolution**. Good governance is paramount in the allocation of concessional resources, and as volumes increase, a swift implementation model allows teams to efficiently experiment with new ideas and build feedback loop mechanisms. Some of the streamlining efforts that the teams have been working on include: (i) standardized rules and simplified approval processes under platforms; (ii) risk-based tiering for project approvals, using objective, rule-based criteria; (iii) simplifying back-office execution processes; (iv) upstream engagement between operational teams on the ground; and (v) harmonized Board documentation, including through an increased emphasis on joint papers to the IDA, IFC and MIGA Boards.

Proposal for adjustments to the Blended Finance Facility to mobilize third-party finance.

53. **Management will continue to explore further opportunities to simplify the PSW coordination process, resulting in streamlined governance and guidelines to build a "Better Bank".** A streamlined partnership model can efficiently ensure that projects are complementary to IDA countries' strategies and an equitable share of risks is assumed by the different institutions.[98] The use of the DFI Principles has been an effective mechanism to assess the ex-ante case for the PSW. Therefore, all actions taken to enhance processes will be in the spirit of maintaining the IDA country-based model, reinforcing the use of the DFI Principles, and further enhancing the PSW coordination process, efficiency and effectiveness.

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98 IDA Representatives participate in the decision-making process for the allocation of PSW resources to IFC and MIGA transactions, and independently review risks borne by IDA, based on their market knowledge and assessment of quantitative parameters on risk and returns for every transaction.

54. **Management proposes to modify the PSW Policy to expand the BFF to de-risk third-party co-lenders/co-investors alongside IFC, without the need for a waiver from IDA Executive Directors to the PSW Policy, starting in IDA20 and pending IDA Participants' endorsement.** Currently**,** BFF products can be structured to de-risk IFC's own account financing and third-party lenders that participate in IFC's transactions through IFC's "B Loan" program, where IFC is the lender of record. The current PSW Policy allows support to B-lenders. However, there are other circumstances where BFF could de-risk third-party co-investors (alongside IFC) who are not B-lenders (for instance, development finance institutions who participate as senior parallel lenders and also need risk-absorption provided by a BFF subordinated loan). This would help increase the ability of the PSW to mobilize third parties. In these and similar circumstances,[99] currently a waiver to the PSW Policy from IDA Executive Directors is needed.[100] Management proposes to modify the current PSW Policy to remove the need for a waiver and extend eligibility to third-party co-investors alongside IFC. The proposed Policy change is aligned with the principle of partnering with others, including development finance institutions, to achieve impact at scale, a key pillar of the World Bank Evolution, as well as with the simplification spirit.

55. **This modification will result in a simplified approval process, and it is not expected to lead to a substantial increase in the proportion of projects with third-party co-investors benefiting from PSW. Moreover, IFC will continue to lead the due diligence process for projects with any PSW co-investment**, with or without third parties' investments. Management will monitor how the proposed change will impact the overall PSW mobilization ratio[101], and will continue to apply the DFI Principles, ensuring that the utilization of concessionality by third parties is minimized and that PSW is used as a resource of last resort by all stakeholders.

Proposal for adjustment to the Local Currency Facility to enhance its mobilization potential.

56. **Management proposes to modify the PSW Policy to extend the LCF to third-parties alongside IFC without the need for a waiver to the PSW Policy from the IDA Executive Directors, starting in IDA20 and pending IDA Participants' endorsement.** The LCF, which was established to provide local currency hedging and related support to enable IFC to offer local currency solutions, has been recently used to extend support beyond IFC to third-party investors. The Afrigreen Debt Impact Fund,[102] an infrastructure debt fund implementing on-and off-grid solar power plants, is

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99 For example, the BFF may be invested in a subordinated tranche of an equity fund to crowd in third-party investors in a more senior tranche.

100 Such a waiver has been granted on a case-by-case basis for six transactions between FY20 and FY23, for an aggregate PSW Board approvals of $178 million, enabling $230 million of IFC own-account investments and $473 million from other development finance institutions. The six transactions include Central Termina de Temane Mozambique (*https://disclosures.ifc.org/project-detail/SII/43099/central-termica-de-temane,* accessed October 26, 2023), RSE HSA Yemen (*https://disclosures.ifc.org/project-detail/SII/46486/rse-covid-hsa*, accessed October 26, 2023), Cerba Africa (*https://disclosures.ifc.org/project-detail/SII/40794/cerba-africa*, accessed October 26, 2023), Oasis Atlantico (*https://disclosures.ifc.org/project-detail/SII/42535/oasis-atlantico*, accessed October 26, 2023), Bocom Cameroon (*https://disclosures.ifc.org/project-detail/SII/45530/bocom-clean-cooking-facility*, accessed October 26, 2023), and LP Dry Port Laos (*https://disclosures.ifc.org/project-detail/SII/45865/vlp-dry-port*, accessed October 26, 2023).

101 While the change will increase PSW's ability to de-risk third-party co-investors, the PSW mobilization ratio will depend on the level of de-risking needed by the co-investors and the relative size of the projects.

102 *https://disclosures.ifc.org/project-detail/SII/46932/afrigreen-debt-impact-fund,* accessed October 26, 2023.

designed to allow LCF resources to provide cross-currency swaps directly to the fund, to enable it to extend viable local-currency debt financing in Nigeria and Ghana. In this case, the LCF can support the participation of both IFC and other investors in the fund. In the case of Afrigreen, a specific waiver from the applicable PSW Policy was needed and granted by IDA Executive Directors. IFC has identified other fund investments where LCF could be used to mobilize additional finance, including from other development finance institutions. Management proposes to modify the PSW Policy to extend the LCF to third parties alongside IFC, as it provides an innovative opportunity to further enhance the LCF mobilization potential and expand pipeline opportunities, including in climate. IFC will continue to lead the due diligence process for projects with a PSW co-investment.

Adjustment to the Local Currency Facility to enhance its capital market development potential.

57. **Management will further enhance the LCF's capital market development potential.** Local currency is needed in many IDA and FCS countries with underdeveloped capital markets, often due to structural and macro-policy issues. The higher level of estimated concessionality exhibited by the LCF prompted a reflection on how LCF can target projects that reinforce local capital markets, to enhance its contribution toward commercial sustainability of supported operations. The LCF directly helps develop local capital markets when it supports bond issuances, mortgage markets and mortgage refinance, or blended use of LCF with commercial currency-swap providers[103] (one-fourth of LCF-supported projects or 62 percent of total LCF operations by US$ volume fall in this category as of June 2023). It also achieves this objective through synergies with an ecosystem of WBG activities that together lead to local capital market development.[104] Operational teams will aim to achieve a level where half of all LCF-supported projects will involve capital markets-related features, which include market hedging solutions to enhance the capital market-building role of the LCF.

Proposals for adjustment to the MIGA Guarantee Facility to expand its product suite to scale-up its impact and mobilization potential.

58. **Management proposes to expand the MGF to trade financing solutions starting in IDA20, pending IDA Participants' endorsement.** Emerging markets and developing economies are facing multiple global challenges, including disrupted supply chains, higher commodity prices, and increasing interest rates. The accessibility of trade financing has also been impacted, disproportionately affecting SMEs in IDA countries, as trade finance providers are prioritizing more established and larger clients in less risky contexts. Everywhere, the public sector is playing an increasingly important role in supporting access to critical goods. To scale up its response, MIGA sought and obtained Board approval for trade finance guarantees to provide coverage against losses resulting from the failure of a state-owned enterprise or a public

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[103] The issuance of bonds helps build and extend the yield curve for local currency capital markets, while the use of a commercial currency-swap providers helps build the price curve for commercial hedging solutions. Examples include a gender bond in Tanzania (*https://disclosures.ifc.org/project-detail/SII/46156/nmb-gb)* and an affordable housing bond in Bangladesh (*https://disclosures.ifc.org/project-detail/SII/42462/dcm-brac-bank-affordable-housing-bond)*.

[104] For example, in the case of a country with an ongoing WBG Joint Capital Markets Program (J-CAP), different initiatives reinforce each other and provide good signaling effects. So far, seven LCF-supported interventions were in J-CAP countries, showing alignment of efforts among WBG institutions.

authority, as well as sovereigns and sub-sovereigns. The MGF has the potential to help MIGA expand its trade financing offering in the riskiest IDA and FCS markets. The type of support that the MGF would provide to MIGA's trade finance guarantees is the same as that already provided to other MIGA guarantees (i.e., first loss layer or risk participation akin to reinsurance). The expansion of the MGF to trade finance would allow MIGA to (i) increase capacity when constrained by country and obligor limits; (ii) expand availability of trade finance guarantees to markets where coverage may not be currently available; and (iii) increase the potential tenor of trade finance transactions. The MGF would cover the non-honoring risk of public entities' obligations, thus complementing IFC's offer, which currently mostly focuses on commercial private banks.

59. **Management proposes to expand the MGF to liquidity-support guarantees, which can help further scale up investments in renewable energy and infrastructure starting in IDA20, pending IDA Participants' endorsement.** Infrastructure remains a critical priority in IDA countries, but private investment falls short of actual needs. In 2022, IDA countries received investment commitments in infrastructure projects with private participation amounting to $4.7 billion, representing a 22 percent reduction with respect to the previous five-year average.[105] The PSW was initially designed to offer a liquidity-support guarantee (LSG) through the RMF, which is available only when IFC is the lender of records, or originator, in infrastructure projects. Management proposes to make the LSG also available to MIGA under the MGF, to expand the LSG potential to MIGA's clients in projects where IFC is not the originator or lender of records (i.e., the RMF LSG and the MGF LSG would not be used in the same project). In order to take into account increased financial risks on the MGF due to the introduction of LSGs, the provision of the LSG through the MGF will replicate in substance and form the same terms and conditions[106] for the RMF.[107] Moreover, the decision-making process will include participation of IDA Representatives and benefit from the advice of the World Bank's Infrastructure Finance and Guarantees team, to ensure complementarities with other products. The LSG under the MGF will only be used in projects where MIGA also provides political risk insurance.[108] This would enhance MIGA's offer to its clients and MIGA's capacity in IDA and FCS countries to further expand support to infrastructure projects, which have shown considerable private capital mobilization potential, including in climate and telecommunications.

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[105] World Bank's Private Participation in Infrastructure (PPI), 2022 Annual Report. *https://ppi.worldbank.org/content/dam/PPI/documents/PPI-2022-Annual-Report.pdf*

[106] Among such terms and conditions, the additionality of the LSG needs to be achieved beyond current markets and in relation to other WBG products. The project-based guarantees offered by IDA in the public sector space require a sovereign indemnity to IDA, which provides IDA with the right to demand payment from the government in the event the guarantee is called. The LSG offered under the RMF and that proposed to be offered under the MGF will not require a sovereign indemnity to IDA – this could be valuable in cases where state fiscal capacity is limited. As for all PSW-supported transactions, IDA Representatives, including relevant World Bank Country Directors, participate in the decision process of PSW allocation to projects, thus helping ensure alignment of interventions across WBG institutions.

[107] Operationalizing the IDA18 IFC-MIGA Private Sector Window. Washington, DC: World Bank. *http://documents.worldbank.org/curated/en/928011520447801610/Operationalizing-the-IDA18-IFC-MIGA-Private-Sector-Window* , accessed October 26, 2023.

[108] More specifically, a Breach of Contract cover. MIGA's Breach of Contract cover pays compensation after MIGA's client has won an arbitral award and is unable to collect it. The process of collection of an arbitral award can take years, during which the lenders need to continue receiving payments from the off-taker. Through the LSG under the MGF, MIGA's clients will be able to benefit from uninterrupted payments by the off-taker.

60. **The inclusion of trade finance and liquidity-support guarantees under the MGF is not expected to impact availability of resources for the existing pipeline.** It is proposed that the allocation of the MGF remains at $500 million, as planned at IDA20 inception. Management will continue to closely monitor utilization and needs and will propose adjustments if needed.

Setting transparency standards for concessional financing.

61. **Management is working toward operationalizing the commitment made in the IDA20 Deputies Report, to "complement the existing project information disclosed to the public with systematic impact and mobilization data".**[109] IFC is working to enhance the existing publicly available information on its external public disclosure page[110] with: (i) actual and current project-level results for non-commercially sensitive projects (through AIMM project outcome indicators, in addition to the current reach indicator results already being disclosed);[111] and (ii) project-level aggregate core mobilization data, subject to exceptions for commercially sensitive information.[112] MIGA publicly discloses the use of the PSW in its projects through the project briefs on its website. Starting July 1, 2023, MIGA has also started providing enhanced information on PSW usage in its projects, detailing the amount of estimated subsidy and PSW instrument. The list of all projects supported by the PSW is constantly updated and available on the Private Sector Window Projects webpage hosted by IDA,[113] with links to IFC's and MIGA's disclosures.

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[109] *IDA20 - Building Back Better from the Crisis: Toward a Green, Resilient and Inclusive Future (English).* IDA20 Washington, D.C. : World Bank Group. *http://documents.worldbank.org/curated/en/163861645554924417/IDA20-Building-Back-Better-from-the-Crisis-Toward-a-Green-Resilient-and-Inclusive-Future*, accessed October 26, 2023.

[110] Already prior to IDA20, IFC has been committed to increasing transparency and broadening its client base in PSW-eligible countries. IFC remains the only DFI that publishes average concessionality figures in its blended finance operations annually on its public website, as well as the rationale for the use of concessional resources on IFC's external public disclosure portal. Moreover, IFC committed to broadening its client base through open access and competitive tender approaches where feasible.

[111] In alignment with the Harmonized Indicators for Private Sector Operations (HIPSO).

[112] Disclosure follows IFC's Access to Information Policy (*https://www.ifc.org/content/dam/ifc/doc/2010/2012-ifc-access-to-information-policy-en.pdf*, accessed October 26, 2023), including with regards to Section C. Exceptions, paragraph 11(a) Commercially sensitive and confidential information.

[113] *https://ida.worldbank.org/en/financing/ida-private-sector-window/private-sector-window-projects*, accessed October 26, 2023.

V. ISSUES FOR IDA PARTICIPANTS' CONSIDERATION

62. **"Learning by doing" continues to guide the allocation of PSW resources as the PSW evolves.** For this purpose, Management would welcome IDA Participants' reflections on the following:

a. What are IDA Participants' views on the experience of PSW to date?

b. To further mobilization, do IDA Participants support the proposal to modify the PSW Policy to extend the PSW Blended Finance Facility and Local Currency Facility to third parties in IDA20, alongside IFC in IFC-led transactions without a need for a waiver from the IDA Executive Directors to the PSW Policy?

c. Do IDA Participants endorse the proposal for MGF to extend additional products in IDA20 to include trade finance guarantees and further support infrastructure projects through liquidity support guarantees?

ANNEX 1. PSW STRATEGIC OBJECTIVES AND OPERATIONAL DESIGN

A. Strategic Objectives and Operational Design

1. **The PSW was created in recognition of the key role of the private sector in job creation and economic transformation, particularly in frontier IDA and FCS markets.** The private sector is the engine for economic growth, providing employment, innovation, goods, and services. However, the private sector in emerging and developing economies often faces constraints related to political and regulatory uncertainty, poor infrastructure and supply chains, limited firm capabilities, and other issues related to nonexistent or immature markets. In line with the ongoing discussions regarding the World Bank Evolution and the priority to increase private capital mobilization, PSW-supported projects make judicious use of scarce public resources to scale and amplify private capital flows to finance increasing development needs. In the case of the PSW, this means directing financing to the poorest and most fragile IDA countries, by rebalancing the risk profile of impactful private investments that would not otherwise happen. PSW-supported projects mobilize private capital and are intended to demonstrate the viability of investments and markets for private sector players over the medium to long term.

2. **The PSW constitutes a financial mechanism for the three institutions to operationalize their respective strategies.** The use of the PSW must be clearly aligned with the strategic direction of IDA, World Bank country strategies, and the collective approach to support sustainable private sector investment. For example, it contributes to the implementation of the WBG first Strategy for Fragility, Conflict, and Violence (FCV), which underlines the importance of the private sector in FCS contexts. It also supports IFC 3.0, which strives to address challenging development issues by strengthening markets and mobilizing private investment, and MIGA's strategic priorities to increase investments in low-income IDA and FCS countries. Moreover, to avoid market distortions and maximize private sector crowding in, each PSW investment must adhere to the DFI Principles.[1] These principles emphasize the use of minimum concessionality (employing the minimum subsidy needed) and commercial sustainability (using blended finance as an interim time-bound measure on the path to commercial viability, as market failures and other obstacles necessitating blended finance are addressed). Furthermore, PSW projects must also demonstrate additionality of scope and scale to IFC's and MIGA's current activities.

3. **The PSW co-lending model, where IFC and MIGA own-account resources are invested alongside PSW funds, supports risk-sharing and alignment of interests between IDA, IFC and MIGA.** Returns from investments are shared among the institutions with the intention that IDA is compensated for the risk that it assumes, and each institution can cover its administrative costs. Further evidence of risk-sharing can be seen in the returns.

[1] The DFI Principles were developed by the DFI Working Group on Enhanced Blended Concessional Finance for Private Sector Projects, which include more than 20 DFIs and is applied to all their blended finance private sector operations.

B. Country Eligibility

4. **IDA-only[2] countries and Fragile or Conflicted-affected Gap and Blend Countries[3] are eligible for PSW support.** In addition to IDA-only and FCV IDA-Gap and IDA-Blend countries, two other groups of countries have maintained or acquired PSW-eligibility through December 2023. The first group includes three IDA countries[4] that were PSW-eligible in IDA18 and achieved Gap status or exited FCS status. These countries maintained PSW eligibility for an additional IDA cycle, IDA19, as they transitioned out of PSW eligibility (the "transition" countries).[5] The second group consists of 13 IDA Gap and Small State Blend Countries that were particularly affected by the COVID-19 crisis and became eligible for PSW financing in September 20206 (the "temporarily eligible" countries). Of these temporary eligible countries, ten[7] maintained eligibility through December 2023 as IFC and MIGA bring pipeline to fruition. Around ten percent of Board-approved PSW resources have been used in temporarily eligible or transition countries; in other words, the PSW focus primarily remained on IDA-only and FCS countries. Annex 3 provides the evolution of country eligibility over the IDA cycles.

C. PSW Implementation Arrangements

5. One of the most powerful tools in the WBG mobilization arsenal, the PSW leverages the complementary resources of each institution to maximize finance for development. From a governance perspective, all PSW-supported transactions are governed by IFC's and MIGA's respective policies and procedures. IDA is represented at both the project approval process (through IDA Representatives)[8] and program oversight to provide guidance and strategic oversight. The assessment of the use of the PSW is guided by the DFI Principles,[9] a common framework for the effective, efficient, and transparent use of Blended Finance (BF) developed and applied by 23 DFIs, including IFC, in their blended finance operations.[10] The DFI Principles are described in detail in Annex 5.

6. **The PSW is organized in four facilities:** (i) the Blended Finance Facility (BFF); (ii) the Local Currency Facility (LCF); (iii) the Risk Mitigation Facility (RMF); and (iv) the MIGA Guarantee Facility (MGF). Through these four facilities, the PSW supports private sector investments by backstopping or blending with IFC investments or MIGA guarantees.

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2 IDA-only refers to IDA regular, non-gap, non-blend countries. "Gap countries" are those whose per capita incomes have been over IDA's operational cutoff for more than two years, but not yet IBRD creditworthy. "Blend countries" have access to both IDA and IBRD resources.

3 Eligibility for fragile or conflict-affected blend and gap countries is determined based on a World Bank CPIA rating below 3.2 or presence of a UN peacekeeping or peacebuilding mission. Moreover, certain regions of Kenya and Pakistan were included as PSW-eligible because of their FCS circumstances.

4 Bangladesh, Côte d'Ivoire, and Djibouti; IDA/R2020-0315.

5 Consistent with the IDA PSW Policy, all countries that lose PSW-eligibility in one cycle maintains eligibility for another cycle to allow pipeline fruition.

6 Expanding Country Eligibility for COVID-19 Crisis Response, IDA/R2020-0315

7 Cabo Verde, Dominica, Fiji, Grenada, Ghana, Guyana, Honduras, Lesotho, Nicaragua and Zambia.

8 The IDA DFCII Director and the relevant World Bank Country Director, who assess the alignment with IDA's priorities and country strategies, as well as the efficient utilization of IDA resources and risks to IDA.

9 The DFI Principles also guide all IFC blended finance transactions.

10 *https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/bf/bf-details/bf-dfi*, accessed October 25, 2023.

Table A1. 1. Operational Arrangements of the PSW Facilities

	Scope and objectives	Instruments	IDA18 final allocation	IDA19 final allocation	IDA20 indicative allocation
Blended Finance Facility (BFF)	Scaling up IFC financing and supporting end user access to goods & services in priority sectors, including SMEs, agribusiness, climate-finance, energy access, health and education, digital technology and other innovative sectors	Guarantees, loans, equity, and risk sharing facilities	$872 million	$922 million	$1,200-1,400 million
Local Currency Facility (LCF)	Enabling IFC to provide local currency to private clients and projects where such solutions are underdeveloped or completely missing, while supporting local capital market development where feasible	Hedging and guarantee products for IFC to manage currency risks in high impact investments and leverage market solutions where feasible.	$219 million	$566 million	$500-650 million
Risk Mitigation Facility (RMF)	Crowding-in private investment alongside IFC, in large infrastructure projects and public-private partnerships (PPPs)	Political risk insurance and liquidity support guarantee	$33 million	0	$150-300 million
MIGA Guarantee Facility (MGF)	Bridging the gaps in the availability of coverage for MIGA-eligible non-commercial risks to help crowd in private investments and expand MIGA's coverage in IDA-only/FCS markets.	Non-commercial risk guarantees through shared first loss and risk participation via MIGA reinsurance	$246 million	$177 million	$500 million
Total			**$1,370** million	**$1,664** million	**$2,500** million

ANNEX 2. PSW RESULTS FRAMEWORK UPDATE, CUMULATIVE FOR THE IDA18-19-20 CYCLES

(THROUGH JUNE 2023)

Objective	**Indicator (*Definition*)**	**Update based on Board approved PSW transactions**
PSW deployment	PSW Board approvals and commitments (*cumulative Board approvals and commitments with clients from PSW)*	**Board approvals:** $3.9 billion across 238 transactions (IDA20: $900 million in 29 transactions) Board approvals include (i) for IFC: $3.3 billion in Board approvals across 166 IFC projects and 17 programs; and (ii) for MIGA: $0.615 billion in gross guarantees across 55 transactions (counted as number of executed contracts). **Client Signed Commitments:** $3 billion across 191 transactions (IDA20: $151 million in 21 transactions) Commitments with clients include: (i) for IFC: $2.6 billion in client signed commitments across 151 transactions; and (ii) for MIGA: $0.4 billion in executed guarantees across 40 transactions (counted as number of executed contracts).
	PSW disbursements (*cumulative disbursements from PSW – not applicable to unfunded RMF, BFF and MGF guarantees, which are not disbursed)*	$519 million of $1.62 billion Board approved (IDA20: $9 million of $256 million Board approved) This includes BFF loans, BFF equities and LCF products across all IDA cycles. It excludes guarantees (BFF, MGF and RMF guarantees).
PSW Revenue	Fees collected from PSW transactions (*total PSW fees received*)	$40 million (IDA20: $0.160 million)
PSW Net Losses	Net losses on PSW transactions (*total realized losses of PSW funds less any recoveries*)	$1 million of net payouts under the IDA18 PSW Small Loan Guarantee Program (no losses in IDA20)
Scale up IFC/MIGA engagements in PSW-eligible markets	Total IFC Own-Account Commitments & MIGA Gross issuances supported by PSW (*cumulative <u>volume and number</u> of IFC Commitments & Gross issuances of MIGA Guarantees supported by PSW)*	IFC Own Account Commitments: $2.1 billion LTF long-term finance across 124 transactions signed with clients; and $2.2 billion trade and supply chain finance. MIGA Gross Issuances: $2.4 billion across 40 transactions (counted as number of executed contracts).
	Total IFC Own-Account Commitments & MIGA Gross issuances in PSW-eligible markets (*cumulative <u>volume and number</u> of IFC Commitments & Gross issuances of MIGA Guarantees in PSW-eligible markets)*	IFC Own Account Commitments: $7.097 billion long-term finance across 366 transactions and $4.796 billion trade and supply chain finance across 221 transactions (trade and supply chain finance excludes Nigeria). MIGA: $8.36 billion across 102 transactions (counted as number of executed contracts).

Objective	**Indicator (*Definition*)**	**Update based on Board approved PSW transactions**
	Share of PSW-supported engagements in total IFC commitments & MIGA gross issuances (*% of PSW-supported engagements in total IFC commitments & MIGA gross issuance in <u>volume and number</u> in PSW-eligible countries)*	IFC: • LTF: 29.9% (FY18–FY23) by volume; 34% by count • STF: 28% (FY20-FY23) by volume ($1,049 million of PSW-supported STF out of $3,760 million of IFC own-account STF; excludes Nigeria) MIGA: 29% by volume and 38% by count
Focus on FCS[1]	Share of FCS projects in cumulative PSW-supported Board approvals (*% of FCS projects in cumulative PSW Board approvals in volume and in number of investments/projects)*	IFC: 31% by volume and 40% by count ($1,020 million, across 66 long-term finance projects from FY18-FY23). IDA20: 9% by volume and 31% by count ($64.8 million across six projects in FY23).[2] MIGA: 81% by volume and 69% by count ($498 million, across 38 transactions) (IDA20: 91% by volume and 80% by count)
	Share of PSW-supported FCS projects in cumulative IFC and MIGA commitments in FCS countries (*% of IFC / MIGA's total FCS volumes/project count)*	IFC: 24% in terms of volume ($787 million of PSW-supported FCS volume out of $3,228 million of IFC's long-term finance own-account commitments in FCS); and 28% in terms of project count (45 PSW-supported FCS projects out of 160 IFC long-term finance own-account commitments in FCS).[3] MIGA: 6% in terms of total FCS volumes ($163.71m out of $2,774.18m of gross issuance in FCS countries between FY18-23); and 29% in terms of project count (15 out of 51 projects in FCS countries between FY18-23).

1 The definition of FCS countries follows the World Bank's Harmonized List of Fragile and Conflict-Affected Situations (FCS).

2 These numbers include both long-term and trade-and-supply-chain finance. Board-approved FCS volumes and project counts for single-country projects are included as such for projects in FCS countries. Additionally, i) Board-approved FCS volumes and project counts for regional projects are included where a country breakdown is available to distinguish between FCS and non-FCS countries, and ii) FCS volumes and project counts for regional or global platforms (where the Board pre-approves a PSW amount for an envelope that will support projects to be approved/committed in the future) are included for the individual sub-projects committed (i.e., signed with clients) under the platforms in FCS countries.

3 These numbers are based on IFC's long-term finance own account commitments in countries that are classified as FCS following the WB's Harmonized List of Fragile and Conflict-Affected Situations (FCS). The list changes each FY. IFC and PSW-supported volumes exclude FCS amounts in regional projects.

Objective	**Indicator (*Definition*)**	**Update based on Board approved PSW transactions**
Crowd in private investment	Direct mobilization for Board approved projects *For IFC: Financing from entities other than IFC/PSW that becomes available to Client due to IFC's direct involvement in raising resources – i.e., total LTF core mobilization, as discussed in Table 3.1.* *For MIGA two measures are included:* • *total amount of the equity or loan that MIGA is guaranteeing;* • *total amount co-insured or reinsured with the private sector under the MGF.*	IFC: $11.2 billion MIGA: total amount of the equity or loan that MIGA is guaranteeing is $2.4 billion. MIGA: total amount co-insured or reinsured with the private sector under the MGF is $1.3 billion.
	Total mobilization of Board approved projects – as reported in paragraph 21 (*For IFC: total project cost, minus PSW funded commitments. For MIGA: total project cost)*	IFC: $14 billion (IDA20: $2.7 billion) MIGA: $7.3 billion (IDA20: $4 billion)
	Subsidy element volume for Board approved transactions (*Amount of cumulative indicative subsidy)*	$587 million (IDA20: $88 million)
	Subsidy element % for Board approved project (*simple average of the implied subsidies for each transaction, calculated as % of total PSW-supported project cost)*	6.7% (IDA20: 9.5%)
	Subsidy element % for Board approved project (*simple average of the implied subsidies for each transaction, calculated as % of PSW-amount)*	16.5% (IDA20: 15.8%)

Objective	Indicator (*Definition*)	Update based on Board approved PSW transactions
New countries and sectors coverage	New countries and sectors (*Narrative on new countries and sectors PSW-supported transactions support, compared to IFC/MIGA core business)*	IFC: Since IDA18, IFC used PSW resources for the first time in several countries, including Burundi, Djibouti, Lao PDR, Liberia, South Sudan, and Yemen. BFF enabled IFC to invest in Yemen in two projects, and South Sudan for the first time in about a decade. BFF supported an IFC investment in Bangladesh expected to increase energy and water efficiency in the country's RMG sector. MIGA: The MGF enabled MIGA to support investors in countries such Liberia and Malawi for the first time. Under IDA19 and IDA20 the MGF use was also expanded to include Somalia, Burkina Faso, Mozambique and Ethiopia. Specifically, the IDA-PSW opened up the Somalia market to MIGA for the first time by supporting the first ever MIGA Guarantee issued in the country. The MGF portfolio includes several first-of-a-kind-projects in infrastructure (including renewable energy and connectivity).
New and expanded use of instruments	PSW enabled new or expanded instrument use (*Narrative on new/expanded instrument use enabled by PSW)*	IFC: BFF supported IFC's Risk Sharing Facilities and temporary subordination structures. In IDA20, the RMF pipeline has been growing, and more advanced renewable energy projects have supported learning on RMF products, specifically on the Liquidity Support Guarantees – this new learning will advance pipeline development in the future. MIGA: No new instruments were enabled by the MGF thus far. However, there is an ongoing discussion to use the MGF to enable MIGA's foray into Trade Finance and Liquidity Support Guarantees in PSW eligible countries.
Expanded client reach	New ways of client reach and new approaches (*narrative on new approaches and new ways of client reach enabled by PSW)*	IFC: The Small Loan Guarantee Program (SLGP) has supported Risk Sharing Facilities aimed to reach small and underserved SMEs. In IDA19, IFC committed to broadening its client base through the PSW including through to use of competitive or open access approaches. The Africa Medical Equipment Facility (AMEF) is the first open access platform under the PSW with the aim to support broadening IFC's client base. Details of PSW-supported competitive tender and open access programs are made available on IFC's Blended Finance dedicated *website*. MIGA: As an indirect effect of risk-mitigation through the provision of a first loss layer, the MGF has favorable effects for MIGA's clients by transferring risks and reducing the price of MIGA's premium. This has helped MIGA to both efficiently service its existing clients as well as expand to new clients.

Objective	**Indicator (*Definition*)**	**Update based on Board approved PSW transactions**
Market impact	Market creation impact & risks (*Narrative and assessment on potential for market creation/ development and risks for adverse market impact)*	IFC: Since 2018, IFC has taken a more proactive approach to capture how projects “create” markets. The PSW is a critical pillar of this strategy. This commitment to market creation is embedded in the Anticipated Impact Measurement and Monitoring (AIMM) framework, which rewards projects that have transformational market effects in nascent sectors. In this context, nine in 10 assessed projects were operating within underdeveloped or highly underdeveloped contexts, targeting development outcomes such as increased competitiveness and resilience, enhanced sustainability and inclusion, and enhanced integration. Moreover, the pool of PSW-supported projects has a higher share of transformational, market creating potential at design than projects without PSW support: about 26 percent of projects with PSW support have an AIMM market rating of “very strong,” versus 12 percent of projects in IFC’s total portfolio committed since FY18. MIGA: MIGA has its ex-ante development impact framework tool called IMPACT, which helps assess the potential development impact of proposed MIGA projects. The IMPACT assesses the expected potential to achieve impact across two dimensions: project outcome and foreign investment effects. The IMPACT Scores have been significantly higher for PSW supported projects than for non-PSW supported projects.

Objective	**Indicator (*Definition*)**	**Update based on Board approved PSW transactions**
Support to IDA objectives and Special Themes **select indicators to report from IFC/MIGA results reporting;* **actual results data collection & reporting starts 3 years after commitment*	World Bank Corporate Scorecard Tier 2 Client Results supported by World Bank Operations: Growth & Inclusiveness * IFC, MIGA feed directly into these indicators	PSW is aligned with IDA's poverty focus and support IDA Special Themes, including Jobs and Economic Transformation, Climate, and Gender. Many of the PSW supported projects are in FCS countries and there is strong support of MSMEs. Annex 4 of this paper includes the full compilation of expected results based on the Board approvals to date. The most relevant indicators include: • a substantial expansion of MSME credit by approximately $12.9 billion, with $4.9 billion (38%) in FCS countries. This is expected to result in expanded access to loans for MSME beneficiaries by an additional 4 million, with a significant emphasis on empowering women-led enterprises, which will account for almost 37% of the total beneficiaries. • IFC estimates that all Board-approved PSW projects between FY18 through FY23 have the potential to create between 1.0 and 1.3 million direct, indirect, and induced jobs across IDA and FCS countries. About half of these jobs are expected to be generated through investments in funds and financial intermediaries, while the other half from operations in the real sector. For IDA20 in particular, IFC estimates that the IDA20 projects will create between 338,000 and 359,000 direct, indirect, and induced jobs over the lifetime of the projects, with over 90% expected to be created in FCS countries. • The portfolio aims to achieve a reduction of about 140,000 tons of CO_2 equivalent in greenhouse gas emissions per year from IFC projects and 351,223 tons from MIGA projects. MIGA projects are also expected to install renewable energy generation capacity for 560 MW. • The portfolio seeks to extend support to nearly 123,000 farmers operating in FCS countries from IFC operations and 50,000 from MIGA operations, recognizing the significant role of agriculture in these contexts.
	IEG Project Evaluation results (*% of evaluated PSW projects with satisfactory evaluation ratings*)	*No IEG project evaluation was made yet.*

Objective	**Indicator (*Definition*)**	**Update based on Board approved PSW transactions**
Satisfactory outcome of PSW funded operations	Average AIMM / IMPACT score for PSW supported projects	IFC: Average ex-ante AIMM score for PSW supported projects is 59, compared with the IFC average AIMM score of 56 for all projects committed in FY23. This trend has been consistent since FY18. MIGA: Average ex-ante IMPACT score for PSW supported projects is 65, compared with the MIGA average IMPACT score of 54 for non-PSW supported projects committed in FY23. This trend has been consistent since FY18.
	IEG assessment of IFC and MIGA work quality on PSW-supported projects (*% of evaluated PSW projects with satisfactory evaluation ratings)*	*No IEG project assessment was made yet.*

ANNEX 3. COUNTRIES ELIGIBLE FOR PSW SUPPORT

Country Name	IDA18	IDA19	IDA20
Afghanistan	✓	✓	✓
Bangladesh	✓	✓	✓*
Benin	✓	✓	✓
Bhutan		✓	
Burkina Faso	✓	✓	✓
Burundi	✓	✓	✓
Cabo Verde	✓	✓	✓*
Cambodia	✓	✓	✓
Cameroon	✓	✓	✓
Central African Republic	✓	✓	✓
Chad	✓	✓	✓
Comoros	✓	✓	✓
Congo, Dem. Rep.	✓	✓	✓
Congo, Rep.	✓	✓	✓
Côte d'Ivoire	✓	✓	✓*
Djibouti	✓	✓	✓*
Dominica		✓	✓*
Eritrea****	✓	✓	✓
Ethiopia	✓	✓	✓
Fiji		✓	✓*
Gambia, The	✓	✓	✓
Ghana		✓	✓*
Grenada		✓	✓*
Guinea	✓	✓	✓
Guinea-Bissau	✓	✓	✓
Guyana		✓	✓*
Haiti	✓	✓	✓
Honduras		✓	✓*
Kenya**	Certain sub-national regions only	Certain sub-national regions only	Certain sub-national regions only
Kiribati	✓	✓	✓
Kosovo	✓	✓	✓
Kyrgyz Republic	✓	✓	✓
Lao PDR		✓	✓
Lesotho		✓	✓*
Liberia	✓	✓	✓
Madagascar	✓	✓	✓
Mauritania	✓	✓	✓
Malawi	✓	✓	✓
Maldives	✓	✓	✓
Mali	✓	✓	✓

Country Name	IDA18	IDA19	IDA20
Marshall Islands	✓	✓	✓
Micronesia, Fed. Sts.	✓	✓	✓
Mozambique	✓	✓	✓
Myanmar	✓	✓	✓
Nepal	✓	✓	✓
Nicaragua		✓	✓*
Niger	✓	✓	✓
Nigeria	✓	✓	✓
Pakistan* **	Certain sub-national regions only	Certain sub-national regions only	Certain sub-national regions only
Papua New Guinea	✓	✓	✓
Rwanda	✓	✓	✓
Samoa	✓	✓	✓
Saint Lucia		✓	
Saint Vincent and the Grenadines		✓	
Sao Tome and Principe	✓	✓	✓
Senegal	✓	✓	✓
Sierra Leone	✓	✓	✓
Solomon Islands	✓	✓	✓
Somalia	✓	✓	✓
South Sudan	✓	✓	✓
Sudan	✓	✓	✓
Syrian Arab Rep.******	✓	✓	✓
Tajikistan	✓	✓	✓
Tanzania	✓	✓	✓
Timor-Leste	✓	✓	✓
Togo	✓	✓	✓
Tonga	✓	✓	✓
Tuvalu	✓	✓	✓
Uganda	✓	✓	✓
Vanuatu	✓	✓	✓
Yemen, Rep.	✓	✓	✓
Zambia		✓	✓
Zimbabwe******	✓	✓	✓

* Eligibility until December 31, 2023.
** Kenyan sub-national regions of Turkana, West Pokot, Marsabit, Samburu, Isiolo, Mandera, Wajir, Garissa, Tana River and Lamu.
*** Pakistani sub-national regions of Khyber Pakhtunkhwa, Federally Administered Tribal Areas (FATA) and Balochistan.
****No active IDA financing due to protracted non-accrual status.

ANNEX 4. EX-ANTE TARGET DATA FOR IFC AND MIGA PSW PROJECTS

Table A4. 1. IFC Ex-Ante Target Data[1,2]

Impact Indicator	Baseline	Target	Change (%)	Number of Projects	Unit
Jobs and Economic Transformation					
Farmers Reached (all in FCS)	54,000	123,800	129	<5	Number
Number of Agribusiness and Agri SME loans Outstanding	6,704	14,496	116	7	Number
Number of Mortgage Loans Outstanding	26,704	93,878	252	14	Number
Number of Rural and Rural SME loans Outstanding	67,317	100,942	50	<5	Number
Number of MSME loans Outstanding	4,320,470	8,328,909	92	70	Number
Payments to Government (all in FCS)	12	19	63	<5	$,millions
Electricity Delivered[3]	10	3,353	32,969	<5	GWh/year
Working Capital Provided	0	2,367	N/A	16	$,millions
Value Added	295	567	92	15	$,millions
Volume of Mortgage Loans Outstanding	861	3,854	348	10	$,millions
Volume of Agribusiness and Agri SME loans Outstanding	131	256	95	7	$,millions
Volume of Rural and Rural SME loans Outstanding	76	122	61	<5	$,millions
Volume of MSME loans Outstanding	10,877	23,759	118	74	$,millions
Gender and Development					
Number of MSME loans Outstanding (Female)	2,905,747	4,376,128	51	36	Number
Volume of MSME loans Outstanding (Female)	1,219	3,458	184	34	$,millions
Climate Change					
Greenhouse gas (GHG) emission reductions (all in FCS)	0	140,820	N/A	6	Tons of CO_2 – equivalent per year

1 Four projects excluded as they were extensions of an existing project or had indicators associated with a related project.

2 The table includes all approved projects and excludes any observations where either baseline or target values were not available or were subject to annual monitoring.

3 Of this, 175.2 GWh per year pertains to renewable energy.

Impact Indicator	Baseline	Target	Change (%)	Number of Projects	Unit
Human Capital					
Patients Served	1,150,000	2,450,000	113	£ 5	Number
Fragility, Conflict, and Violence					
Number of Agribusiness and Agri SME loans Outstanding	6,625	14,314	116	<5	Number
Number of Mortgage Loans Outstanding	283	1,750	518	<5	Number
Number of Rural Loans and Rural SME loans Outstanding	22,239	33,096	49	<5	Number
Number of MSME loans Outstanding	391,532	2,041,766	421	28	Number
Number of MSME loans Outstanding (Female)	82,246	953,408	1,059	16	Number
Electricity Delivered	10	3,213	31,590	<5	GWh/year
Working Capital Provided	0	741	N/A	6	$,millions
Value Added	252	476	89	10	$,millions
Volume of Mortgage Loans Outstanding	9	79	781	<5	$,millions
Volume of Agribusiness and Agri SME loans Outstanding	115	225	96	<5	$,millions
Volume of Rural and Rural SME loans Outstanding	21	39	82	<5	$,millions
Volume of MSME loans Outstanding	3,702	8,623	133	31	$,millions
Volume of MSME loans Outstanding (Female)	264	843	220	15	$,millions

Table A4. 2. MIGA Ex-Ante Target Data

Development Impact Indicator	Target	Unit	Project Count	% FCS
Jobs & Economic Transformation				
New direct jobs created during operations	4,842	Number	13	26%
Farmers Reached	50,000	Number	<5	100%
New Mobile Broadband Tower Sites	1,600	Number	<5	100%
Fiber Optic Cable Expansion	9,000	Kilometers (Km)	<5	100%
Road expansion	143	Kilometers (Km)	<5	0%
Payments to Governments (Taxes)	63,813	USD thousands/Year	8	75%
Climate Change				
Greenhouse gas (GHG) emission reductions	351,223	Tons of CO_2 equivalent per year	9	67%
Renewable Energy Generation Capacity Installed	560.8	MW	12	60%

ANNEX 5. DFI ENHANCED BLENDED CONCESSIONAL FINANCE PRINCIPLES FOR PRIVATE SECTOR PROJECTS

The following five principles are applied when using PSW funds alongside IFC and MIGA own-account investments. The principles were developed by a group 23 DFIs, and include:

1. **Additionality (Rationality/Economic Case for Using Subsidy)**. DFI support for the private sector should contribute to beyond what is available, or that is otherwise absent from the market, and should not crowd out the private sector. Concessionality should not in itself be the source of additionality.

2. **Crowding-in and Minimum Concessionality**. DFI support to the private sector should, to the extent possible, contribute to catalyzing market development and the mobilization of private sector resources.

3. **Commercial Sustainability**. DFI support to the private sector and the impact achieved by each operation should aim to be sustainable. DFI support must therefore be expected to contribute towards the commercial viability of their clients.

4. **Reinforcing Markets**. DFI support to the private sector should be structured to address market failures and minimize the risk of disrupting or unduly distorting markets or crowing out private finance, including new entrants effectively and efficiently.

5. **Promoting High Standards**. DFI private sector operations should seek to promote adherence to high standards conduct in their clients, including in the areas of corporate governance, environmental impact, social inclusion, transparency, integrity, and disclosure.