

Lessons from Mobilizing Finance for Development (MFD)* for COVID-19: A Reference Guide

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

*Mobilizing Finance for Development (MFD) is the World Bank Group's approach to systematically leverage all sources of finance, expertise, and solutions to support developing countries' sustainable growth.



This reference guide contains information on the following IEG Reports:

I PLATFORMS, INSTRUMENTS & ADVISORY APPROACHES

GUARANTEES

Guarantees have been effective in promoting key WBG strategic objectives, particularly in facilitating the flow of investment to high-risk sectors and countries **(A)**.

Policy Based Guarantees combined with World Bank support can help borrowers meet their financing needs during difficult market conditions **(F)**.

The key success drivers of good performance of MIGA guarantee projects were strategic relevance to countries, a stable regulatory environment, sponsors with strong track records, stable demand, and competitive products **(M)**.

Partial Credit Guarantees (PCGs) have proved useful in helping countries regain access to markets, in introducing new borrowers to commercial markets, and channeling the flow of commercial funds into underserved sectors of the economy, especially during times of financial crisis **(A)**.

GLOBAL TRADE FINANCE PROGRAM

The Global Trade Finance Program (GTFP) has a high additionality in riskier countries and institutions, where clean credit lines and alternate risk-mitigation instruments are less available. During times of economic and political crisis, when risk aversion among international trade

finance banks rises, the program became relevant in a much broader range of markets **(B)**.

The GTFP is a flexible and responsive crisis instrument, having helped banks address their needs for liquidity and capital support to maintain their trade finance business

activities during the global financial crisis, when global banks became very cautious about financing deals because of sharply increasing portfolio default rates, eroding capital bases, and a significant spike in the cost of capital **(B)**.

PPP ADVISORY AND ANALYTICS

MIGA guarantees helped effectively increase investors' confidence, improve their capacity to raise capital, lower their financing costs, and mediate disputes with government **(C)**.

A robust regulatory framework that encourages private participation, even without demonstration projects, is more conducive to encouraging similar project starts than a pristine project developed in a regulatory system that is specific to a certain set of circumstances and that is not easily expanded **(C)**.

In addition, the WBG can provide valuable support to clients after crisis when it grounds its response in its existing stock of knowledge or new analytic and advisory work **(R)**.

BLENDED FINANCE

Blended Finance can help high-risk projects get off the ground and achieve positive outcomes for end beneficiaries and stimulated market creation beyond the project entities **(H)**.

INVESTMENT LENDING

Investment lending, which tends to disburse slower than budget support, can disburse faster when the World Bank moves towards quicker-to-implement investment lending vehicles **(R)**.

BOND PURCHASES

During times of recovery and crisis, IFC's participation in infrastructure support through bond purchases provides comfort to existing and potential investors as company's seek funding for the future **(D)**.

DOMESTIC RESOURCES AND FISCAL SUPPORT

Crisis can be an opportunity to advance tax reforms and calls for flexibility **(G)**.

In crisis, when speed of response is paramount, World Bank support to private sector means fiscal support **(N)**, **(R)**.

RAPID RESPONSE AND SHORT-TERM FACILITIES

In a rapid response to keep the private sector alive, IFC should focus on those programs and instruments where there is already a precedent of success and rapid mobilization during crisis **(K)**, **(R)**.

Programmatic and strategic responses like the Distressed Assets and DARP can have a systemic impact on maintaining the health of financial systems by creating and consolidating platforms specialized in the resolution of non-performing or distressed assets **(D)**.

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

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

In situations of crisis, private sector project viability can be sustained by managing costs, raising additional funding, and contemplating longer-term horizons for yields and development impact **(Q)**.

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

State owned enterprises should be used with caution given the risks associated with underfunded subsidies and weak governance **(R)**.

Crises can divert intermediary banks' focus away from SMEs, as funds are used to help institutions survive the effects of a shocks **(L)**.

III COUNTRY FOCUS

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

knowledge should be adequately reflected in the CPF process to allow for a more strategic deployment of Bank Group programs and interventions **(D)**.

the implementation of policies that remove constraints on the forcibly displaced, especially refugees, allowing them freedom of movement, the right to work, and the right to own and formalize businesses and assets **(P)**.

Market-creating opportunities and associated constraints need to be understood at the country level and such

Even when responding to crisis, there is a need for longer term planning focused on long-term restoration of growth and employment and sustainability of responses **(O)**, **(R)**. The MFD approach requires going beyond contracting the private sector to provide goods and services to supporting

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

IV RISK MANAGEMENT

Risk management and mitigation tools are important to help clients identify gaps for hedging risk in emerging markets **(D)**.

The IFC needs to regularly assess its risk-taking capabilities to carry out its market creation activities in IDA and other structurally weak economies in a financially sustainable way **(D)**.

V MONITORING & EVALUATION

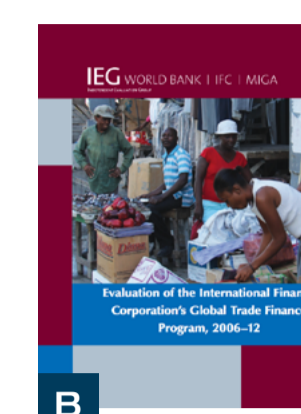
Risk mitigation capacity helps lenders and borrowers better distribute risk across domestic banking and capital market sectors and enhances the liquidity and depth of domestic capital markets **(D)**.

Building on prior engagements can guard against the risk that rapid project preparation lowers quality at entry **(R)**.

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



A The World Bank Group Guarantee Instruments 1990-2007



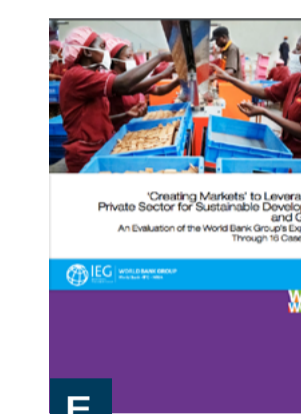
B Evaluation of the International Finance Corporation's Global Trade Finance Program



C World Bank Group Support to Public-Private Partnerships



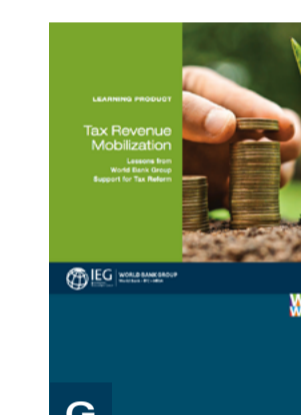
D The World Bank Group's Support to Capital Market Development



E 'Creating Markets' to Leverage the Private Sector for Sustainable Development and Growth



F Lessons from Policy-Based Guarantees



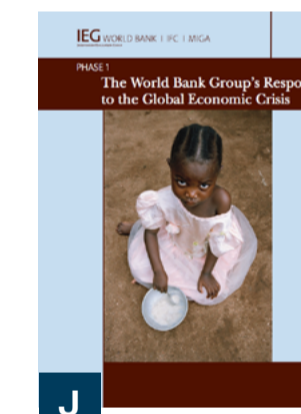
G Tax Revenue Mobilization Lessons from World Bank Group Support for Tax Reform



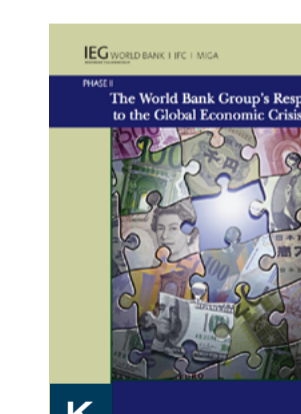
H The International Finance Corporation's Blended Finance Operations



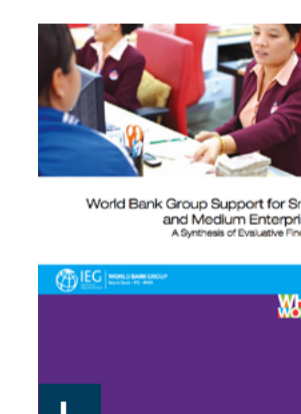
I The Big Business of Small Enterprises



J The World Bank Group's Response to the Global Economic Crisis - Phase I



K The World Bank Group's Response to the Global Economic Crisis - Phase II



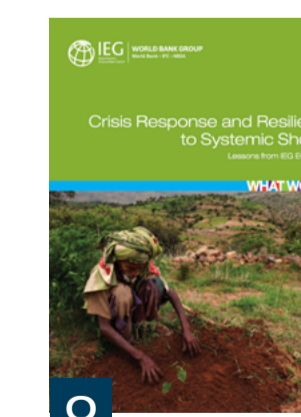
L World Bank Group Support for Small and Medium Enterprises (SMEs)



M Results and Performance of the World Bank Group 2018



N Results and Performance of the World Bank Group 2012



O Crisis Response and Resilience to Systemic Shocks



P World Bank Group Support in Situations Involving Conflict-Induced Displacement



Q The International Finance Corporation's Engagement in Fragile and Conflict-Affected Situations



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