Upstream Advisory for Creating Investment Opportunities, Sustainable Growth, and Jobs: **The FIAS FY22–26 Strategy Cycle**

Fias | THE FACILITY FOR INVESTMENT CLIMATE ADVISORY SERVICES

IFC | International Finance Corporation
WORLD BANK GROUP

About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2020, we invested $22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org.

2121 Pennsylvania Avenue, N.W.
Washington, D.C. 20433

About the Facility for Investment Climate Advisory Services (FIAS)

Through the FIAS program, the World Bank Group and donor partners facilitate reforms in developing countries to foster open, productive, and competitive markets and to unlock sustainable private investments in sectors that contribute to growth and poverty reduction. The FIAS program is managed by the International Finance Corporation (IFC), a member of the World Bank Group, and implemented by IFC Advisory Services teams. For more information, visit https://www.thefias.info.

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About FIAS

Founded in 1985, the Facility for Investment Climate Advisory Services (FIAS) supports World Bank Group projects that foster open, productive, and competitive markets, and unlock sustainable private investment in business sectors that contribute to growth and poverty reduction. FIAS is managed by IFC and supported by nearly 20 Development Partner countries and donor institutions and co-financed by the World Bank Group. FIAS is one of the Bank Group's oldest and largest multi-donor trust funds.

FIAS operates at the intersection of government and private enterprise to ensure that business environments—as reflected by laws, regulations, and other elements—enable private sector growth and avoid imposing unnecessary regulatory burdens. Through economy-wide and sector-specific work, FIAS aims to develop dynamic and resilient economies that promote economic inclusion through investment growth, economic diversification and innovation, and inclusive job-creation. FIAS is supporting an ambitious and proactive agenda that includes a strong programmatic focus on gender themes and greatly increased emphasis on helping clients build green, and develop and expand their digital economies. By increasing their economic competitiveness, FIAS helps developing economies attract greater domestic and foreign investment and increase their participation in international markets.

The FIAS program is administered by the International Finance Corporation (IFC), a member of the World Bank Group. Since 1997, $539.2 million has been contributed in support of FIAS activities: $358.4 million from donors; $170.3 million from the World Bank Group; and $10.4 million from client countries. Donors supporting FIAS in the FY17–21 strategy cycle were Australia, Austria, the Bill & Melinda Gates Foundation, Canada, the European Union, France, Ireland, the Republic of Korea, Luxembourg, the Netherlands, Norway, Switzerland, Sweden, Trademark East Africa, the United Kingdom and the United States.

FIAS prioritizes work in borrowing countries of the International Development Association (IDA), the Sub-Saharan Africa (SSA) region, and countries in fragile and conflict-affected situations (FCS). Through four years of the five-year FY17–21 strategy cycle, FIAS provided support for 177 projects that generated 153 enabling environment and sector reforms in 57 client countries, with 60 percent of the reforms in IDA, 44 percent in SSA, and 26 percent in FCS.

For the FY22–26 strategy cycle, IFC anticipates operating FIAS with an annual budget of $40 million, with expanded work in the thematic areas of gender, climate change, and digitalization, and a sharp increase in the proportion of work devoted to sector-specific projects supporting IFC's Creating Markets Upstream Agenda. For more information, visit https://www.thefias.info.

CONTRIBUTIONS TO FIAS SINCE 1997

$539.2 m

IN SUPPORT OF FIAS ACTIVITIES

$358.4 m

FROM DONORS

$170.3 m

FROM THE WORLD BANK GROUP

$10.4 m

FROM CLIENT COUNTRIES

Through four years of the five-year FY17-21 strategy cyle, FIAS provided support for:

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Executive Summary

Confronting an unprecedented global economic challenge, the FIAS partnership enters the next five-year strategy cycle with the agility to evolve and meet urgent client needs, combined with the stability to continue supporting the core mission of improving the climate for private sector growth in some of the world's most vulnerable countries.

The next five years of FIAS-supported work will be dominated by a focus on recovering and rebuilding from the economic devastation caused by the COVID-19 pandemic. The COVID crisis profoundly reshaped the global economic landscape, creating circumstances that require daring new approaches by governments, firms, and households to repair the damage as quickly as possible and embrace emerging opportunities. New policies will be needed to allow capital, labor, skills, and innovation to shift to new purposes to build a greener, stronger post-COVID economic environment. Domestic and foreign investment in developing countries, a priority area of FIAS-supported work, collapsed in 2020. Countering the investment headwinds will require a major push to improve business environments. The most vulnerable countries, which form part of the FIAS client country portfolio, will need help in rebuilding vibrant private sectors laid low by the pandemic. Even countries that have already begun to show dynamism and resilience will need to redouble their efforts.

In the FY22–26 strategy cycle, FIAS-supported advisory services will undergo a decided shift in emphasis from supporting mainly economy-wide reform efforts to focusing on sector-specific and firm-level reforms that lead client countries and key private sector firms and investors in the direction of investments with job- and income-producing potential. FIAS will be setting ambitious targets for advancing the economic prospects of women and the green economic development agenda. The FY22–26 portfolio will also include a set of focused interventions in advancing the digitalization of developing economies. The FIAS strategy sees climate change not only as an environmental threat that harms livelihoods and threatens health but also as a tremendous business opportunity.

Working UPstream

FIAS aims to become a key source of support in enabling the development goals of the IFC 3.0 Creating Markets Upstream Agenda and building the private sector's potential in IFC's client countries.

FIAS aims to become a key source of support in enabling the development goals of the IFC 3.0 Creating Markets Upstream Agenda and building the private sector's potential in IFC's client countries. Upstream activities help stimulate and create conditions that result in the flow of private capital—domestic and foreign—into productive investment in IFC's countries of operation. Upstream work can be accomplished as quickly as in a few months or take several years. It can entail both regulatory reforms that will unlock more private investment and the creation of projects that lead to specific opportunities attractive to potential investors. The Upstream approach recognizes that development institutions can no longer achieve their goals by waiting for investment opportunities to come along. Rather these institutions must work to create opportunities through proactive interventions and activities that support the creation and realization of specific projects, for which IFC is a likely financing partner.

The Upstream initiative was conceived prior to the emergence of the COVID-19 pandemic in 2020 but it is highly relevant to the efforts to help developing countries through the phases of relief, restructuring, and resilient recovery. Given the severity of the economic damage caused by the pandemic and the long recovery period anticipated, **the FIAS Program team anticipates that COVID-oriented engagements in the Upstream context will dominate the FY22–26 strategy cycle**. Advisory geared toward COVID recovery will vary from client to client but with common themes. In the investment policy and promotion space, for example, advisory teams working in the COVID-19 environment are focused on helping client countries retain the investment they have already secured in the face of sharp declines in new investment. Other interventions that are already part of IFC's COVID response include helping clients transition from emergency economic policies to reformed and streamlined regulatory regimes, assisting sectors such as tourism that have been hard hit by the pandemic, and identifying sectors and individual firms with the best chance of weathering the crisis.

This FY22–26 strategy document is titled *Upstream Advisory for Creating Investment Opportunities, Sustainable Growth, and Jobs* to reflect the urgent mission of IFC Advisory Services (AS), supported by FIAS, over the next five years. FIAS is evolving and expanding beyond its longstanding mission of economy-wide advice on reforms that, in a general way, make it easier for the private sector to do business, get permits, build new factories, connect to the power grid, and trade across borders. This reform work remains part of the FIAS agenda, but the program will place much greater emphasis on sector-specific work in fields such as agribusiness, manufacturing, and services, and on firm-level work, particularly in cases where it might lead to the creation of new IFC investment opportunities under the Upstream initiative. This sector-level focus will include targeted thematic interventions that support advances in the cross-cutting thematic areas of climate, gender, and digitalization.

Part 1 presents a summary of FIAS work since the beginning of the multi-donor trust fund in the mid-1980s.

Part 2 outlines the development challenges confronting IFC client countries, particularly low-income and conflict-affected states, and describes how the Upstream approach can play a crucial role in helping economies hobbled by COVID-19 'build back better.' This section also describes the interrelationship between IFC regional advisory strategies and the advisory work supported by IFC industry and operational teams, and how FIAS, in funding projects that emerge from these agendas, will be supporting a broader spectrum of advisory work than in previous strategy cycles. Part 2 also covers the important continuing collaboration between the World Bank and IFC through FIAS.

Part 3 describes in detail what FIAS will do over the next five years through a program supported by two strategic pillars—**Improve the Business Environment** and **Expand Market Opportunities and Increase Firm-Level Competitiveness**—and by developing advisory programs tailored to the specific needs of countries and regions. The strategy document outlines the mutually supportive role of both client-facing and global knowledge development projects and the cross-cutting work planned under the **Gender and Inclusion, Green Competitiveness**, and **Digitalization** thematic areas.

Part 4 focuses on FIAS Monitoring & Evaluation (M&E), beginning with a **revised FIAS Scorecard** for the strategy cycle, with new measurements in the areas of investment, gender, climate change, and jobs. This will include new measurements made possible by a **jobs pilot project** examining FIAS impact on job creation in both economy-wide and sector-specific spheres. The Scorecard will track **gender and climate-change-related activities** in the FIAS portfolio, including the goal of doubling the corporate climate and gender commitments from the FIAS Core Account. This will position FIAS as a key driver in advancing the gender inclusion and climate-related work across IFC. It will also report on the strong and continuing linkages between FIAS-supported work and Development Policy Financing (DPF) and Development Policy Operations (DPOs) undertaken by the World Bank. The revised Scorecard will collect impact data not only on new investment generated with the help of FIAS-supported projects but also investment retained—a priority in the difficult economic conditions created by the COVID-19 pandemic. FIAS will be developing an approach for measuring and reporting on the integration of digitalization components into client-facing projects.

FIAS-supported work has demonstrated the importance of a conducive business environment to private sector development. At the same time, it has shown that an adequate business environment is necessary but insufficient, especially as economies deepen and broaden sector diversification. Developing countries need to engage with strategies and policies geared to sector and firm levels so that their private sectors can recover from the COVID crisis, retain and expand their domestic and foreign investment flows, **and generate transactions and investments that produce income and create jobs**. FIAS, which is under IFC management as of FY21, is eager to move ahead with its Development Partners in pursuing this exciting and challenging agenda.

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Part 1: Results and Learning—the Evolution of FIAS

From Economy-Wide to Sector-Specific

FIAS got its start in the mid-1980s as a single-client endeavor helping the government of China revamp its economy to be more conducive to attracting foreign direct investment (FDI) and more competitive with global industrial peers. IFC's initial success led to the development of an advisory project and, eventually, an advisory services program supported over the ensuing decades by more than 20 Development Partners—both countries and philanthropic institutions. The list of donors has included Australia, Austria, the Bill & Melinda Gates Foundation, Canada, Denmark, the European Union, the Ewing Marion Kauffman Foundation, Finland, France, Iceland, Ireland, Italy, Japan, the Republic of Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Trademark East Africa, the United Kingdom, the United Nations Development Programme, and the United States. FIAS has been co-financed by the World Bank Group and Development Partners, with modest additional contributions from clients. From FY97 through FY20, $539.2 million has been contributed to support FIAS activities: $358.4 million in donor contributions; $170.3 million in Bank Group contributions; and $10.4 million in client contributions.

'Foreign' Becomes 'Facility'

Originally the 'F' in FIAS stood for 'foreign,' as the program focused on helping developing countries attract greater cross-border investment. This remains a priority for FIAS and, in fact, will grow in importance during the FY22–26 strategy cycle. But the emphasis in international development evolved to include building domestic economies by assisting in business formation and formalization, supporting initiatives to promote the growth of small and medium enterprises (SMEs), and helping client governments establish special enterprise zones (SEZs)and other initiatives to encourage domestic investment and growth. FIAS thus became a *Facility* for Investment Climate Advisory Services, supporting initiatives to help countries simultaneously build their indigenous economies and become more attractive to international investors and traders.

Looking at the priorities established by the FIAS Development Partners over the past three strategy cycles stretching back a dozen years, a trajectory toward more fine-grained, investment- and job-oriented work comes across clearly. This trajectory continues into the new cycle, with an intensified focus on investment generation and the Upstream initiative geared toward leading to specific private sector investment response, including IFC investments.

The Past Three Strategy Cycles

FY08–11 Strategy Cycle: Client-facing projects were economy-wide in scale. The approach to client needs was product centric. The use of indicators and benchmarking was centered on the Doing Business model. The role of FIAS-funded activities was to design solutions and support implementation. Teams managed for outcomes. Cross-cutting themes were accorded little emphasis and only anecdotal results were available as to their outcomes.

FY12–16 Strategy Cycle: A majority of client-facing projects were done on an economy-wide basis, with the addition of projects in the agribusiness and tourism sectors. The approach to client needs increasingly emphasized issue-based programmatic approaches. Benchmarking highlighted investment climate indicators and product-level assessments. The role of FIAS-funded activities was to promote innovation and facilitate and catalyze the incubation of ideas. Teams managed for development impact. Key cross-cutting themes were identified in the areas of social inclusion, economic governance and transparency, the promotion of competition, and green growth. Global knowledge development products (KDPs) were increasingly emphasized as the Global Practices structure was launched in FY14, with FIAS coming under joint World Bank-IFC oversight in the Trade & Competitiveness Global Practice. FIAS-supported projects recorded 341 reforms in 83 developing countries, well above the target of 250 reforms for the five-year cycle. Nearly three-quarters of the reforms were recorded in IDA, two-thirds in Sub-Saharan Africa, and one-third in FCS countries. FIAS-supported projects generated $208 million in compliance cost savings, reflecting lower business costs due to streamlined regulations and permitting processes. FIAS-supported teams helped generate $1.58 billion in new investment to client countries.

IN FY12–16, FIAS-SUPPORTED PROJECTS RECORDED

341

REFORMS DURING THE FIVE-YEAR CYCLE

IN **83**

DEVELOPING COUNTRIES

EXCEEDING THE TARGET OF

250

REFORMS WERE ACHIEVED DURING THE FIVE-YEAR CYCLE

FIAS-SUPPORTED PROJECTS GENERATED:

$208m

IN COMPLIANCE COST SAVINGS REFLECTING LOWER BUSINESS COSTS DUE TO STREAMLINED REGULATIONS AND PERMITTING PROCESSES.

$1.58b

IN NEW INVESTMENT TO CLIENT COUNTRIES.

FY17–21 Strategy Cycle: Client-facing projects incorporated economy-wide endeavors and an expanded agenda focused on the competitiveness of specific sectors in client countries. The approach to client needs integrated solutions for connectivity and open markets. Indicators and benchmarking involved diagnostics that helped clients define their competitive position and options. FIAS-funded activities sustained implementation results, leveraged World Bank Group instruments and private sector engagement, and established global thought leadership. Competition policy worked to address price-fixing cartels, strengthened competition laws and policies, eliminated unreasonable constraints on competition, and enhanced the technical capacity of government agencies that work to ensure open and competitive markets. Teams managed for impact in jobs and productivity geared toward achieving the Bank Group's Twin Goals. Themes were mainstreamed across the three FIAS pillars (Improve the Business Environment, Expand Market Opportunities, and Strengthen Firm Competitiveness) and were monitored through improved results tracking. Reorganization of the Global Practices culminated in FY21 with the shift of FIAS management from the joint Equitable Growth, Finance & Institutions (EFI) practice group to IFC management.

Through four years of the five-year strategy cycle, FIAS-supported teams helped bring about 153 reforms, with 60 percent in IDA countries, 44 percent in Sub-Saharan Africa, and 26 percent in FCS. The cumulative client satisfaction rating for the cycle was 93 percent (against a target of 90 percent), and 75 percent of completed projects received positive Development Effectiveness ratings, ahead of the 71 percent average for all IFC AS over the same period.

The independent Mid-Term Evaluation conducted by Economisti Associati found the FIAS program to be well aligned with current World Bank Group strategy. The evaluation noted that while FIAS is performing well at the project level, frequent reorganizations have contributed to weaknesses at the program level and had yet to make good on commitments to expand impact targets, for example, to measure the job-creation effects of FIAS-supported work. Well before the completion of the Mid-Term Evaluation, the FIAS team was taking proactive steps to address the issues raised. These include:

- Stabilization of program management under a newly appointed FIAS Program Manager with extensive experience with IFC AS and trust fund management.
- More frequent direct interaction with Development Partner representatives in bilateral meetings between FIAS donors and the FIAS program Global Director and Program Manager.

FY17–21 Strategy Cycle:

93% client satisfaction rating for the cycle

75% of completed projects received positive Development Effectiveness ratings

- Active engagement to streamline the allocation process and ensure timely deployment of available funds to FIAS client-facing and global knowledge projects.
- Development of a methodology for jobs measurement to provide another indicator for FIAS-supported projects.
- Strengthened organizational ties between the FIAS program and IFC, whose personnel do most of the client-facing advisory work supported by FIAS.

These steps have placed FIAS on a solid footing to move ahead into the FY22–26 cycle playing a leading role in mobilizing Development Partner support for a more sector-focused advisory strategy. It is geared toward creating the conditions for investment opportunities to be initiated and actuated by IFC teams under the IFC 3.0 Creating Markets Upstream strategy.

Part 2: FIAS and Upstream in the COVID-19 Context

"The pandemic has triggered the deepest global recession in decades, and what may turn out to be one of the most unequal in terms of impact," World Bank Group President David Malpass told G20 Finance Ministers and Central Bank Governors in July 2020. "For the poorest countries, poverty is rising rapidly, median incomes are falling, and growth is deeply negative. Debt burdens—already unsustainable for many countries—are rising to crisis levels."

As the FIAS FY22–26 strategy cycle began on July 1, 2021, the COVID-19 pandemic had been wreaking havoc on global health and global economies for nearly 18 months. Even the most optimistic forecasts on the distribution of vaccines to prevent the disease envision continuing health risks—and associated economic fallout—for an extended period. IFC estimates that domestic private investment and FDI in emerging economies will have fallen in 2020 by almost $700 billion and $250 billion, respectively, and may not return to pre-crisis levels until 2023 or later. The impact of the pandemic is expected to be especially severe on the world's most poor and vulnerable, jeopardizing decades of hard-won development gains. For the first time since 1998, the World Bank is warning of an increase in global poverty, with as many as 100 million people being pushed into extreme poverty by the economic effects of the pandemic.

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World Bank Chief Economist Carmen Reinhart calls the pandemic-driven economic downturn "a once-in-a-century global—truly global—crisis."

COVID-19 Undermining Investor Confidence

The pandemic has worked to depress investor confidence to historic lows, according to analysis by the FIAS-supported Indicator-Based Reform (IBR) team. COVID-19 and government measures to contain the health crisis, coupled with international production networks and globalized consumption, disrupt business activities through four distinct channels: falling demand, reduced supply, deteriorating credit conditions and liquidity, and rising uncertainty. The crisis is disrupting the pathways through which countries achieve productivity growth—and, by extension, job and wage growth. Disruptions in international production threaten spatial integration, for example, while reduced cross-border investment is undermining technological upgrading.

The economic effects of the pandemic are expected to persist long after cases of COVID-19 subside. This means that virtually the entire FY22–26 FIAS strategy cycle will be taken up with the task of relief, recovery, and restructuring from the pandemic's economic impact to build resilience against future shocks. Much of the challenge that lies ahead centers on policymakers—the ministers, parliamentarians, and other senior government officials who need to craft effective strategies to preserve and improve their countries' investment climates and expand the private sector's role in driving jobs and economic transformation. This is the core area of FIAS work.

IFC Upstream Well Timed to Respond

A timely coincidence has brought the **IFC 3.0 Creating Markets Upstream approach** to the fore just as the relief, recovery, and restructuring work in response to the COVID-19 economic crisis gets underway. Though the Upstream strategy was developed before the pandemic hit, the timing of its rollout into operations could not have been more fortuitous. The concept underlying the Upstream approach is that IFC will engage in activities that help to stimulate and create conditions that result in the flow of private capital—domestic and foreign—into productive investment in IFC's countries of operation. If countries with economies hobbled by the pandemic are to attract investors, they need to create opportunities. The essence of Upstream is that rather than passively waiting for investors, IFC will approach them directly with investment proposals. It is about creating public good as Upstream increases investment opportunities for the global investing community by growing the pie and, as a result, channeling funds into developing economies.

Upstream interventions are grouped into two broad categories:

- **Creating Markets with Sector Interventions** seek to create markets via sectoral or market-wide intervention that will facilitate private sector investment and for which IFC could be a potential financing partner. *FIAS will be supporting these sector Upstream interventions.*

- **Creating Markets with Project Interventions** seek to create markets by supporting the creation and realization of specific projects that will provide wider demonstration or set broader market precedent, for which IFC is a likely financing partner (e.g. early-stage project development or transaction advisory).

IFC AS, which form the heart of FIAS-supported client-facing operations, are part of an integrated approach tied to World Bank Operations, IFC Upstream, IFC Investment, and an expanding IFC portfolio. The goal is to help the World Bank Group scale its private sector development impact on the ground through increased high-quality private sector investment and the generation of new transaction opportunities in sectors and places where none existed.

Policy Changes Can Set the Stage for Recovery

With FIAS support, IFC AS will play a critical role in this process. Government actions designed to control or limit the spread of the novel coronavirus were a prime factor driving the COVID-related economic downturn. It follows, then, that government action will be integrally involved in unlocking the private sector to set country economies on a course to recovery. Accelerating private investment will require policy and regulatory reforms to create the right conditions for business, and to generate bankable projects. This was true before the pandemic, and the urgency of reform is even greater now.

Across emerging and developing economies, economic recovery over the next two to five years will need to focus on how to reenergize firms and recreate and strengthen markets damaged by the pandemic's effects. As they were prior to the COVID-19 pandemic, FIAS-supported IFC AS teams are being urged to look for reform recommendations on how best to leverage and incentivize the private sector. The new context places greater emphasis on assessing constraints and reform roadmaps to support the restructuring and recovery of key sectors and firms—which will be a key task of the teams undertaking Country Private Sector Diagnostics (CPSDs) that identify both constraints and opportunities for creating dynamic, sustainable economies.

Upstream is core to realizing the mandate of IFC 3.0. The Upstream agenda focuses on generating investment opportunities to grow IFC's potential pipeline and meet the development finance commitments made by IFC in gaining support for the capital increase. The Upstream approach builds on relevant experience from investment and advisory initiatives that successfully created new market opportunities and applies innovative models around staffing, funding, indicators, and operations to enable delivery.

FIAS Supporting the Full Spectrum of IFC Advisory Services

IFC has completed the integration of AS into industry and services departments, a process that began in 2015. IFC's 2018 Advisory update to the Board covered the integration of the standalone Cross-Cutting Advisory Department into IFC operations. The relocation of IFC AS teams from EFI to IFC Operations (industry and regional departments) on July 1, 2020, completed this process. FIAS moved as part of this restructuring from EFI management to IFC. The trust fund now resides in IFC Corporate Operations Management, placing FIAS institutionally at the center of IFC's operations. Shifting FIAS to IFC management means that the trust fund will now be able to support a broader range of advisory and Upstream activities originated and implemented by IFC regional and industry teams. One result of this should be a closer connection between FIAS-supported activity and tangible economic results, including investment and job creation.

With this background, IFC AS and Upstream Services supported by FIAS can be conceptualized in four ways: first, the **type** of advisory service; second, the **category** of donor support; third, the client country and **region** involved; and fourth, the IFC **industry or operational team** most closely associated with the services to be delivered.

Advisory type: Under the Creating Markets Upstream approach, IFC AS will fall into one of three types:

- **Enabling Environment AS:** Aims to improve client country business environments to unlock a broad range of new private sector investment opportunities—a longstanding area of service delivery supported by FIAS.
- **Upstream AS:** Supports the development of investable projects and markets with country-level engagements and globally applicable platforms. Upstream work can be accomplished as quickly as in a few months; the strategy envisions an investment line of sight of no more than five years. As noted above, FIAS will be supporting Creating Markets with Sector Interventions through sectoral or market-wide interventions that will facilitate private sector investment and for which IFC could be a potential partner. FIAS will not be involved in Creating Markets with Project Interventions linked to specific projects in which IFC is a likely financing partner.
- **Firm-Level Advisory:** Supports new and portfolio clients by building capacity, expanding impact, and managing risks for long-term success. It can be accomplished quickly over a few months or involve a long-term relationship over several years. The sector work and select firm-level work supported by FIAS can help identify key insights related to industry challenges and test potentially scalable solutions, thereby helping policy makers, firm-level clients, and IFC.

Category of donor support: Donor contributions to FIAS break out into three categories: **core** contributions, **programmatic** contributions, and **project specific** support. IFC encourages donors to earmark roughly half of their contribution to FIAS Core in support of the overall trust fund strategy. From FY17 through FY20, donor contributions to FIAS Core made up 23 percent of all donor contributions. Programmatic projects made up 45 percent of all donor contributions. Project-specific contributions represented 32 percent of all donor contributions. In the FY12–16 strategy cycle, donor contributions to FIAS Core made up 35 percent of all donor contributions. FIAS Core donor support provides the flexibility to allocate FIAS funds in support of FIAS strategic priorities—including IDA, Sub-Saharan Africa, and FCS projects. It also enhances the ability of IFC teams to respond rapidly to emerging challenges such as the economic fallout of the COVID-19 pandemic. In addition, Core funding supports the design and development of global knowledge products which inform and facilitate innovative client-facing solutions. Programmatic and project-specific contributions are best when they can be applied as broadly as possible. For example, support to investment climate advisory in the countries of the Organization for the Harmonization of Business Law in Africa (OHADA) would support a single project but one that would be applicable to the 17 member countries of OHADA.

Client country regions: Implementation of IFC AS happens at the country level. IFC regional management is closely involved in decision making on which of the projects in their regions get FIAS support, while the FIAS Program

FIAS Donor Contributions by Category

In the FY12–16 strategy cycle, **donor contributions to FIAS Core made up**

35%

of all donor contributions.

Programmatic projects made up

42%

of all donor contributions.

Project-specific contributions represented

23%

of all donor contributions.

From FY17 through FY20, **donor contributions to FIAS Core made up**

23%

of all donor contributions.

Programmatic projects made up

45%

of all donor contributions.

Project-specific contributions represented

32%

of all donor contributions.

Total Donor Contributions

$134.5m

through 5-year cycle.

$91.5m

through 4 years of 5-year cycle.

Management team ensures projects fit the agreed FIAS Strategy. This approach reflects the World Bank Group's increasing emphasis on aligning financial and advisory services with country strategies developed jointly and tailored to client country needs. To be sure, some strategies and best practices apply equally well across regions—for example, helping developing country exporters meet food safety standards in major markets such as the European Union—and the World Bank Group continues to deploy global expertise. However, tailored solutions aligned with country strategies developed through deep dives, analytics and diagnostics, and close working relationships with clients, are the dominant theme. Upstream is also deeply rooted in country strategies. IFC took bold moves to reform its budgeting process in FY21 to hardwire the links between country strategies, IFC AS and Upstream pipeline, and resource allocation by introducing a targeted country-driven budget allocation. Upstream budget is allocated at the country level based on Upstream initiatives prioritized through country business plans. Country Managers now have the authority to release funds to approved Upstream initiatives.

Accordingly, each IFC regional team has developed a suite of country strategies aimed at addressing the most urgent development problems of clients in those regions and countries. Development obstacles and opportunities to be addressed in these strategies are being identified by joint World Bank–IFC CPSDs and integrated into IFC country strategies (*for more on CPSDs, see page 32*). It is IFC's ambition to intentionally drive the IFC business based on the recommended interventions highlighted in the country strategy instead of taking on projects opportunistically. These will be the source of FIAS-supported project implementation plans for the next strategy cycle. FIAS supports projects in all regions, but it is important to note that Sub-Saharan Africa is a FIAS priority region, and the Multi-Country Investment Climate Program (MCICP), which is part of FIAS, prioritizes Europe and Central Asia. Here are some of the key advisory themes and work areas identified by IFC regional teams as priorities:

FY20: FIAS projects in 16 FCS countries in Africa.

Sub-Saharan Africa: Regional challenges include weak institutions and poor policy and legal frameworks, fragility and conflict, and displaced populations. Urbanization is happening at the highest rate in the world. The region's economies suffer from weak industrialization, with Africa accounting for less than 1 percent of global manufacturing output. Population growth means that the region's workforce will continue to increase by 30 million per year. Women remain at a disadvantage in many of the region's economies, held back by outdated laws and regulations. A digital divide—with less than a quarter of the region's population able to access the internet—hampers economic growth. Of the 25 least connected countries in the world, 21 are in Africa, but the pace at

21

of Africa's countries lack connectivity

Of the 25 least connected countries in the world, 21 are in Africa, but the pace at which the internet is growing in Sub-Saharan Africa is also one of the fastest in the world.

2.5%

GDP per capita increase with mobile broadband

Research shows that a 10 percent increase in mobile broadband penetration in Africa would result in an increase of 2.5 percent of GDP per capita.

which the internet is growing in Sub-Saharan Africa is also one of the fastest in the world. The potential benefits are enormous: research shows that a 10 percent increase in mobile broadband penetration in Africa would result in an increase of 2.5 percent of GDP per capita. Priority advisory activities for the region: improving access to power, reforming laws and regulations relating to getting electricity, supporting better functioning power grids; advisory in support of agribusiness growth and agro-processing; skills development; sector work in tourism and manufacturing; commercial property reform; digital financial services, particularly in the mobile sector; financial products geared toward micro, small, and medium enterprises (MSMEs); investor protections; modernized ICT and broadband systems; better data access.

East Asia and Pacific (EAP): The regional team is prioritizing the recalibration of the advisory portfolio to create space for new programs to ensure strategic alignment, with a bigger focus on Upstream-related advisory. Key advisory themes: inclusion; support to supply chains; access to financial services; sector work in agribusiness and tourism; support to the sustainable cities agenda, including transportation, green buildings, resource efficiency, and climate smart agriculture; innovation and disruptive technologies; broadband infrastructure; COVID recovery.

Europe and Central Asia (ECA): The main challenges are declining competitiveness, underdeveloped financial markets, challenging climate change effects, insufficient digitalization, inefficient public sector governance, inefficient state-owned enterprises, and geopolitical risks. As one of the more industrialized developing regions, ECA stands to benefit from IFC Advisory geared toward green growth and climate change mitigation. The ECA program seeks to develop competitive markets, address climate change and inclusiveness, foster connectivity and integration, and work in sectors including agri-finance and supply chains, financial infrastructure, climate finance, digital financial services, cities issues, and energy. The program is trending away from economy-wide engagements in favor of sector development in support of industry priorities. Priority countries Ukraine and Uzbekistan, and the Central Asia region, will receive focused attention.

Latin America and Caribbean (LAC): The advisory agenda is limited in LAC because much of the region consists of middle-income countries. But teams will focus on Haiti, an IDA and FCS country, and struggling Caribbean economies. FIAS and MCICP also support a robust advisory agenda in LAC, including in middle-income countries such as Peru and Colombia. Furthering regional integration will be a key goal in addition to building climate resilience by promoting green buildings and strengthening the foundations for inclusive growth by expanding opportunities for women. The cities agenda and Public-Private Partnerships (PPPs) will be key parts of the connectivity agenda. Enhancing competitiveness through reforms in key sectors, entrepreneurship, and disruptive technologies will be among other areas of activity.

Middle East and North Africa (MENA): Development obstacles include persistent low growth, limited opportunities for women, and high poverty and unemployment. MENA has five FCS countries (Iraq, Lebanon, Libya, Syria, and Yemen) and one territory (West Bank and Gaza) with significant internally displaced and underserved populations. State-owned enterprises dominate in many of the region’s economies resulting in weak private sector engagement, low levels of competitive neutrality, entrepreneurship constraints, and an underdeveloped digital economy. Infrastructure gaps include poor access to electricity, broadband, and multi-modal transport facilities. Global warming threatens agricultural production in an already arid region. The advisory program envisions focusing on COVID-19 responses to minimize the destruction of markets and bring about economic recovery and job creation. Markets will need to be restructured to support private sector activities, setting the stage for sustainable recovery by ‘building back better.’ Features of the advisory program include support for entrepreneurship, the creation and expansion of SMEs, expansion of the digital economy, and increased access to finance for small firms, including firms owned and led by women. Economy-wide reforms to improve the investment climate are still needed in many client countries across the region. Country teams will support steps to close infrastructure gaps. Climate and gender will be the key cross-cutting themes.

South Asia Region (SAR): Afghanistan, Bangladesh, Bhutan, Nepal, and Pakistan are all IDA borrowing countries. India has one-fourth of the world's poor. The pillars of the advisory strategy in SAR are infrastructure, sustainability, and inclusion. The program seeks to address development gaps in infrastructure by supporting the energy, transport, and logistics sectors in addition to the cities agenda. The sustainable infrastructure program will focus on renewable energy. The sustainability agenda focuses on improving the business environment—a core FIAS area of work—developing clean energy, energy efficiency, green building, resource efficiency, climate smart agriculture, and green finance. Inclusion encompasses support for financial and social inclusive growth by fostering SME value chains, digitalization, affordable housing, support to supply chains, and access to basic financial and health facilities. In addition to the gender and climate cross-cutting themes, the program will also seek to enhance competitiveness through disruptive and innovative technologies.

The sustainability agenda focuses on improving the business environment—a core FIAS area of work—developing clean energy, energy efficiency, green building, resource efficiency, climate smart agriculture, and green finance.

Industry and operational teams: The areas of work that make up these regional advisory strategies span IFC industry and operational structures and teams are: the Financial Institution Group (FIG); Manufacturing, Agribusiness & Services (MAS); Creating Markets Advisory (CMA); Infrastructure (INFRA); Disruptive Technology and Funds; Energy and Mining; Telecom, Media & Technology; Climate Business; Gender; PPPs; Environmental Social Governance (ESG); and Upstream. Advisory and Upstream groups within these units have updated their delivery strategies designed to align with the overall IFC 3.0 Creating Markets Upstream strategy and with the tailored regional and country strategies. Working in coordination with the regions, these teams will be able to put forth ideas for advisory projects that may be eligible for FIAS support.

Here are some examples of the strategic approaches under implementation:

FIG: Seeks to support women customers and SMEs through financial intermediaries to help clients close gender gaps in the private sector. The strategic objective involves funding new IFC AS in the Banking on Women program, as well as delivering global research and knowledge products. In the Upstream space, FIG is engaging with stakeholders to conduct policy dialogues to validate the viability of proposed programmatic changes. FIG advisory helps clients increase the reach and breadth of financial services to people who currently have limited or no access through the expansion of digital financial services. IFC actively champions and supports responsible, innovative solutions to reach unserved and underserved populations at scale.

MAS: Seeks to improve productivity at the factory level to increase competitiveness and add a gender lens for inclusive job creation. Advisory efforts involve increasing professionalism in supply and distribution chains. In agribusiness, advisory provides a blend of technical and commercial approaches to increase efficiency of value chains, build competitiveness to enable client integration into regional and global value chains, address core environmental and social sustainability issues at the sector level (including gender), and pilot and scale ag-tech solutions. MAS will also work on supporting hotel reopening with proper protocols that address cleanliness, health, and safety.

CMA: Prioritizes areas including enabling environment, enabling sectors, and enabling finance and investment. Developing country regulatory regimes often discourage risk-taking, suppress competition and innovation, and impose undue costs and constraints—obstacles amplified by COVID-19. The economic effects of COVID-19 exposed sector-level weaknesses, particularly in industries such as travel and tourism. The pandemic also collapsed FDI, undermining client country growth strategies and threatening the withdrawal of investments that client countries have already secured. CMA is built around the notion that job creation does not happen at the economy-wide level but at the sector and firm level. CMA leverages analytics and applies experience and expertise on reforms and strategies to address private sector constraints, either economy-wide or sector-specific. CMA helps deliver solutions in the investment policy and promotion and business regulation space that promote sector- and firm-level diversification in the most promising areas for recovery and growth.

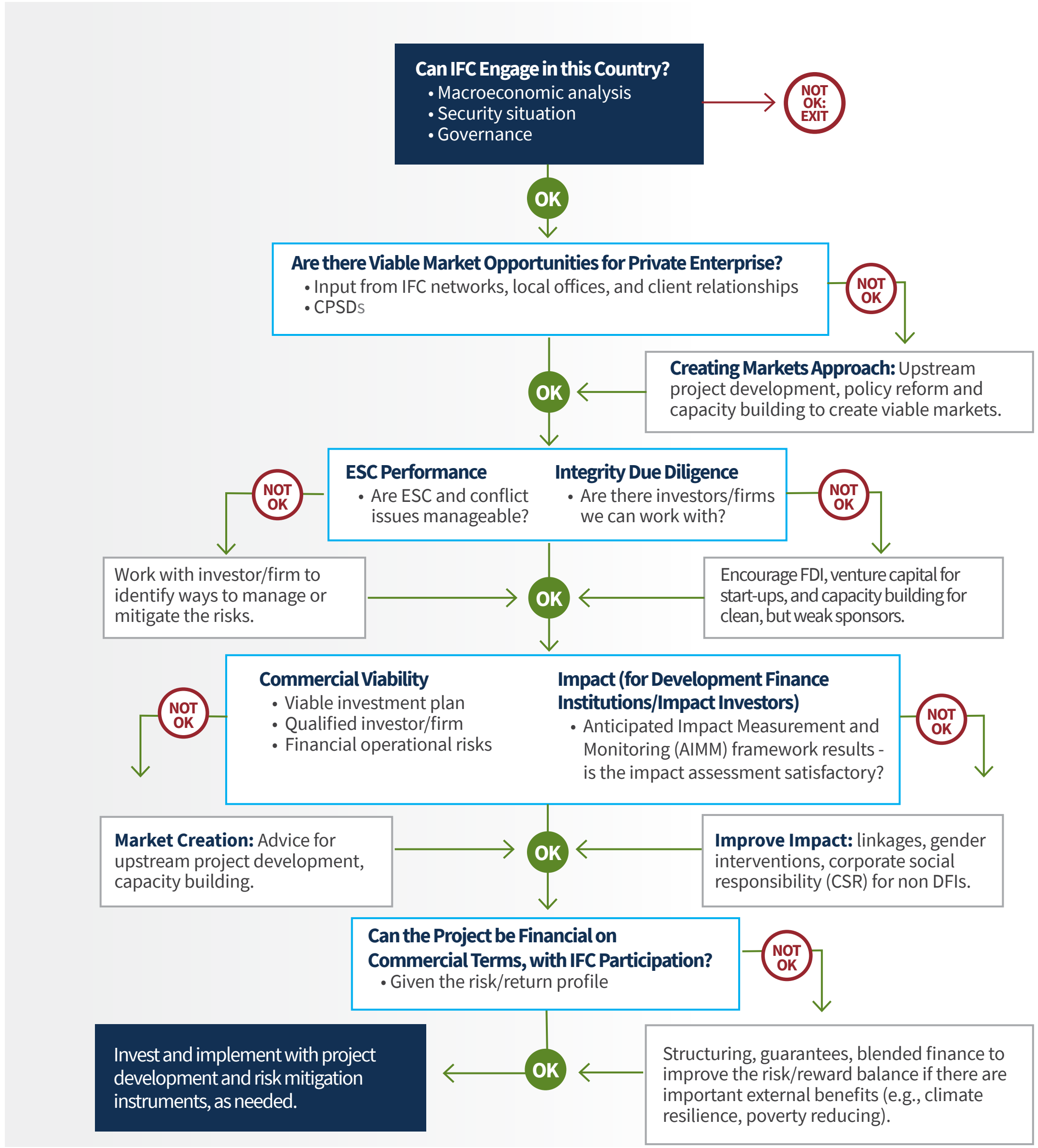
Climate Business: The development gaps to be addressed by Climate Business advisory include a lack of commercially viable business models, regulatory and financial incentives, and private sector finance. Projects in this area will seek to develop and scale up investment in biodiversity and nature finance, clean energy, green buildings, climate-smart cities programs, climate-sensitive agriculture, and green finance.

Gender: Women are severely underrepresented in private sector leadership and do not participate equally in the formal workforce. Women shoulder a disproportionate share of unpaid care work. Access to technology, finance, insurance, basic services, and infrastructure are constrained for women entrepreneurs. Women experience more legal discrimination than men, stifling their full economic participation. Women experience high levels of sexual harassment and violence. These and other gender gaps lead to macroeconomic and firm losses. The private sector can help close these gender gaps by enabling men and women to participate more equally in corporate leadership, in the workforce, as consumers, and as suppliers. Strategic priorities of the IFC gender strategy include enhancing women's access to assets and services through increased participation by women in business leadership and the labor force, and by increasing women's access to health, finance, insurance, housing, and technology. Increasing employer-supported childcare can help in redistributing the unpaid care workload. FIAS has a strong record of support for removing legal barriers to women identified by the Women, Business & the Law program (WBL) and will be pushing to exceed institutional targets for including gender components in IFC AS projects.

Digitalization: Digital technologies provide a unique opportunity for countries to accelerate economic growth and connect citizens to services and jobs. FIAS will be supporting advisory services that help clients unlock innovative solutions to complex development challenges and help countries accelerate their pace of development in areas from digital banking to blockchain and telemedicine. Fostering digital inclusion is of paramount importance. With potential tie-ins to project activities in gender, climate change, Africa, and COVID-19 recovery, to name just a few, FIAS will be providing extensive support to digitalization advisory in the coming strategy cycle.

In summary, IFC's current overall approach to development is called Creating Markets Upstream. Under this initiative, IFC and other members of the World Bank Group work closely together on comprehensive approaches to development that link policy reform, advice, investment, and the mobilizing of additional finance. The approach is closely associated with the World Bank Group's Maximizing Finance for Development (MFD) program, which prioritizes private sector solutions, where possible, to conserve scarce public resources. It also fosters the private sector's contributions to achieving the Sustainable Development Goals (SDGs) and the 2040 Agenda. The Creating Markets Upstream approach is especially important in FCS, where extensive efforts are required to improve policy, build capacity, address environmental issues, and mitigate risks to enable the private sector to thrive. The strategy development process can identify the most appropriate focus areas for engaging the private sector, as well as the instruments needed to foster private sector growth and economic development.

Engaging in IDA and FCS: The adjacent figure illustrates the overall process that IFC follows in its approach to investing in FCS and IDA. In practice the steps are far from linear, with several iterations involved at different investment stages. These include preliminary engagement with investors and firms, an early look at projects, detailed field appraisal, and a formal review before decisions are made. Nevertheless, the illustration captures four important aspects of IFC's investment process: (1) early engagement on critical fragility issues such as integrity



due diligence; ESG; conflict analysis; and carrying out governance, macro, and security assessments; (2) extensive project preparation work, including addressing policy issues and building government and private sector capacity; (3) special efforts to identify viable sponsors (investors and firms) and facilitate investor outreach and promotion to bring in new ones; and (4) recognizing the greater need to use blended finance.

Creating Markets with Sector Interventions

Activities that will facilitate private sector investment through sectoral or market-wide interventions. (FIAS will support.)

Creating Markets with Project Interventions

Activities that support the creation and realization of specific projects that will provide a wider demonstration or set a broader market precedent.

FIAS Positioned to Support Upstream

IFC categorizes Upstream activities into two types: "Creating Markets with Sector Interventions" and "Creating Markets with Project Interventions." FIAS will support IFC AS in the Sector Interventions space. **Creating Markets with Sector Interventions** covers activities that will facilitate private sector investment through sectoral or market-wide interventions. **Creating Markets with Project Interventions** covers activities that support the creation and realization of specific projects that will provide a wider demonstration or set a broader market precedent. While the two types of Upstream interventions engage with different level of clients or stakeholders, both embrace the broader ambition and intentional expectation of contributing to market creation.

Now back under IFC management, **FIAS is well positioned to become a key platform for the Creating Markets Upstream initiative** and specifically for Creating Markets with Sector Interventions.

- FIAS is a flexible global IFC platform focused on enabling environment and regulatory reform—the starting point for the Upstream approach of identifying and fostering investment opportunities, especially in FCS and IDA countries.
- The multi-donor trust fund enjoys strong support of dedicated Development Partners briefed on Upstream and ready to support it.
- Authority for advisory project selection rests with IFC, facilitating alignment of FIAS-supported advisory work with Upstream investment initiatives and IFC country strategies and business plans.
- Links between FIAS projects and World Bank DPOs mirror the IFC emphasis on close collaboration with the World Bank on private sector enabling policies and alignment with country and industry priorities supported by teams with deep regional and sectoral knowledge.
- FIAS-supported teams can be leveraged immediately for Upstream-related advisory and COVID-19 crisis response.
- FIAS has built a successful track record of support for more than 1,500 IFC projects since 1985.

To implement the IFC 3.0 Creating Markets Upstream Agenda, a strategic shift in the FIAS program is required. For the FY22–26 FIAS strategy cycle, this strategic shift places **greater emphasis on sector-specific reform work**.

30%

of FIAS advisory in FY17–21 was sector-specific.

In FY22–26, the share of sector-specific FIAS advisory will grow to

60-70%

- With the new FIAS strategy cycle beginning in July 2021, IFC and Development Partners can shape it in support of Creating Markets Upstream.
- Upstream's first investment own-account pipeline of five years, from FY22 through FY26, aligns with the FIAS strategy cycle.
- Upstream is designed to augment efforts to create bankable projects especially in IDA and FCS countries.

Strategic Shift Required

To implement the IFC 3.0 Creating Markets Upstream Agenda, a strategic shift in the FIAS program is required. IFC and the FIAS Steering Committee agree on the need to refocus FIAS for the FY22–26 strategy cycle on market creation at the sector and firm levels to unlock more private investment in the FIAS priority areas: IDA, Sub-Saharan Africa, and FCS. As with IFC AS as a whole, FIAS will support thematic work in the areas of gender and inclusion, green competitiveness, and digitalization. The goal is to help clients 'build back better' in the aftermath of the pandemic-driven crisis.

For the FY22–26 cycle, this strategic shift places greater emphasis on sector-specific reform work. From a 30 percent share of total planned work (in budget terms) during the FY17–21 cycle, sector-specific advisory supported by FIAS will grow to a share of between 60 and 70 percent in FY22–26. Work in this area will also encompass firm-level advisory, which is expected to increase from its previously small share of the FIAS portfolio; the upward trend was already apparent between FY19 and FY20, when the share of the FIAS portfolio with some firm-level components increased from 16 percent to 33 percent. Greater emphasis on sector-specific advisory will ensure adequate support for clients to carry out necessary reforms to recreate markets damaged or diminished by COVID-19 and support retention of existing investments and a return of investment to those markets.

Through this recalibration of the FIAS portfolio, the trust fund can position itself as a key funding vehicle for IFC AS that help foster the conditions for Creating Markets Upstream initiatives. Accordingly, the FIAS Program is setting a high-end fundraising target to guide strategy development for the FY22–26 cycle of $200 million, or about $40 million per year. This fundraising target represents a sharp increase (of about 25 percent) over actual funds raised in FY17–21. IFC will seek external funding from Development Partners for Creating Markets Upstream initiatives and project delivery expenses. Overall, however, IFC does not envision Upstream itself as a donor-supported function.

Given that developing Upstream capacity is central to IFC's long-term program delivery, Upstream staff costs will be funded primarily from administrative budget resources. IFC will leverage income designations, including the Creating Markets Advisory Window (CMAW) and Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS), as well as Investment Services fees, in support of the overall Upstream ambition. The choice of funding source will depend on the type of engagement and the level of Development Partner interest.

The FIAS Program is setting a high-end fundraising target to guide strategy development for the FY22–26 cycle of $200 million, or about $40 million per year. This fundraising target represents a sharp increase (of about 25 percent) over actual funds raised in FY17–21.

FIAS FY22–26 Fundraising Target

$200m

FIAS FY22–26 Fundraising Per Year Target

$40m

Coordination and Collaboration with World Bank

Coordination between EFI and IFC is more critical than ever in the context of the COVID-19 pandemic, its economic consequences, and the scale of the challenges facing the private sector in World Bank Group client countries. As it has throughout the history of FIAS, the International Bank for Reconstruction and Development (IBRD) will remain a strong partner, ensuring collaboration on a day-to-day basis at the country and regional levels in the area of investment climate reform. Collaboration between IFC and IBRD begins at the outset with the rollover of IBRD's remaining annual cash contribution to FIAS. It will continue during FY22–26 on an in-kind basis through IBRD contributions of analytical work focused on the private sector. Specific elements of IBRD support to FIAS are as follows:

- Knowledge products: EFI, which formerly oversaw FIAS operations, regularly produces knowledge products—including real-time tools, policy technical notes, and global flagships—that help inform FIAS advisory work and provide the analytical basis for policy advice on key topics related to the private sector. Examples from FY21 have included the COVID-19 Business Pulse Survey (COV-BPS), a dashboard on Financial Sector Support Measures in response to COVID-19, a map of SME Support Measures in response to COVID-19, and the Global Productivity: Trends, Drivers, and Policies flagship report. In addition to continuing to share these and similar knowledge products and tools, EFI would also continue to produce joint notes with IFC on selected topics. Recent joint work has yielded notes on firms, SME Support Measures, equity and insolvency, as well as sector notes by IFC related to transport, tourism, and financial sectors, among others.
- Continued joint implementation of FIAS activities at the country level: Both EFI global teams and country-based staff would continue to implement FIAS-financed activities at the country and global level as part of IFC AS and Upstream initiatives.
- Leadership: EFI's Global Director for Trade, Investment & Competitiveness (EFI-TIC) or equivalent would continue to participate in the FIAS Steering Committee to help provide strategic input to the program and engage with Development Partners on the World Bank Group strategy to support investment climate reform.

Part 3: What FIAS Will Do

Even in the context of the COVID-19 pandemic and the new IFC Creating Markets Upstream approach, the FIAS strategy retains strong elements of continuity with its past and its core mission. The strategy is integrally tied to achieving the World Bank Group's Twin Goals of eliminating extreme poverty and boosting shared prosperity, as well as supporting the push toward the SDGs.

The FIAS theory of change emphasizes the importance of fostering a robust private sector. FIAS-supported programs help clients at the intersection of government and private enterprise to ensure that laws, regulations, institutions, and other elements of the business environment enable private sector growth and are not unnecessarily burdensome. FIAS aims to develop dynamic and resilient economies that promote economic inclusion through investment, job-creation, and higher productivity. As developing country economies gain a more competitive position to participate in international markets, new routes will open to lift people out of extreme poverty.

JOB CREATION REGIONALLY

Job-creation represents the single highest priority. In the Bank Group's Africa, Middle East North Africa, and South Asia regions, more than

3m

new jobs must be created each month.

In Sub-Saharan Africa, the working age population will increase by

1.77m

per month over the next 15 years.

JOB CREATION GLOBALLY

600m

new jobs will be needed by 2030.

By 2030, the global economy will need to have 600 million more jobs than in 2005, requiring the generation of between 9 million and 12 million jobs per year in key developing regions such as Sub-Saharan Africa and South Asia. The private sector is responsible for about 90 percent of jobs in the developing world. As some 20 million new working-age youths per year in Asia and Africa alone enter the workforce, it will be essential to address this surge through increased job opportunities in services and manufacturing.

The crucial importance of job creation underlies the pilot initiative being undertaken by FIAS to measure the impact on jobs of certain FIAS-supported interventions (for more, see table below).

FIAS Priority Areas

The division of the FIAS portfolio into **client-facing** and **global knowledge projects** will continue, but with increasing emphasis on client-facing work. (In almost all cases, FIAS clients are developing country governments, including development ministries and government-affiliated investment promotion agencies (IPAs). Some projects include components that involve advisory work with business associations and individual firms.) Project components relating to the thematic areas of **gender and inclusion**, **green competitiveness**, and **digitalization** cut across both client-facing and global knowledge projects. Within the client-facing portfolio, FIAS will continue to prioritize projects that serve **IDA**, **Sub-Saharan Africa**, and **FCS** countries, with set targets for client-facing spending and for the portion of reforms achieved in those countries out of all FIAS reforms.

Because a much larger portion of FIAS spending will be devoted to sector-specific work in FY22–26 than in the previous cycle, **the strategy targets a lower number of sector-agnostic investment climate reforms but anticipates greater beneficial economic impact from each of the reforms achieved.** Furthermore, the nature of reforms prioritized by FIAS-supported teams will shift from reforms mainly geared toward Doing Business indicators to reforms in the fields directly related to sector-specific reforms aiding investment retention and generation and Upstream work. This means that the overall impact of FIAS-supported work in terms of job creation, new investment generated and investment retained, increased access to finance, greater economic diversification, and a growing pipeline of Upstream investment projects should combine to produce not only greater benefits but also more measurable benefits under the FIAS M&E program. As shown below, the indicator targets in terms of percentage spending devoted to the three priority areas and percentage of reforms achieved in those areas remains the same as in previous FIAS strategies.

FIAS Priority Reform, Spending Targets

FIAS Indicator	Cumulative FY17–20	FY22–26 Target
% of client-facing project spend, IDA	62%	70%
% of client-facing project spend, Sub-Saharan Africa	48%	50%
% of client-facing project spend, FCS	26%	25%
Number of reforms supported by FIAS	153	200
% of reforms supported by FIAS in IDA countries	60%	70%
% of reforms supported by FIAS in Sub-Saharan Africa	44%	50%
% of reforms supported by FIAS in FCS countries	26%	25%

Client-Facing Projects

Over the past decade FIAS support has been trending toward a greater proportion of work in client-facing projects. In the FY12–16 strategy cycle, 62 percent of FIAS project spending went to client-facing projects. Through four years of the five-year FY17–21 cycle, client-facing spending has accounted for 80 percent of total project spending. In the context of IFC 3.0 Creating Markets Upstream, this trend will continue in the FY22–26 strategy cycle. **In the new cycle, FIAS projects will be organized under two strategic pillars: Pillar 1, Improve the Business Environment,** and **Pillar 2, Expand Market Opportunities and Increase Firm-Level Competitiveness.** In support of the IFC Creating Markets Upstream Agenda, the FIAS Program anticipates allocating approximately 25 percent of resources to Pillar 1 projects, which cover the enabling environment areas of IFC AS, including general economic regulatory streamlining and some Doing Business-related reform work. Pillar 2, which combines both sector-specific and firm-level advisory in the FY22–26 cycle, will be allocated approximately 75 percent of FIAS resources.

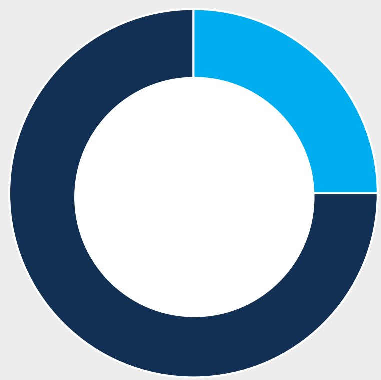
Two factors underlie the increasing emphasis on client-facing work in the forthcoming cycle. First, it is through client-facing work that the regulatory groundwork can be laid in client countries that will support the Upstream strategy of developing IFC-investible projects. Second, a larger operational cross-section of IFC will be eligible to apply for FIAS funding in support of Creating Markets Upstream initiatives.

In accordance with IFC internal governance practices, IFC regional units— EAP, ECA, LAC, MENA, SAR, and SSA—will continue to be engaged in making the decisions on allocations of FIAS client-facing funds, ensuring alignment with country and regional strategies. As noted above, advisory teams embedded in IFC's industry and

In support of the IFC Creating Markets Upstream Agenda, the FIAS Program anticipates allocating approximately:

25%

of resources to Pillar 1 projects



75%

of resources to Pillar 2 projects

Pillar 1: Improve the Business Environment

Pillar 1 projects cover the enabling environment areas of IFC AS, including general economic regulatory streamlining and some Doing Business-related reform work.

Pillar 2: Expand Market Opportunities and Increase Firm-Level Competitiveness

Pillar 2 encompasses advisory work in investment policy and promotion, markets and competition policy, and sector-specific work in manufacturing, agribusiness, tourism, infrastructure, financial services, and other sectors.

other operational units will develop proposals for projects eligible for FIAS support. In addition to the Upstream organization embedded in IFC industry departments, these IFC units include MAS, FIG, INFRA, Regional CMA, Disruptive Technology and Funds (CDF); the Climate Business and Gender teams; PPP; Energy and Mining; and ESG. FIAS, within the bounds of its priority areas and overall mission, will support this wider spectrum of projects. Elements and examples of these strategies are described further in the following text.

Pillar 1: Improve the Business Environment

The work under Pillar 1 seeks to improve the enabling legal and regulatory environment of client country economies, reduce the cost of doing business, signal to domestic and foreign investors a welcoming attitude toward business growth, and ease business uncertainty in often volatile political and economic environments. The enabling environment work under Pillar 1 will emphasize IDA and FCS clients to help them clear some of the basic business climate hurdles needed to begin attracting greater investment. (Estimated share of budget: 25 percent.)

The hallmark of FIAS work in this area centers on good regulatory practice, encompassing efforts to streamline regulatory processes to reduce compliance costs and discretion. Good practice involves an increased focus on regulatory transparency, the political economy of reforms, and the capacity of implementing agencies. FIAS-supported projects in FY22–26 will focus increasingly on sector-specific work. Accordingly, interventions under Pillar 1 will support reforms relevant to the business sectors most important to the client country's economy as identified through rigorous analysis and diagnostics. FIAS will ensure that as many of the projects it supports as possible include reform components geared toward leveling the economic playing field for women, helping governments foster economic development while also advancing climate change goals, and closing the digital economic divide.

> **Pillar 1 will emphasize IDA and FCS clients to help them clear some of the basic business climate hurdles needed to begin attracting greater foreign and direct investment.** (Estimated share of budget: 25 percent.)

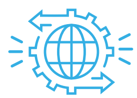
Government regulations play a decisive role in creating a predictable and conducive framework for businesses to form, operate, and grow. They are critical to protecting investor and consumer rights, public health, and general safety. Achieving sustainable growth at both the economy-wide and sector-specific levels requires a balance between the protective and safeguarding goal of regulation and the sometimes-burdensome regulations placed on businesses. Regulatory reform can protect society and stimulate business activity by focusing not just on simplification, but on consistent, transparent, and effective delivery—while also ensuring proper protections for the public.

In the COVID-19 relief and recovery context, one positive side effect of the pandemic is that governments that have been reluctant to embrace investment climate reform agendas may well rethink their strategies and commit to supporting steps to embrace business enabling policies. Economy-wide interventions are being undertaken to ease regulatory burdens on businesses to lower administrative costs, create conditions for more businesses to remain afloat, and keep more workers employed. Examples of these approaches include government-sanctioned suspension or delay in tax filings, Firm-level work under Pillar 2 seeks to develop more productive and competitive firms that can seize opportunities in local, regional, and global markets, and drive economic growth and job creation.

(Estimated share of budget: 75 percent.)

waivers of fees for government transactions such as licenses, registrations, and permits, and automatic license extensions for the period of the emergency. As the emergency period subsides, some temporary measures may be phased out, but IFC AS will continue to aim to keep the operational costs for businesses as low as possible. Both during and after the pandemic crisis, the key principles for effective business regulation apply, including taking a transparent, risk-based approach and minimizing excessive regulatory burdens.

Pillar 2: Expand Market Opportunities and Increase Firm-Level Competitiveness



Work under Pillar 2 combines the elements of strategic Pillars 2 and 3 in the FY17–21 strategy, merging sector-specific work with firm-level advisory. Pillar 2 encompasses advisory work in investment policy and promotion, markets and competition policy, and sector-specific work in manufacturing, agribusiness, tourism, infrastructure, financial services, and other sectors. Firm-level work under Pillar 2 seeks to develop more productive and competitive firms that can seize opportunities in local, regional, and global markets, and drive economic growth and job creation. Firm-level work generally supports economy-wide and market-level reforms by helping clients develop approaches and provide input to policies that help businesses invest in improved products, use climate-efficient technologies, modernize production processes, and enhance worker skills (estimated share of budget: 75 percent).

Sector-specific and firm-level work under Pillar 2 will continue to prioritize IDA, Sub-Saharan Africa, and FCS countries. The focus on generating significant investment opportunities—including IFC investments under Upstream—means that Pillar 2 work will reflect IFC's strategic vision throughout the developing world, including larger, emerging and middle-income economies.

Pillar 2 sectors:

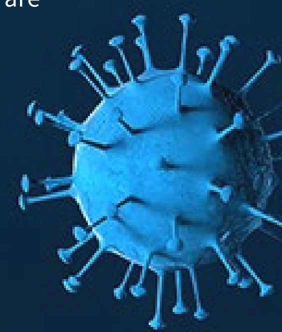
- manufacturing
- agribusiness
- tourism
- financial services
- infrastructure

The COVID-19 pandemic has led governments to impose restrictions on economic activity in countries around the globe—including the world's largest economies. In addition to the dire implications of the pandemic for global health, these developments have become the source of uncertainty and risk aversion that is depressing investor confidence to historic lows. According to IFC analysis, global FDI, already weak before the outbreak, is poised to decline more severely than in the 2008–09 financial crisis. Three of the largest sources of outbound FDI—China, the European Union, and the United States—are among the places most severely affected by the pandemic. The MENA and Sub-Saharan Africa regions are particularly exposed to sharp declines in FDI from these source countries. IFC AS under Pillar 2 will focus initially on helping client countries retain existing foreign investors and preserve supply chains connecting foreign and domestic suppliers—often SMEs.

FIAS is well positioned to support effective relief, restructuring, and resilient recovery efforts through sector-specific work. Tourism, a sector with great job-producing potential, particularly for women, is a core area of expertise for FIAS-supported teams and also perhaps the sector hit harder than any other by the COVID-19 pandemic. Agribusiness, another core specialty of FIAS-supported teams, will be vital to maintaining food security threatened by pandemic-related disruptions. And IFC's MAS department and its regional units, which will have a high profile in the new FIAS strategy, are charged with helping rebuild country economies whose diversification efforts have been hobbled by the economic fallout of COVID-19.

Among the tools available to FIAS-supported teams in assisting clients with COVID recovery are easing investment entry restrictions in sectors most affected by the crisis, such as travel and tourism, energy, and health. Further along, in the restructuring stage, steps may be taken to support growth-oriented enterprises, including startups, and to promote reallocation of resources to more efficient companies and sustainable activities. As countries and markets shift toward lower-carbon and renewable energy sources to support climate adaptation and mitigation, advisory should assist clients in avoiding subsidizing energy-inefficient industries with limited long-term viability.

Work with client country IPAs was becoming an increasingly important part of FIAS-supported work in the investment policy and promotion (IPP) space even before the COVID-19 outbreak. In the wake of the sharp downturn in FDI flows because of the pandemic, IPAs are shifting their principal focus from FDI attraction to FDI retention. A decline in new investment is a hindrance to country growth plans; the loss of investment that countries had already secured can be potentially catastrophic. FIAS-supported projects applying the Systemic Investor Response Mechanism (SIRM) are already playing an important role in the COVID-19 response and will continue to do so throughout the FY22–26 cycle. SIRM provides a tool for monitoring and tracking investor grievances and resolving them before they escalate into international litigation or threaten existing or planned investment.



The SIRM tool has been used in Ethiopia in support of ongoing work under the Investment Climate and IPP Project that aims to reduce legal and administrative barriers to foreign investment and enhance investor confidence. Almost immediately after launch of the SIRM Unit, the tool was used in resolving four investor grievances.

The way to create markets is to be proactive and not wait for business to come to the World Bank Group.

Following the pandemic outbreak, FIAS supported the COVID-19 IPA Survey, leveraging lessons learned from the SIRM initiative. The survey collected data on COVID-related impacts and compiled responses from 46 national IPAs across six regions. With the data from the survey, FIAS-supported project teams worked with clients to implement policies to fast-track investor grievance management mechanisms (IGM) that help address complaints arising from specific government actions. As part of the ongoing COVID response, FIAS teams plan to assist in managing investor-state contracts in countries that anticipate contract non-performance to allow for more flexibility and faster recovery.

The way to create markets is to be proactive and not wait for business to come to the Bank Group. The Creating Markets Upstream approach means IFC must first understand a country's development priorities and its private sector opportunities. This is accomplished through sector deep dives and CPSDs leading to Country Strategies that form the foundation of IFC interventions and IFC's Business Plan. Creating Markets Upstream takes more than one transaction. IFC, with FIAS support, intends to make a concerted effort with government and World Bank colleagues to shape the policy and regulatory frameworks to attract private sector investment and elicit a concrete investment response.

Global Knowledge Development Projects

FIAS-supported interventions fall into two broad categories: client-facing projects and global KDPs. The global KDPs cover a range of topics, from improving project design so as to boost impact, developing tools to promote and secure increased investment, and developing and refining systems for diagnosing the constraints and potential for growth of client country economies, to providing best practice guidance for certain interventions and initiatives.

In the FIAS Mid-Term Review (MTR), global KDPs in the FY17–21 strategy cycle won praise for work in competition and investment policy, tourism, and quality infrastructure. FIAS-supported KDPs "produced a significant amount of outputs, which helped the development and implementation of World Bank Group operations," the MTR found. "FIAS-supported knowledge management (KM) projects benefited nearly 300 World Bank Group operational projects, which is quite an impressive achievement." Knowledge products have played a crucial role in setting the stage for a range of new operational investment climate projects, especially at the regional level, sometimes providing valuable inputs for other Bank Group operations, for example, by helping expand the lending portfolio in the tourism and agribusiness sectors. Through the first three years of the FY17–21 cycle (covered by MTR), global KDPs accounted for 23 percent of direct project expenditures, with client-facing projects accounting for 77 percent.

Through the first three years of the FY17–21 cycle (covered by MTR), global KDPs accounted for

23% of direct project expenditures

while client-facing projects accounted for

77% of direct product expenditures

KDPs supported by FIAS usually involve much more than the production of knowledge products that client-facing teams may or may not use. FIAS-supported global teams work closely with client-facing teams, often through pilot projects or by providing direct support to client-facing advisory teams. This type of engagement is expected to continue with the IFC global departments and also the EFI global teams on topics of relevance to aid implementation of the IFC 3.0 approach. We expect a focused effort around scaling up the climate change, gender, and digitalization support to operational client-facing teams through the FIAS-supported global KDPs.

Over the FY17–21 strategy cycle, the FIAS-supported Competitiveness Policy Evaluation Lab, or ComPEL, supported the use of impact evaluation clusters in advancing the global knowledge frontier on how to achieve impact, build capacity of client institutions and Bank Group staff, and improve the quality of project design and implementation in the areas of firm performance and productivity, entrepreneurship, innovation, and small and medium enterprise finance. ComPEL's impact evaluations help development practitioners, country counterparts, and partners to identify the mechanisms of impacts that work best and inform their decisions on project design, course correction, scale, continuity, selection of cost-effective solutions, and/or targeting. A notable contribution of the program has been the support provided to enhance the quality of impact evaluation designs, including workshops, clinics, and timely advice to research teams. In addition, many data collection exercises have taken place. The program has supported 20 surveys or rounds of administrative data collection and was engaged in six impact evaluations as of FY21, in Ethiopia, Georgia, Kenya, Mexico, Nigeria, and Peru.

The FIAS strategy envisions a line-of-sight alignment linking enabling environment work with Upstream and firm-level advisory and, ultimately, transactions that contribute to sustainable growth and job creation. A key initiator for successful advisory interventions that lead to investment commitments in the

For FY22–26, FIAS will continue to support the global Country Private Sector Diagnostics KDP which provides tools and learnings to the client facing teams.

FY22–26 cycle will be the **Country Private Sector Diagnostics (CPSDs)**. Through FY20, about a quarter of the 45 CPSDs being undertaken jointly by the World Bank and IFC have received FIAS funding. For FY22–26, FIAS will continue to support the **global CPSD KDP** which provides tools and learnings to the client-facing teams. Joint World Bank–IFC funding support for the CPSDs at the country level will continue through separate budget tracks, but FIAS-supported client-facing teams will continue to apply the findings of the diagnostics in project design and implementation. The in-depth diagnostics and analysis provided by CPSDs form a cornerstone of the IFC 'build back better' strategy and will be critical ingredients in helping COVID-damaged economies recover and realizing the Upstream vision. The rigorous analytics and stakeholder engagement of CPSDs support FIAS in moving away from general business environment work to more sector-specific interventions that address issues and open the way to initiatives that have job- and income-generating potential. CPSDs assess economy-wide and sector-specific constraints to private sector growth and opportunities to maximize new investment and job creation. The analysis from CPSDs leads to informed policy action mobilizing private investment and financing and provides important inputs into World Bank lending operations, IFC investments, and World Bank and IFC advisory projects. FIAS-supported diagnostic projects combine the knowledge of the World Bank Group and other Development Partners and inform the IFC 3.0 Strategy, the Systematic Country Diagnostic (SCD), and the Country Partnership Framework (CPF).

The **Business Linkages KM Project** has produced positive results in Guinea and Vietnam. The project aims to develop a new reference framework and a set of practical tools for linking domestic firms with multinational enterprises (MNE). These were then tested on a pilot basis in several countries and produced notably positive results in Guinea and Vietnam. In Guinea, assistance involved improvement of the policy framework and set-up of a platform through which business opportunities with MNE were disseminated. The platform became operational in June 2019 and by September three-quarters of published contracts had been awarded to local firms participating in the platform.

The Business Linkages KM Project has produced positive results in Guinea and Vietnam.

In Vietnam, assistance was provided to upgrade the capabilities of 42 local manufacturers in the automotive, consumer electronics, and household appliances sectors. After just ten months, half of the firms had reached out to prospective MNE clients, five had formally qualified as potential suppliers, and seven had already delivered trial orders.

FIAS Programmatic Themes

Three programmatic themes—**Gender and Inclusion, Green Competitiveness,** and **Digitalization**—will cut across much of the client-facing and global programmatic work supported by FIAS in FY22–26. Emphasis on these themes will align with IFC targets for both advisory and investment work and will bolster the beneficial impact delivered by FIAS-supported IFC AS and the Upstream investment opportunities they generate. The themes will also be reflected in the M&E framework through additional indicators to ensure consistent tracking and monitoring of results and thematic integration. Thematic work extends beyond individual FIAS-supported projects to include publications and learning events, external partnerships, and linkages with other World Bank Group units.

The approach to tying these themes to FIAS is as follows:

- Systematic diagnosis of constraints related to the themes during project preparation and design.
- Integration of theme specialists and approaches during project implementation and execution.
- Replication and scaling-up of successful project experiences—with support from publications and case studies.
- Creating and testing project models and execution methods for effectiveness and potential to deliver results.

The central role of the Upstream approach in the FY22–26 cycle opens new pathways for FIAS-supported projects to deliver beneficial interventions through advisory services that lead to IFC and private sector investment opportunities and executed transactions that produce jobs and generate income.

Gender and Inclusion

Economies cannot thrive if they exclude whole segments of the population from participating in business development, innovation, and opportunities for growth. Eliminating extreme poverty and boosting shared prosperity requires the economic participation of both men and women, majority and minority ethnic groups, and communities within both urban and rural environments. The World Bank Group has made gender and inclusion a focal point for advisory, lending, and investment operations.

FIAS-supported work under the Gender and Inclusion theme seeks to reduce gaps between men and women globally in tackling poverty and creating economic growth. This theme focuses on three main areas that will expand over the FY22–26 strategy cycle: (1) reducing the barriers to success for women-owned and women-led businesses; (2) promoting inclusive business models; and (3) working with IFC industry teams to create the conditions for new investment opportunities and transactions that expand opportunities for women. Across the portfolio, 40 percent of FIAS-supported projects will have the gender flag. Within the FIAS Core account, the program is doubling this target to 80 percent.

1b

women are constrained from contributing more fully to their economies

800m

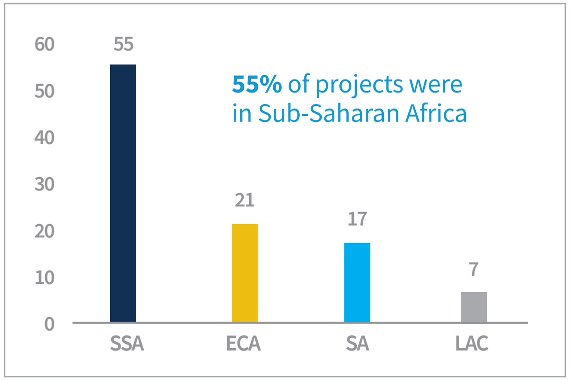
of these women live in developing countries

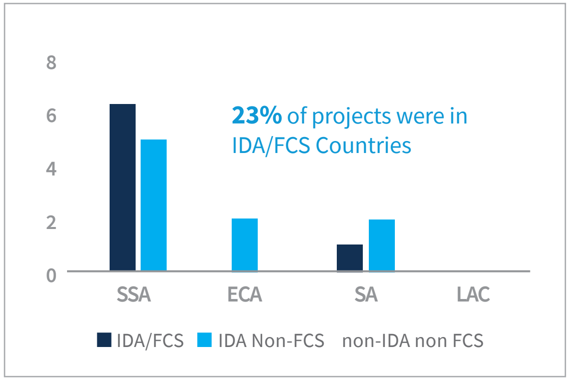
Reducing barriers to success for women-owned businesses is based on the premise that an estimated 1 billion women are constrained from contributing more fully to their economies. The vast majority—800 million of these women—live in developing countries. In the FY22–26 cycle, FIAS funding will play a key role in supporting reforms and creating conditions for investments and transactions that redress gender disparities in client country private sectors. The means for accomplishing this include:

- Delivering advisory support to programs geared toward women-owned and women-led businesses.
- Supporting legal reform designed to eliminate gender barriers built into laws and regulations—exemplified by the work of the WBL program and its FIAS-supported Africa initiative.
- Working to create the conditions for investments and transactions in sectors such as tourism and textiles that employ large numbers of women.
- Supporting efforts to ensure that investment initiatives include specific targets and benchmarks for ensuring equal opportunities for women.

A portfolio review of 82 FIAS-supported AS projects implemented from FY16 through FY20 found that 30 projects, or 37 percent, were "gender flagged"—the same ratio seen in the IFC AS portfolio as a whole and approaching the IFC AS target of 40 percent. To be gender flagged, IFC AS projects must have three elements: (i) specific analysis of gender gaps in the area of the project; (ii) action taken to address the gap; and (iii) an indicator in place to monitor results. The makeup of these 30 projects in terms of FIAS priority areas closely aligned with the portfolio as a whole: 55 percent of the gender-flagged projects were in Sub-Saharan Africa, and 23 percent were both IDA and FCS countries. The portfolio review has found that FIAS-supported projects align IFC's Gender Smart Implementation Plan (GSIP) II, IFC's 2030 Vision on Gender, and the World Bank Group's Gender Strategy (FY16–FY23).

Regional Portfolio Breakdown of FIAS-Supported Gender-Flagged Projects, FY16–20





Source: ASOP AS Reports as of Feb. 2020 for Projects Approved in FY-16-FY20 (Q2)

AN FY16–20 PORTFOLIO REVIEW FOUND THAT OUT OF

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30 projects, were **"gender flagged"**

FIAS priority areas closely aligned with the gender project portfolio:

55% of the gender-flagged projects were in Sub-Saharan Africa

23% were in IDA and FCS countries

FIAS participation in the Upstream initiative opens the way for FIAS-supported AS to help integrate gender-related components into IFC Investment Services projects through Upstream Creating Markets initiatives. **As of FY21, 15 percent of IFC Investment Services projects are gender flagged (as planned). In addition, through the Banking on Women Program, the funds wholly dedicated to women-owned SMEs in IFC's FY20 new long-term financing commitments to financial institutions have reached $417 million, for a cumulative portfolio of $2.6 billion in this business line.** The link-up between FIAS-supported AS and Upstream-oriented investment activities will further integrate gender and inclusion themes into IFC operations and results.

The FIAS-supported WBL Africa initiative is providing several countries in the FIAS priority region of Sub-Saharan Africa with technical assistance to remove obstacles to women's participation in the economy. Across Africa, laws in some 43 countries impose obstacles on women to starting and running a business while imposing no legal prohibitions on gender-based discrimination in issuing credit. Women are barred from working in certain industries in 31 countries. In 18 countries there are no legal protections for women against domestic violence and no legal right to remarry. And in 16 countries

As of FY21,

15%

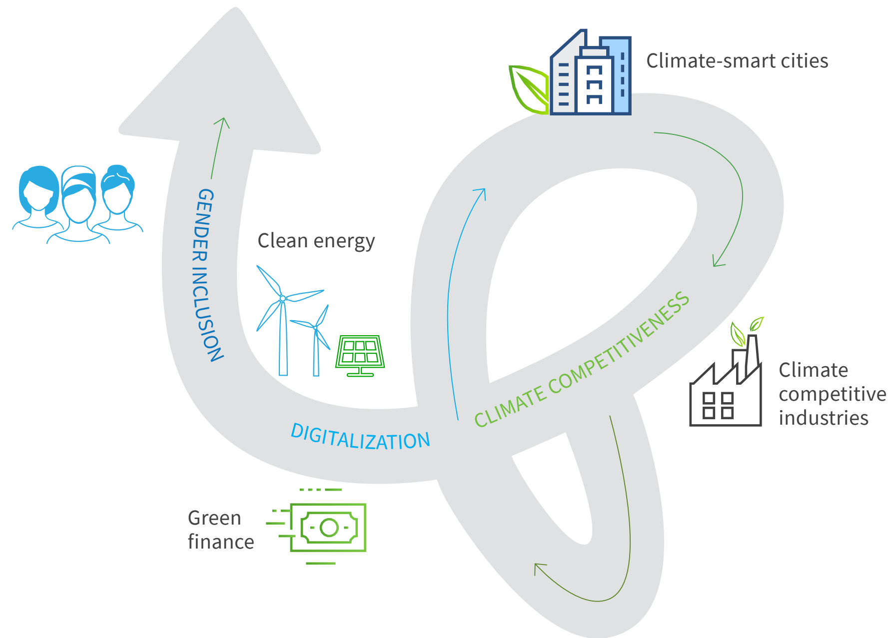
of IFC Investment Services projects are gender flagged (as planned).

there are no legal protections against harassment in the workplace. Participating countries for this project, which will extend well into the FY22–26 strategy cycle, are being selected based on their performance on the WBL index, the likelihood of passing and implementing reform, and the availability of reform champions. Client demand and status as IDA and FCS states will also be factors favoring selection.

Green Competitiveness

As part of World Bank Group policy, climate investments will comprise, on average, 35 percent of IFC's own-account investments over the FY21–25 period. FIAS plans to exceed this target by doubling to 70 percent the climate-focused activities in the projects supported through the FIAS Core account, while the rest of the portfolio will meet the 35 percent target. IFC's Climate Business team works with the industry departments, the private sector, and client countries to build new markets for climate business solutions. In doing so, IFC is embedding climate business in high-growth sectors, opening new markets in key areas such as clean energy, sustainable cities, climate-smart agriculture, energy efficiency, green buildings, and green finance. IFC works with countries to implement a green recovery that can stimulate economies and create jobs while accelerating the green transition in a cost-efficient way, helping countries rebuild better.

Under the Upstream initiative, FIAS is positioned to support IFC in increasing the integration of green competitiveness concepts and priorities into Creating Markets Upstream initiatives.



IFC uses its capital, expertise, and local country knowledge to attract commercial capital and maximize impact.

IFC will continue mainstreaming climate, focusing on five key areas (clean energy, green buildings, climate-smart agribusiness, climate-smart cities, and green finance), and mobilizing private sector finance. Advisory work related to climate change ranges from sustainable energy finance to supporting clients to optimize their energy use and resource efficiency in new and emerging sectors such as batteries, energy storage and distributed generation, to implementing climate-related PPP projects.

Under the Upstream initiative, FIAS is positioned to support IFC in increasing the integration of green competitiveness concepts and priorities into Creating Markets Upstream initiatives. In the FY17–21 strategy cycle, several successful green competitiveness projects were undertaken, including an energy efficient fans initiative in Punjab, Pakistan, and the completion of the highly-rated Climate Competitive Industries II project, which worked on industrial resource efficiency (Bangladesh, Central America, Côte d'Ivoire, Vietnam); eco-industrial parks (Ethiopia, Jordan, Pakistan, Panama, Turkey); and energy efficiency standards and labeling (Jordan, Pakistan, Panama).

Even with these successes, however, FIAS supported less green competitiveness thematic work in FY17–21 than anticipated. This was largely a function of the countries where FIAS operates. IDA and FCS countries were generally too busy struggling to generate even modest economic activity to prioritize green competitiveness in their development plans. This is expected to change in the post-COVID recovery and rebuilding phase as IFC and FIAS work to help client country economies attract private banking interest in making new capital available. Especially where Europe-based banks are involved, FIAS client countries will be under pressure to meet green competitiveness and climate-sensitive requirements built into their lending platforms. The role of FIAS-supported advisory services will be to help client governments work with their private sectors to meet these requirements and start adapting the regulatory landscape to drive the climate-friendly policies consistent with their own Nationally Determined Contribution (NDC) commitments under the Paris Agreement. FIAS will also add specific targets in these areas in sector-specific work and Upstream to ensure focus and tracking of results achieved in enabling green competitiveness.

Digitalization

As the COVID-19 pandemic began, half of the world's population was still without internet access, the vast majority in developing countries. One billion people in the world cannot prove their identity which limits their access to digital services and opportunities. The gender gap is still wide in least developed countries where women are 33 percent less likely to use the internet than men and 25 percent less likely to know how to leverage digital technology for basic purposes such as using a spreadsheet. Digital technologies have helped keep people, governments, and businesses connected through the pandemic, and will play an increasing role in the pandemic recovery period.

Digital technologies are at the forefront of development and provide a unique opportunity for countries to accelerate economic growth and connect citizens to services and jobs. Advances in technology hold promise for solving some of the key challenges to achieving full financial inclusion. Disruptive technologies and new entrants are radically changing the financial services industry forcing traditional business models to adapt and transform the economics of delivery to benefit marginalized communities. Artificial intelligence, automation, big data, distributed ledger technology, and machine learning are just a few examples of technology trends that are accelerating innovation in financial services. New entrants, such as mobile network operators (MNOs), payment service providers (PSPs), merchant aggregators, retailers, FinTech companies, neo-banks, and super platforms, are leveraging these technologies and altering the competitive landscape for financial services.

FIAS will be joining forces with other multi-donor trust funds in providing support to financial sector advisory that seeks to foster and support innovative and sustainable financial services providers. IFC is supporting the introduction of disruptive technology to increase competition and to demonstrate the necessity and business case for supporting un-served and underserved segments, developing new products, and reducing inefficiencies. IFC provides financial institutions and financial service providers with capital and advisory services to assist them in serving the needs of clients—competitively and profitably. FIAS will be developing an approach for measuring and reporting on the integration of digitalization components into client-facing projects. This and other innovations to FIAS M&E are described in greater detail in Part 4.

Part 4: Monitoring & Evaluation

Strategic Theme	Indicator	FY17–20 Cumulative	FY17–21 Strategy Target	FY22–26 Strategy Target
1. Focus on Priority Clients	% of FIAS client-facing project implementation spend in IDA countries	64%	70%	70%
	% of FIAS client-facing project implementation spend in Sub-Saharan Africa	47%	50%	50%
	% of FIAS client-facing project implementation spend in FCS	27%	25%	25%
2. Delivering Significant Business Results	Number of reforms supported by FIAS	153	220	200
	% of reforms supported by FIAS in IDA countries	60%	70%	70%
	% of reforms supported by FIAS in Africa	60%	50%	50%
	% of reforms supported by FIAS in FCS countries	22%	25%	25%
3. Client Satisfaction and Development Effectiveness	Overall client satisfaction: FIAS-supported projects (results from IFC Client survey)	94%	90%	90%
	Development effectiveness: FIAS-supported projects (% of projects rated satisfactory in terms of development effectiveness)	66%	80%	80%
4. Measuring Impact	Direct compliance cost savings (USD)	$59M	$200M	$200M
	Investment generated/retained (USD)	$220M	$800M	$1B
5. Measuring Impact (Jobs)	Number of Jobs Pilot impact assessments	N/A	N/A	10-15
6. Leverage (New Indicators for Tracking and Reporting)	Number of IFC investment operations informed and enabled by FIAS	N/A	*	*
	Number of IBRD development policy and investment operations informed by FIAS	N/A	*	*
7. Thematic Impact (New Indicators)	% projects gender flagged (FIAS Core)	37%	40%	80%
	% projects gender flagged (FIAS total program portfolio)	N/A	N/A	40%
	% projects for climate-related activities (FIAS Core)	N/A	N/A	70%
	% projects for climate-related activities (FIAS total program portfolio)	N/A	N/A	35%

** Periodic and end of cycle reporting*

FIAS Priorities and Targets

In the FY22–26 strategy cycle, **FIAS will continue monitoring spending and reforms achieved in the priority areas of IDA, Sub-Saharan Africa, and FCS, as well as compliance cost savings, client satisfaction, and development effectiveness.**

The **investment generated** measure will be modified to track both new investment and **investment retained**. In the COVID context, developing countries struggle to retain the investment they have attracted in recent years. FIAS is supporting delivery of advisory services—such as SIRM—to help economies prevent a slowing or halt in new investment from deteriorating into a devastating flight of existing investment.

FIAS is committed to a rigorous M&E program for the FY22–26 strategy cycle with key components to include:

- Continuation of the jobs pilot.
- Supervision of a midterm evaluation.
- Support for annual project evaluations to share lessons learned in the expanding sector-specific field.
- M&E training for FIAS program staff.
- Organization by the M&E team of lessons-sharing events between program teams, donors, and clients.
- M&E components built into each client-facing project.

Project designs are carefully researched and framed by **"SMART"** indicators—that is, indicators that are specific, measurable, attributable, realistic, and time-bound. Flexibility will be built into project design to allow for adjustments to changing market conditions. And teams will identify key strategic partners with aligned interests.

The target for compliance cost savings remains unchanged at $200 million. With the addition of investment retention as an impact measurement area, the target for investment generated and retained is $1 billion for the FY22–26 cycle, up from $800 million in FY17–21.

$200m

The target for compliance cost savings remains unchanged.

$1b

The target for investment generated and retained is $1 billion for the FY22–26 cycle, up from $800 million in the previous cycle.

FIAS will be tracking results of its jobs pilot program being launched as the new cycle approaches. The pilot involves project-specific analysis where FIAS has had extensive interventions over multiple cycles and using economic models to measure direct, indirect, and induced jobs impacts that can be related to the interventions in those countries. The increase in sector-focused interventions in the FIAS portfolio will require the looping back in real-time of lessons learned to operational teams. Accordingly, FIAS will support a dedicated impact evaluation program to drive innovation and scale up successful interventions. FIAS will support two to three evaluations per year. IFC's Sector Economics and Development Impact Department (CSE) will lead the evaluation program in collaboration with the World Bank and qualified outside institutions. As in past strategy cycles, a mid-term evaluation will be part of the FIAS impact program for FY22–26.

In the first FIAS jobs pilot study, the M&E team applied the jobs estimation models that IFC uses to measure the employment impact of investment services to selected economy-wide and industry-specific reforms. The models were applied to three projects that claimed reforms, generated private investments, or linked SMEs to a mining value chain, for estimating direct, indirect, and induced jobs. The study estimated that the investment policy and promotion reforms in Bosnia Herzegovina contributed to the creation of between 780 and 910 new full-time equivalent jobs; in Nepal the tourism sector reforms contributed to the creation of between 4,570 and 5,320 jobs; and in Guinea, local content policy reforms contributed to the creation of between 944 and 1028 jobs. The significance of these findings is being closely analyzed by the M&E team to determine the viability of the methodology and the potential to apply it across more projects in more client countries. Pursuant to the completion of this analysis, FIAS plans to undertake more pilots in the new strategy cycle applying the jobs estimation model.

FIAS will track, both retrospectively and prospectively, **IBRD and IFC investment operations informed and enabled by FIAS**. And the Scorecard will report the percentage of FIAS portfolio projects that include **gender- and climate-related components**, further subdivided to show these percentages in the projects supported by the FIAS Core account where the targets will be more ambitious. Across the portfolio, 40 percent of FIAS-supported projects will have the gender flag, meaning that a project component analyzes a gender-oriented issue, proposes a corresponding response, and measures results. For FIAS Core projects the target is 80 percent. In the climate change area, 35 percent of the portfolio projects will include a green growth or climate change-related activity;

780-910

Jobs in Boznia and Herzegovina

Investment policy and promotion reforms in Bosnia Herzegovina contributed to the creation of between 780 and 910 new fulltime-equivalent jobs.

4,570-5,320

Jobs in Nepal

In Nepal the tourism sector reforms contributed to the creation of between 4,570 and 5,320 jobs.

944-1,028

Jobs in Guinea

In Guinea, local content policy reforms contributed to the creation of between 944 and 1,028 jobs.

70 percent for FIAS Core projects thus doubling the corporate target. FIAS has deliberately set the targets for gender and climate projects funded through the Core account at ambitious levels. The intent is to signal to project teams and clients alike the high priority these thematic areas hold with senior World Bank Group management and partners. As the FIAS Program did in the FY17–21 strategy cycle, the attainability of these targets will be revisited at the midpoint of the program, as part of the planned mid-term evaluation. Targets may be adjusted as a result the review.

As shown in the Scorecard, the target percentages of FIAS expenditure and percentages of reforms from FIAS-supported projects remain unchanged for the IDA, Sub-Saharan Africa, and FCS priority areas: 70 percent, 50 percent, and 25 percent, respectively; likewise for client satisfaction (90 percent) and Development Effectiveness (80 percent).

For FY22–26, the target percentages of FIAS expenditure and percentages of reforms from FIAS-supported projects remain unchanged for the IDA, Sub-Saharan Africa, and FCS priority areas:

70% of reforms in IDA

50% of reforms in SSA

25% of reforms in FCS

90%
Client Satisfaction

80%
Development Effectiveness

The reform target is declining slightly from 220 to 200; as explained above, this stems from the shift away from Doing Business-related work to more sector-specific work, which produces fewer reforms but potentially greater impact per reform. An analysis of the FY17–21 FIAS portfolio showed that a Doing Business reform takes on average 557 days to implement and costs $261,020 per reform to achieve. Non-Doing Business reforms take on average 990 days to implement and cost $573,360 per reform to achieve. In short, FIAS is setting out a more difficult task in the coming cycle, but one expected to generate greater benefits.

Reforms are changes implemented by a government client that significantly improve the enabling environment for private sector development in a country, region, or sector. These changes are tangible achievements brought about with IFC advisory assistance and for which there is wide technical and expert consensus regarding their relevance in private sector-led development.

A Note of Thanks

As this strategy makes clear, the FIAS mission continues to evolve with the steady guidance and loyal support of the Development Partners. The World Bank Group is deeply grateful to the donors for their continued participation in the FIAS Partnership.

Toward the latter stages of the upcoming strategy cycle, FIAS will celebrate its 40th birthday. FIAS got its start as the Foreign Investment Advisory Service in late 1985, focusing on helping clients in Asia increase FDI. As FIAS evolved the work shifted from concentrating solely on helping developing countries attract foreign investment to helping them build their economies from within. From its beginnings in Asia, FIAS branched out to other regions and now operates in scores of countries across Africa, Asia, Europe, and Latin America. The trust fund’s name changed along with the mission—to the Facility for Investment Climate Advisory Services. Regulatory reform supported by FIAS has helped create conditions for the formation and growth of SMEs, and FIAS-supported teams have been leaders in developing strategies for linking domestic firms to multinationals.

Now one of the oldest and largest trust funds in the World Bank Group, FIAS was one of the few that was explicitly approved at the outset by the Board. FIAS was one of the first programs in the Bank Group to work in Vietnam and in the countries of Eastern Europe and Central Asia. Indeed, FIAS was supporting advisory work in Poland and Hungary before the fall of the Berlin Wall. Over the years it developed innovative fund-raising, accounting, and reporting systems that came to be known as ‘the FIAS model,’ systems and techniques replicated by other multi-donor trust funds across the Bank Group.

Throughout its history, FIAS has been a partnership, uniting units across the Bank Group with Development Partners—more than 25 donor countries and aid organizations. From 1997 through 2020 these Partners have contributed nearly $360 million to support advisory services through FIAS. When contributions from IFC, the World Bank, and MIGA are included, the total reaches more than $520 million over that time. As this strategy makes clear, the FIAS mission continues to evolve with the steady guidance and loyal support of the Development Partners. The World Bank Group is deeply grateful to the donors for their continued participation in the FIAS Partnership.

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