

Public Sector Advisory Operations in Fragile African Markets

Learnings from IFC's Equitable Growth, Finance and
Institutions Practice Group Advisory Portfolio (2002–2020)

JUNE 2021



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Contents

Acknowledgments	iii
Foreword	iv
List of Acronyms	v
List of Figures	vi
List of Tables	vi
Executive Summary	2
Scope of the Report	6
Portfolio Overview of EFI IFC Advisory Projects	8
FCS Country Archetypes	14
Key Findings	18
Case Studies: Côte d'Ivoire, the DRC, Mali, and Somalia	29
Recommendations and Way Forward	45
Appendix: Data and Methodology	49
Bibliography	51

Acknowledgments

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This report was funded by IFC's Conflict Affected States in Africa Initiative.

It was researched in partnership with CrossBoundary LLC, a team led by Jake Cusack and Tunuka Gray with support from Caroline Chen and Jess Hao, and additional assistance from Charlene Mburu, Charles Errera, Ida Girma, Jane Dougherty, Ousmane Sacko, and Valeria Mendiola. CrossBoundary LLC is a frontier market investment advisory firm with offices in Accra, Bamako, Bangkok, Bogotá, Dakar, Dubai, Johannesburg, Lagos, London, Nairobi, New York, Tunis, and Washington, D.C. The research for this report was primarily conducted between May 2020 and November 2020.

Creative design and copy-editing services were provided by Clarity Global Strategic Communications.

Foreword

Patience, Clustering and Focusing on Fundamentals

Supporting stability and inclusive growth in fragile situations is a top priority for IFC. After more than doubling investments in fragile and conflict-affected states (FCS) during the last decade, IFC has made a commitment to its Board that by 2030, 40 percent of IFC's annual financial support will be in International Development Association countries and FCS globally. Advisory services are a key form of IFC's engagement in FCS. The advisory services delivered to public sector clients in fragile countries help improve the business environment and enable sector reforms, creating a level playing field for the private sector.

The complex nature of private sector development in FCS requires a deliberate effort to learn from the past and adapt to changing contexts. This report is part of a systematic effort made by IFC's Conflict Affected States in Africa Initiative/FCS Africa team to capture operational knowledge on private sector development in FCS. It provides a timely review of selected IFC advisory operations' over an extended period (2002–2020) in supporting government reforms in fragile states.

The report highlights key lessons for IFC and development practitioners in FCS. These lessons include:

- **Operational patience** – designing interventions to support clients over the long term.

- **Clustering** – building on early success and continuing support in a phased manner.
- **Focusing on fundamentals** – starting with foundational enabling environment projects, allocating additional resources, and investing in stakeholder management.

While these patterns are observed across operations, different countries provide specific lessons for private and financial sector engagement, as exemplified in this report's case studies on Côte d'Ivoire, the Democratic Republic of Congo, Mali, and Somalia.

We hope that this report's observations and recommendations will help IFC, multilateral organisations, and development practitioners improve the services they deliver to public sector clients in FCS, ultimately ensuring that private sector development is effective and sustainable.

Finally, I would like to acknowledge development partners for their support of IFC's endeavor in public sector advisory. I would also like to thank CrossBoundary for collaborating with IFC on this assessment and IFC colleagues for taking the time to share their experiences and contributing insights to this knowledge product.

Jumoke Jagun-Dokunmu
IFC Regional Director for Eastern Africa

Public Sector Advisory Operations in Fragile African Markets

Learnings from IFC's Equitable Growth, Finance and Institutions
Practice Group Advisory Portfolio (2002–2020)

List of acronyms

A2F	access to finance
API-Mali	Mali's Investment Promotion Agency
CASA	Conflict-Affected States in Africa Initiative
CDI	Côte d'Ivoire
DFI	development finance institution
DRC	Democratic Republic of the Congo
EDI	Entrepreneurship Development Initiative
EFI	Equitable Growth, Finance, and Institutions
FCS	fragile and conflict-affected states
FIG	Financial Institutions Group
GDP	gross domestic product
HIA	Health in Africa
IC	investment climate
ICRP	Investment Climate Reform Program
ICT	information and communications technology
IEG	Independent Evaluation Group
IFC	International Finance Corporation
MSME	micro, small, and medium enterprise
PPP	public-private partnership
RSF	risk-sharing facility
SCI	Strategic Community Investment
SCOPE	Summary of country operations and prospects for engagement
SEZ	Special Economic Zone
SME	small and medium-size enterprise
SSA	Sub-Saharan Africa
TAAS	Technical Assistance and Advisory Services
WA	West Africa

List of figures

Figure 1:	Map of Africa showing FCS covered in this report	6
Figure 2:	Number of advisory projects by country	8
Figure 3:	Size of advisory projects by country	8
Figure 4:	Economy-wide projects	9
Figure 5:	Real sector projects	9
Figure 6:	Financial sector projects	10
Figure 7:	Total project size by project implementation start date	11
Figure 8:	Multi-country projects: Total project size by implementation start date	11
Figure 9:	Total project size by FCS archetype (\$ million)	16
Figure 10:	Total number of projects by FCS archetype	16
Figure 11:	Consecutive phasing of projects leads to success	18
Figure 12:	Success rating by country archetype and project count	20
Figure 13:	Average project cost (\$ million)	21
Figure 14:	Average project length by fragility cluster	21
Figure 15:	Average spend on project by indicator type	22
Figure 16:	Average implementation time of project by indicator type	22
Figure 17:	Success rating by percentage of government contribution	23
Figure 18:	Average government contribution by project success rating	24
Figure 19:	Timeline of projects in Côte d'Ivoire by product type	32
Figure 20:	Timeline of projects in the DRC by product type	36
Figure 21:	Timeline of projects in Mali by product type	40
Figure 22:	Timeline of projects in Somalia by product type	43
Figure 23:	World Economic Forum survey results on perceptions of market challenges for firms in FCS	47

List of tables

Table 1:	Country clusters for FCS	14
Table 2:	Classification of countries by fragility rating	15
Table 3:	Case study observations and recommendations	29
Table 4:	Completed EFI IFC advisory projects in Côte d'Ivoire	31
Table 5:	Ongoing EFI IFC advisory projects in Côte d'Ivoire	32
Table 6:	Completed EFI IFC advisory projects in the DRC	36
Table 7:	Ongoing EFI IFC advisory projects in the DRC	36
Table 8:	Completed EFI IFC advisory projects in Mali	39
Table 9:	Ongoing EFI IFC advisory projects in Mali	40
Table 10:	Completed EFI IFC advisory projects in Somalia	42
Table 11:	Ongoing EFI IFC advisory projects in Somalia	43

This report's findings and observations are broadly applicable to development finance institutions and donors operating in fragile and conflict-affected states.



Executive Summary

This report presents lessons learned and recommendations for improving project delivery of public sector advisory projects in support of governments' finance, private sector, and entrepreneurship agenda in fragile and conflict-affected states (FCS) in Sub-Saharan Africa. The study analyzed 234 distinct advisory projects that were completed between 2002 and 2020 and delivered through IFC's Equitable Growth, Finance, and Institutions (EFI) Practice Group (as well as its predecessors) across FCS in Sub-Saharan Africa. These projects represent about \$324 million in funding that sought to help governments develop a conducive environment for investment, with a focus on financial and private sector development. IFC developed these advisory projects and allocated funding based on opportunities and needs in the region. The project portfolio analysis is complemented by in-depth analysis of the portfolio in the selected case study countries (Côte d'Ivoire, the Democratic Republic of the Congo (DRC), Mali, and Somalia).

Project designers and implementers operating in FCS will increase the likelihood of project success and impact by focusing on parameters that build momentum, reflect deliberate sequencing, and incorporate evaluation metrics applicable to challenging environments. Mostly, patience and tailored timelines are necessary ingredients of project focus and planning. Lessons learned include:

- 1. Successful projects are typically clustered together, thus occurring concurrently**, while unsuccessful or terminated projects tend to have been implemented in isolation.
- 2. Sequencing typically begins with foundational enabling environment projects**, such as those focusing on business registration, construction permits, and property registration. Investment transactions can still happen while sectoral reforms are in progress.
- 3. Projects in more fragile states are more expensive to implement**. This is largely due to higher security costs and the need for external consultants and specialists that can remain on the ground to support implementation.
- 4. Projects in countries with higher fragility take longer to yield results**. On average, fragility is a more meaningful driver of long project timelines than simply having a poor investment climate.
- 5. Higher spend, longer timelines, and increased government buy-in correlate with successful projects**. The data shows that higher spend in combination with a longer project timeline tends to lead to more successful project outcomes in FCS; successful projects typically have more government buy-in, whether in the form of shared dollar cost or in-kind commitments.
- 6. Multi-country projects can be highly successful**, particularly when leveraging existing regional or cultural ties.
- 7. Project metrics and evaluation approaches require differentiated standards for FCS**, as it is inherently more difficult and more costly to complete an engagement in fragile environments.

IFC's experience highlights best practices for stakeholder management, particularly for working across governments in FCS, as well as best practices for multi-country projects. Stakeholder management should include the following best practices:

1. Align programs with national priorities
2. Secure momentum and buy-in with early wins
3. Encourage government ownership and responsibility for project success
4. Champion reform agendas with high-level government support
5. Diversify government counterparts and identify potential risks early
6. Mitigate political turmoil by engaging mid-level technocrats who remain in place regardless of elections
7. Build capacity within the government to enable long-term stability.

This report's findings and observations are broadly applicable to development finance institutions and donors operating in FCS. The recommendations inform three phases of any project: planning, implementation, and assessment.



RECOMMENDATIONS FOR PLANNING INCLUDE:

1. **Implementing programs in parallel or in close succession leads to better outcomes.**
2. **Additional budget should be allocated toward implementing new or innovative products.**
3. **To help inform project design, teams should establish and diligently maintain contact with current and potential investors to track their sentiments, sourcing pipeline, and appetite to deploy capital.**
4. **Public sector reforms can be leveraged as a tool to help unlock regulatory blocks and open new sectors.**

Moving forward, continuous research, reflections, and adaptations are required for IFC to deepen its expertise and improve operational efficacy in working with governments on private sector and financial sector reforms in fragile countries. Measuring the success of this work will remain a challenge; however, a more flexible monitoring and evaluation approach that takes into account the reality and uncertainty of FCS will bring greater clarity to results, increase the impact of the work, and help practitioners learn better from the past.





RECOMMENDATIONS FOR IMPLEMENTATION INCLUDE:

1. Project implementers need to set clear expectations and discuss the specific roles that the various stakeholders are expected to take on at the start of the project.
2. In FCS environments, local and on-the-ground presence supports project momentum.
3. Multi-country projects should have tailored country implementation plans reflecting the potentially different political and financial structures in individual countries.
4. Documentation of lessons learned can be useful for implementing similar projects in the future.
5. The enabling environment does not need to be fully “ready” to successfully deploy capital. Investment engagements can provide insights on the bottlenecks in a sector and serve as a catalyst for pushing for reforms, testing newly implemented policies, and demonstrating success.



RECOMMENDATIONS FOR ASSESSING PROJECT SUCCESS INCLUDE:

1. Plan for a longer period than usual to evaluate the impact of a project after it has closed.
2. Assessments of projects in FCS should include a periodically updated metric on “strategic relevance.”
3. Use metrics to track how a broader set of FCS-specific constraints to investment are being mitigated.
4. Maintain a standardized categorization of projects and nomenclature over a desired period of analysis to enhance the quality of the data and better inform strategic decisions.

Continuous research and adaptations are required for IFC and other organizations to improve how they work with governments on private sector and financial sector reforms in fragile countries.





Scope of the Report

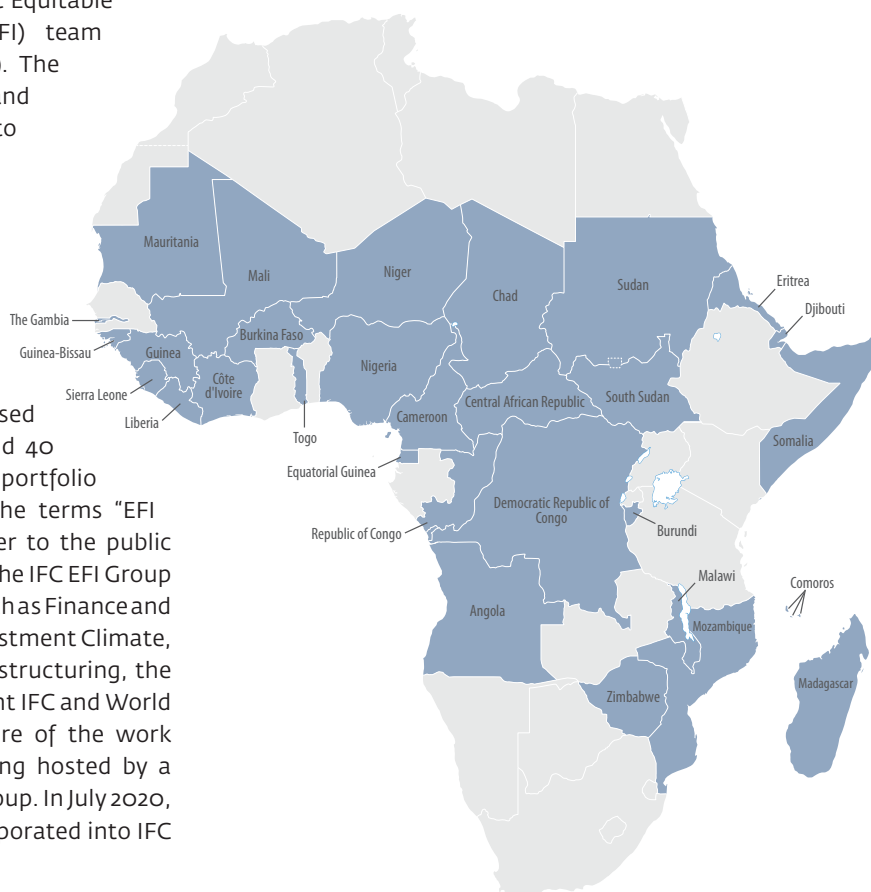
This report is a summary of a comprehensive review conducted by IFC. Broadly, IFC's purpose in undertaking government-facing advisory work was to create an enabling environment in which financial stability and efficiency helped to draw investment from the private sector, support the creation of markets, and accelerate equitable growth. At the level of countries and regions, IFC Implementation Units in the regions focused on implementing public sector advisory work in support of the finance, private sector, and entrepreneurship agenda, with government entities being the main clients of projects. These teams and their product offering capitalized on the synergies between financial and market development and trade and competitiveness.

The report provides a systematic analysis of IFC's government-facing advisory portfolio in FCS markets in Sub-Saharan Africa delivered by the IFC Equitable Growth, Finance, and Institutions (EFI) team over an 18-year period (FY2002–FY2020). The report outlines lessons learned, trends, and patterns. It makes recommendations to inform IFC Advisory Services' forward-looking strategy and operational approaches, and identifies opportunities for improved ways of working in the future.

The EFI team focusing on Sub-Saharan Africa comprised more than 50 full-time IFC advisory staff, with the majority based in Africa. The project portfolio comprised 40 percent of the total IFC Advisory Services portfolio in Sub-Saharan Africa. In this report, the terms "EFI projects" and "EFI Advisory projects" refer to the public sector advisory projects implemented by the IFC EFI Group as well as its predecessor business lines, such as Finance and Markets, Trade and Competitiveness, Investment Climate, and Access to Finance. Due to internal restructuring, the EFI portfolio and staff were part of different IFC and World Bank units at different times. The nature of the work remained largely unchanged despite being hosted by a variety of teams within the World Bank Group. In July 2020, IFC EFI teams were reorganized and incorporated into IFC industry and regional teams.

Twenty-nine FCS in Sub-Saharan Africa were included in the study underpinning this report. They are: Angola, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Côte d'Ivoire, the DRC, Djibouti, Eritrea, Gambia, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Congo Republic, Sierra Leone, Somalia, South Sudan, Sudan, Togo, and Zimbabwe. Between 2002 and 2020, some of these countries gained and lost FCS status from the annually updated World Bank Group FCS List.

FIGURE 1: MAP OF AFRICA SHOWING FCS COVERED IN THIS REPORT



Over the FY2002 to FY2020 period, projects were initiated and funding allocated based on opportunities, strategic priorities, and needs in the region.



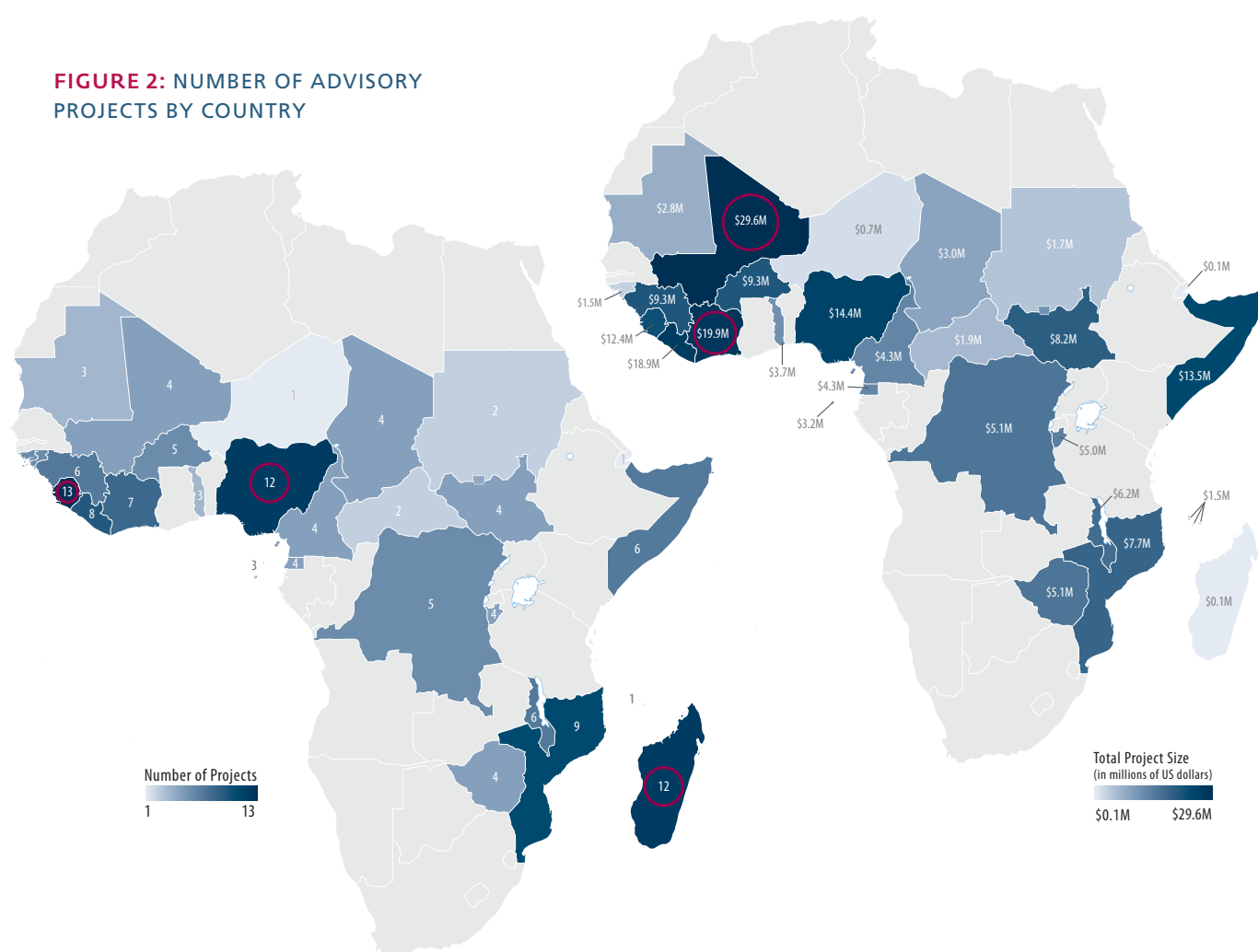
Portfolio Overview of IFC Public Sector Advisory Projects

This report covers 234 distinct EFI advisory projects across Sub-Saharan African FCS. These projects represent about \$324 million in funding to support governments in developing an enabling environment for investment, with a focus on financial and private sector development. Over the FY2002 to FY2020 period, projects were initiated and funding was allocated based on opportunities, strategic priorities, and needs in the region.

As shown in Figures 2 and 3, Côte d'Ivoire, Madagascar, and Nigeria had the highest number of advisory projects, while the most funding was allocated to Mali and Sierra Leone, in part due to partnerships with donors and strong interest from these countries' governments to work with IFC on improving the environment for investment.

FIGURE 2: NUMBER OF ADVISORY PROJECTS BY COUNTRY

FIGURE 3: SIZE OF ADVISORY PROJECTS BY COUNTRY



Note: Both figures show only active and closed projects. There were no EFI projects in Angola, Eritrea, the Republic of Congo, and Gambia between 2002 and 2020.
Source: IFC Advisory Services project data.

EFI's primary clients are governments, and there are several different types of services that the team offers. Projects are grouped into three broad categories:

Economy-wide projects

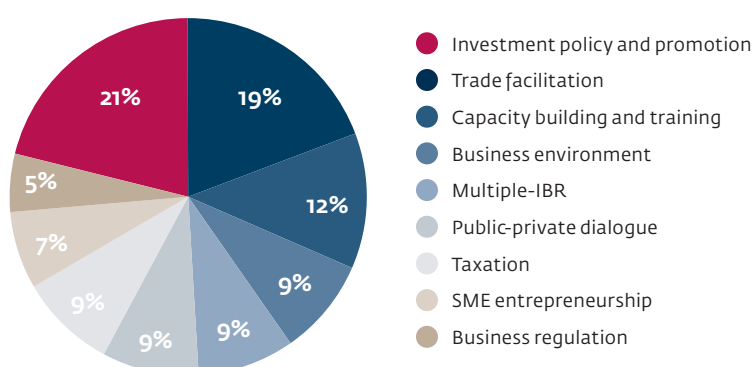
(59 projects worth \$96.8 million)

59
projects

worth
\$96.8
million

These are enabling environment projects that dismantle barriers and improve investment climate. They include interventions to reduce costs or time, improve ease of doing business (for example, the ease of obtaining business registration, construction permits, and property registration), and improve the private sector environment (for example, through interventions relating to investment policy and promotion, small and medium-size enterprise (SME) entrepreneurship, and public-private dialogue).

FIGURE 4: ECONOMY-WIDE PROJECTS



Source: IFC EFI SSA Advisory Services project data, 2002–2020.

Real sector projects

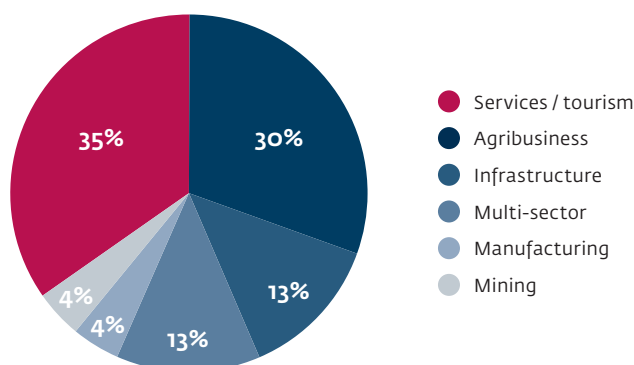
(23 projects worth \$31 million)

23
projects

worth
\$31
million

These projects focus on reforms to improve access to investment in target sectors. They cover all IFC sectors, including agribusiness, manufacturing, services/tourism, mining, and infrastructure.

FIGURE 5: REAL SECTOR PROJECTS



Source: IFC EFI SSA Advisory Services project data, 2002–2020.

Financial sector projects

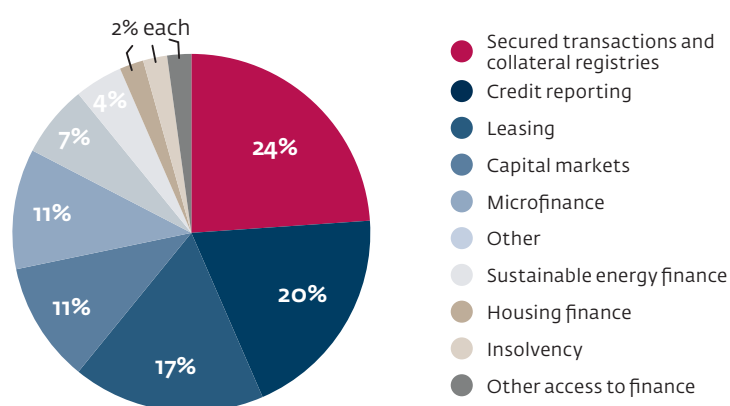
(46 projects worth \$52.4 million)

46
projects

worth
\$52.4
million

These projects focus on financial inclusion by developing financial infrastructure and institutions, such as credit infrastructure, SME finance, and securities markets.

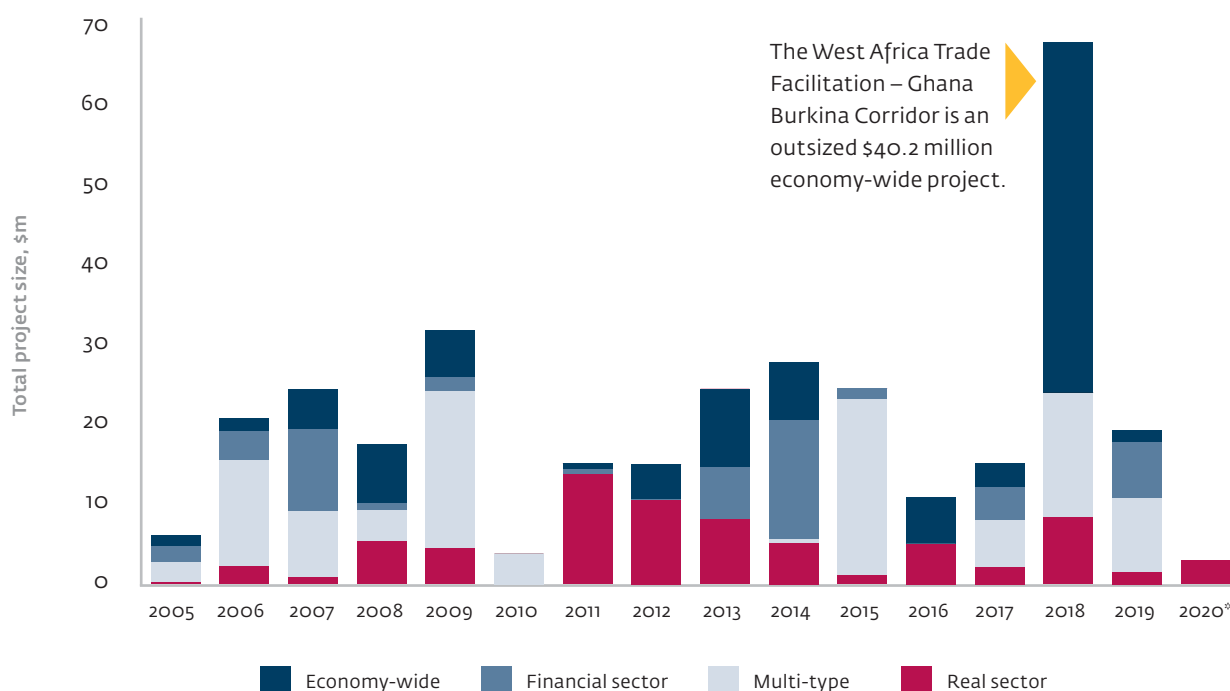
FIGURE 6: FINANCIAL SECTOR PROJECTS



Source: IFC EFI SSA Advisory Services project data, 2002–2020.



FIGURE 7: TOTAL PROJECT SIZE BY PROJECT IMPLEMENTATION START DATE



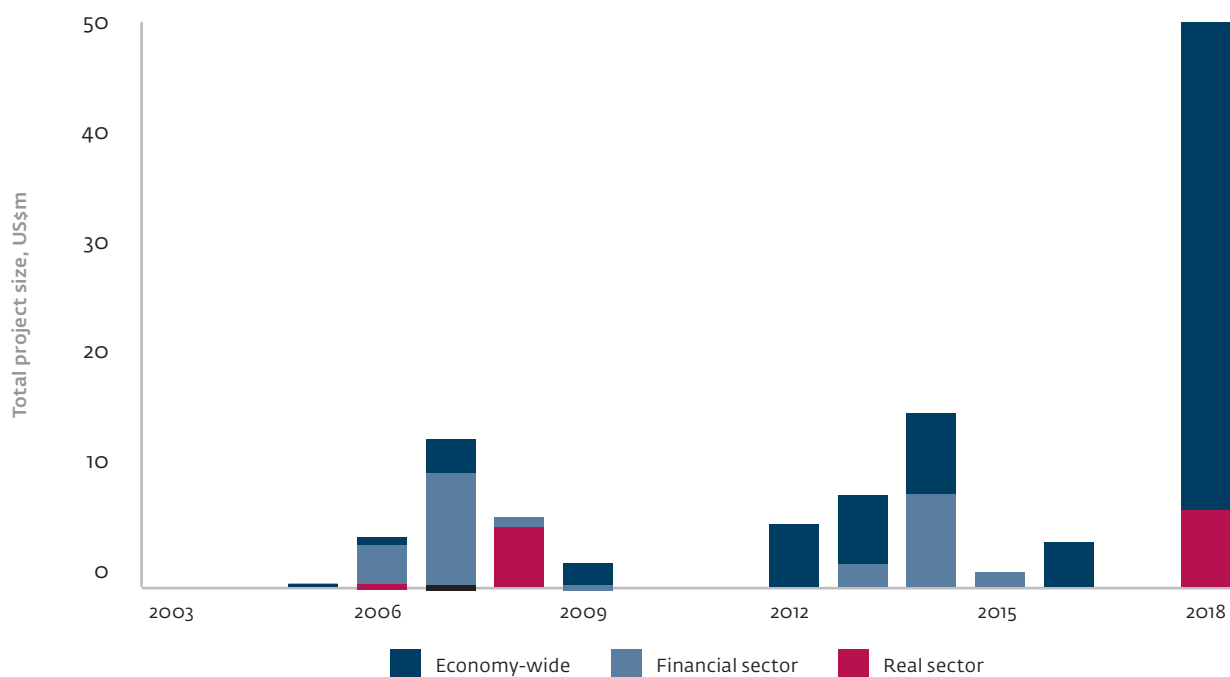
Note: *39 projects in dataset did not have an implementation start date.

Source: IFC EFI SSA Advisory Services project data, 2002–2020.

Within a country, projects can have multiple aims. As such, most advisory projects are multi-year initiatives that aim to support multiple product categories. These projects tend to have an overarching focus on economy-wide initiatives. There are 67 such projects worth \$143.8 million altogether. In Figure 7, projects that incorporate multiple product categorizations are marked as “multi-type.”

Additionally, there were 42 distinct projects that covered multiple countries in one initiative. These multi-country projects totaled \$110.1 million in support and focused primarily on economy-wide initiatives.

FIGURE 8: MULTI-COUNTRY PROJECTS: TOTAL PROJECT SIZE BY IMPLEMENTATION START DATE



Source: IFC EFI SSA Advisory Services project data, 2002–2020.





FCS Country Archetypes

For this study, EFI projects were categorized and analyzed by country and archetype. Archetypes were designed to group countries with similar characteristics. Given that FCS typically do not have the infrastructure and systems needed for investment, economy-wide projects across all FCS archetypes serve as the foundation of IFC EFI advisory work. FCS were categorized by clusters, with countries tracked as they moved in and out of categories over time (see Table 1).

To adequately assess the trends in FCS, 29 countries were grouped into sub-groups or archetypes. The World Bank Group classifies countries using the following classification:¹

- **High-intensity conflict** – High number of deaths due to conflict relative to population and in absolute terms. In 2020, the Central African Republic, Somalia, and South Sudan fell into this category.
- **Medium-intensity conflict** – Medium number of deaths due to conflict or a rapid escalation of deaths. In 2020, countries that fell into this category included Burkina Faso, Burundi, Cameroon, the DRC, Mali, Niger, Nigeria, and Sudan.
- **High institutional and social fragility** – Country Policy and Institutional Assessment score, United Nations peacekeeping presence, and a high number of displaced people. In 2020, countries in this category included Chad, Comoros, Congo Republic, Eritrea, Gambia, Guinea-Bissau, Liberia, and Zimbabwe.

To refine this classification, other relevant datasets were incorporated, such as the Ease of Doing Business Index, access to credit, Corruption Perception Index, Fragility Index, and gross domestic product (GDP) growth. The result was a new methodology for five clusters of FCS, as shown in Table 1.

TABLE 1: COUNTRY CLUSTERS FOR FCS

	DEFINITION	COUNTRIES (2019)
Cluster 1: Most challenging	<ul style="list-style-type: none"> • High fragility • Very slow GDP growth • Low ease of doing business • Low access to credit • Very high perceived corruption 	Central African Republic, Chad, DRC, Guinea, Somalia, South Sudan, Sudan
Cluster 2: Fragility challenges worse than investment climate	<ul style="list-style-type: none"> • High fragility • Relatively strong GDP growth • Relatively easy access to credit • High corruption 	Cameroon, Nigeria, Zimbabwe
Cluster 3: Investment climate challenges worse than fragility	<ul style="list-style-type: none"> • Little GDP growth • Relatively low fragility • Lower perceived corruption • Moderate ease of doing business 	Angola, Burundi, Congo Republic, Eritrea, Guinea-Bissau
Cluster 4: Medium risk	<ul style="list-style-type: none"> • Slow GDP growth • Low ease of doing business • Moderate fragility 	Comoros, Gambia, Liberia, Madagascar, Malawi, Mozambique, Sierra Leone
Cluster 5: Least challenging	<ul style="list-style-type: none"> • Strong GDP growth • Low perceived corruption • Improved ease of doing business • Moderate access to credit 	Burkina Faso, Côte d'Ivoire, Djibouti, Mali, Mauritania, Niger, Sao Tome and Principe, Togo

¹ World Bank Group classifications are released annually. IFC FCS classification includes countries that have "graduated" from World Bank Group FCS status for three additional years.

Applying these clusters over time yields five archetypes, from countries that are chronically FCS to rarely FCS, as shown in Table 2.

TABLE 2: CLASSIFICATION OF COUNTRIES BY FRAGILITY RATING

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Chronic	Burundi	3	3	3	3	2	2	2	3	2	2	3	3	3	3	3
	Central African Rep.	3	3	1	1	1	1	2	3	2	1	2	2	2	2	1
	Chad	1	1	1	1	1	1	1	1	1	3	2	1	1	2	1
	DRC	1	1	1	1	1	1	2	1	1	3	2	2	2	2	1
	Eritrea	3	3	3	3	2	2	2	3	2	2	3	3	3	3	3
	Guinea	1	1	1	1	1	1	2	3	2	2	2	2	2	2	1
	Guinea-Bissau	3	3	3	3	2	2	2	3	2	2	2	2	2	2	3
	Somalia	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	South Sudan	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Sudan	1	1	1	1	1	1	1	2	2	2	2	2	2	1	1
Recurrent	Angola	4	4	2	4	3	3	3	5	3	4	4	3	3	3	3
	Cameroon	4	4	2	4	2	2	5	2	3	4	4	4	3	2	2
	Congo Republic	3	3	3	3	2	2	5	4	3	4	4	3	3	3	3
	Zimbabwe	2	2	4	2	4	4	4	2	2	2	2	4	2	2	2
Decliner	Nigeria	4	4	4	4	4	4	4	2	2	3	2	4	2	2	2
Improver	Burkina Faso	3	3	3	3	2	5	5	4	4	5	4	5	5	5	5
	Cote D'Ivoire	1	1	1	1	2	2	1	2	2	3	4	4	5	5	5
	Liberia	3	3	3	3	5	5	5	4	4	5	3	5	4	4	4
	Mauritania	3	3	3	3	2	2	5	5	4	5	3	3	4	4	5
	Niger	3	3	3	3	2	5	2	3	2	3	3	4	5	5	5
	Sierra Leone	3	3	3	3	2	5	5	4	4	5	3	5	4	4	4
	Togo	3	3	3	3	5	2	5	4	4	4	4	5	5	5	5
Rarely	Comoros	5	5	5	3	2	2	5	4	4	5	5	5	4	4	4
	Djibouti	5	5	5	5	5	3	3	5	5	5	5	5	5	5	5
	Gambia	5	5	5	5	5	3	3	5	5	5	5	5	4	4	4
	Madagascar	5	5	5	5	3	3	5	5	5	5	3	5	4	4	4
	Malawi	5	5	5	3	5	5	5	4	4	5	5	5	4	4	4
	Mali	5	5	5	5	5	3	5	5	4	5	5	5	5	5	5
	Mozambique	5	5	5	5	5	3	5	5	5	5	5	5	4	4	4
	Sao Tome and Principe	5	5	5	5	5	3	3	5	5	5	5	5	0	0	0

Clusters 1 Most challenging 2 Fragility worse than investment climate 3 Investment climate worse than fragility 4 Medium risk 5 Least challenging

Source: Fragile States Index, World Bank Development Indicators, World Bank Ease of Doing Business Reports, Corruption Perception Index.

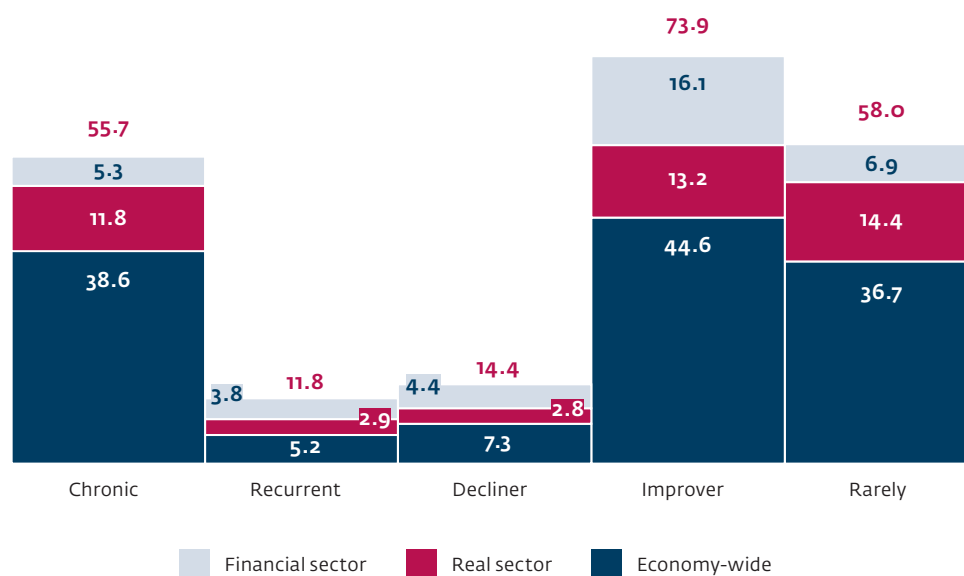
IFC EFI Advisory funding is predominantly spread across the "chronic," "improver," and "rarely" archetypes. In countries that were considered "chronically FCS" – meaning that over a 15-year period they consistently had high fragility, high perceived corruption, slow GDP growth, and low ease of doing business and access to credit – IFC EFI advisory work was slow-moving, yet in many cases it built the foundational infrastructure needed for investment.

"Improver" countries – those that began to stabilize over 15 years – were characterized by offering specific windows of opportunity to quickly push for needed reforms. IFC EFI's work in improver countries encouraged both domestic and international investment and often benefited from the forward momentum generated by the government and/or private sector interest in countries with a growth trajectory.

In "rarely" FCS countries – that is, countries that fluctuated in and out of FCS status – IFC was able to conduct more complex projects such as those in the financial sector. These projects require more stability than economy-wide or real sector projects as they need some aspects of a functional financial system to be successfully implemented.

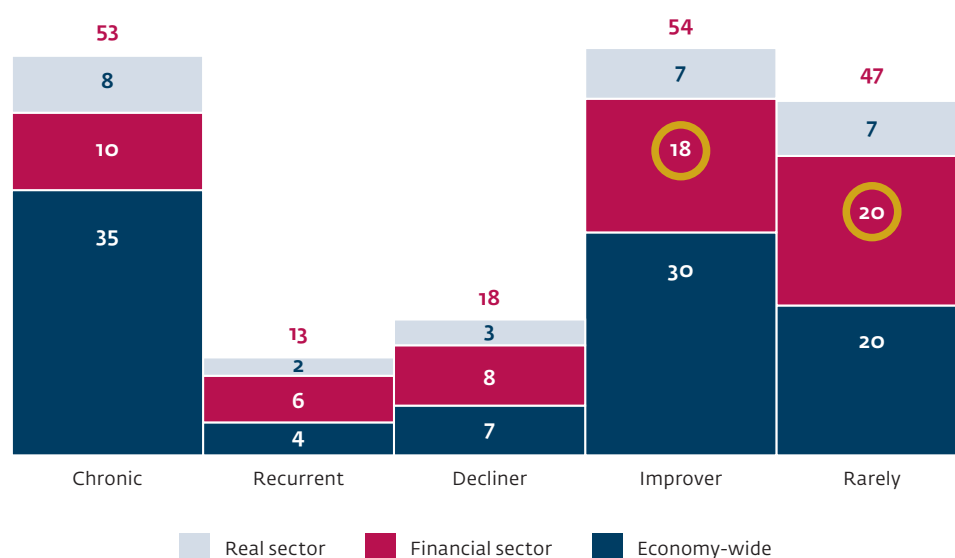
The least amount of funding was spent in "decliner" countries (those on a downward trajectory in terms of fragility and ease of doing business) and "recurrent" countries (which oscillate frequently between stability and instability). It is difficult to successfully implement multi-year projects in deteriorating environments or highly unpredictable institutional contexts.

FIGURE 9: TOTAL PROJECT SIZE BY FCS ARCHETYPE (\$ MILLION)



Source: IFC EFI SSA Advisory Services data, 2002–2020. Includes projects without a start date. Excludes multi-country projects.

FIGURE 10: TOTAL NUMBER OF PROJECTS BY FCS ARCHETYPE



Note: The circled figures indicate that most financial sector projects are concentrated in less fragile contexts. Financial sector projects in recurrent and decliner countries tend to be geared towards building financial sector infrastructure.

Source: IFC EFI SSA Advisory Services data, 2002–2020. Includes projects without a start date. Excludes multi-country projects.



*Clustering of projects
suggests that implementing
programs in close succession
leads to success*

Key Findings

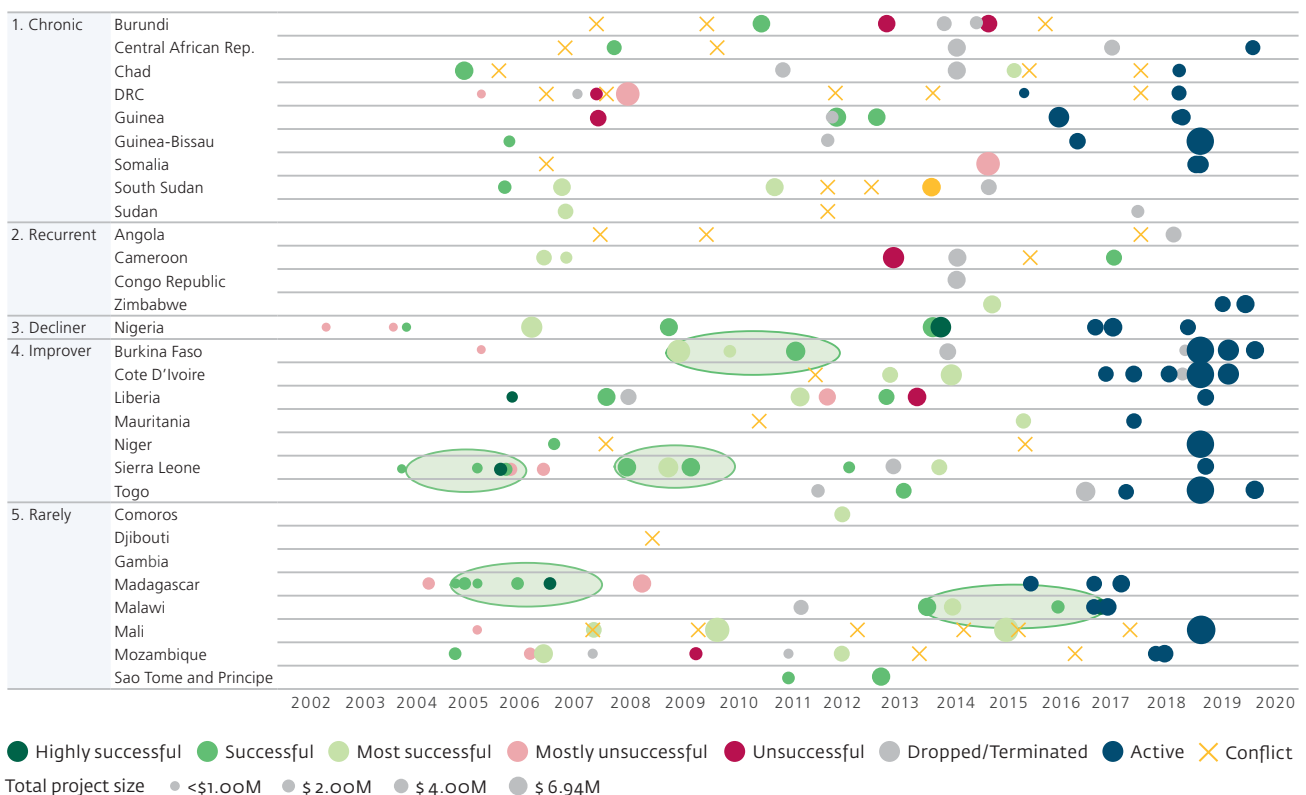
Successful projects were clustered

After reviewing the IFC EFI project data from FY2002 to FY2020 and interviewing members of the IFC EFI team, several findings came to the fore. First, there were noticeable clusters of successful projects. Although the direction of causation was not always clear (for instance, were more projects implemented because of permissiveness or did more projects drive improvement?), this clustering of projects suggests that implementing programs in close succession leads to success. In other words, concentrating resources (i.e., staff on the ground and funding) for use on multiple

projects over a limited time period (such as three to five years) within a given country open to reforms is more likely to lead to better outcomes.

Figure 11 shows some examples. In Madagascar, five successful programs were implemented between 2004 and 2007; in Sierra Leone, three successful programs were implemented between 2007 and 2009; and in Burkina Faso, three successful programs were implemented between 2009 and 2011. In line with this trend, projects that were implemented in isolation tended to be unsuccessful or dropped.

FIGURE 11: CONSECUTIVE PHASING OF PROJECTS LEADS TO SUCCESS



Note: Graph shows only country-level projects and projects for which there is a rating or which have been terminated or dropped. A project can be dropped at any point from when the project ID is created and a concept note developed to when the implementation plan is approved. In many cases, projects are dropped for administrative reasons. After an implementation plan is approved, a project can be terminated as long as less than 50 percent of the budget has been spent. If more than 50 percent has been spent, then a project team needs to complete a regular completion report.

Source: IFC EFI SSA Advisory Services project data, Uppsala Conflicts Data.

Sequencing typically begins with foundational economy-wide projects, but sector and transactional efforts can happen in parallel

Within clusters, the sequencing of programming starts with the most foundational type of economy-wide projects, such as those focusing on business registration, construction permits, and property registration. These projects typically serve as “low-hanging fruit” and have been implemented across the world in a variety of environments. Once these foundational pieces are in place, more complex types of economy-wide projects such as investment policy and promotion can occur.

Similarly, as financial sector projects are more complex, they typically require the foundational economy-wide pieces to already be in place before they can begin. For example, building a credit reporting system typically requires a basic legal system and business registry to already be in place.

Simultaneous sector-focused interventions and investments are often still possible. When real sector projects occur before economy-wide projects, they can often bring

to light the blockages within a sector and provide suggestions for the most urgently needed economy-wide projects. For example, a real sector project focusing on agriculture could highlight the need for more accurate land titling. Addressing this blockage could then encourage investment in the agricultural sector.

Project metrics require differentiated standards for FCS

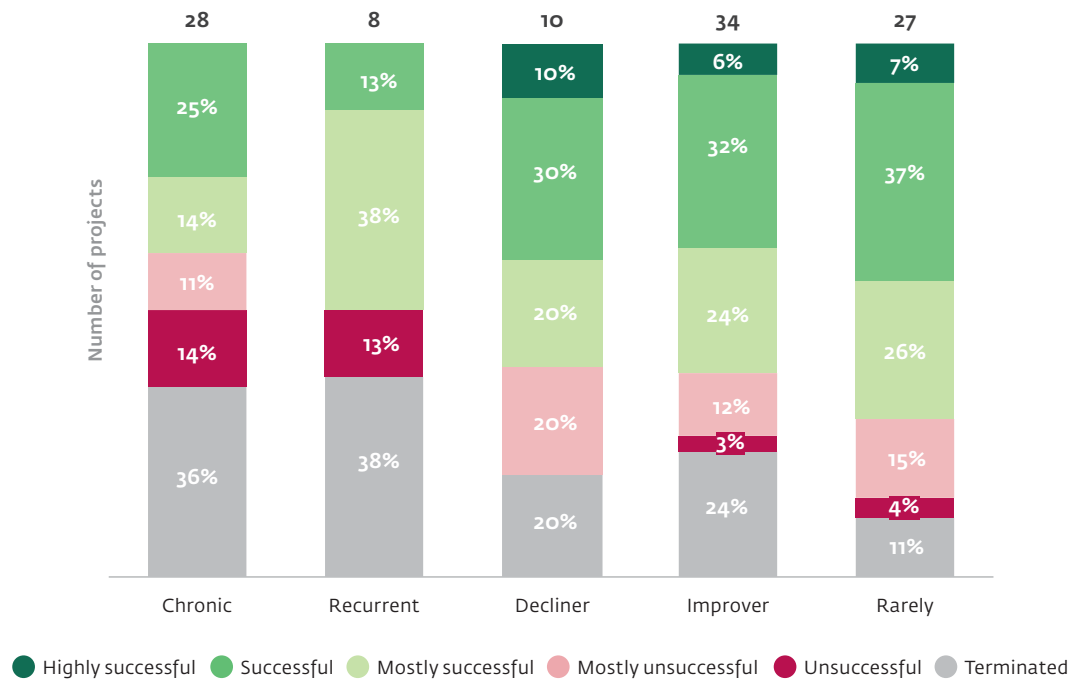
This study identified four ways of measuring project success. These metrics provided various lenses through which one can interpret the impact of advisory projects.

Based on IFC’s internally assigned measurements of success, projects in more fragile contexts are typically less successful, with increasingly higher success rates for countries that are the least challenging. This identifies a key flaw in the measurement system. It is inherently more difficult to complete an engagement in the most fragile environments. Using the same “bar” for success in the most fragile and least fragile environments means that projects in the most fragile environments will more often be deemed unsuccessful despite important progress made.

As financial sector projects are more complex, they typically require the foundational economy-wide pieces to already be in place before they can begin

PROJECT SUCCESS CAN BE MEASURED IN FOUR WAYS:			
Internally assigned metrics from the IFC Monitoring and Evaluation team after each project has closed. Defined based on whether the programming was delivered and/or reforms were implemented. Half of the IFC EFI Advisory projects reviewed in this study had a rating; others did not need a rating as they were either ongoing or dropped early. The ratings are ranked from highly successful to unsuccessful using a five-point grading scale.	Externally assigned metrics from the World Bank Group’s Independent Evaluation Group (IEG) team for half of the completed projects. These metrics are on a similar grading scale to internally assigned metrics and are defined by an external Monitoring and Evaluation team based on whether the programming was delivered and/or reforms were implemented.	Improvement in external indicators such as ease of doing business, access to finance, gender index, and labor index. Defined as improvement in target indicators in the World Bank annual business surveys. Based on an analysis of improvements in indicators before and after intervention.	Increases in investment. This is defined as an increase in foreign direct investment, IFC investment, or domestic investment. It is based on an analysis of investment flows before and after the advisory intervention.

FIGURE 12: SUCCESS RATING BY COUNTRY ARCHETYPE AND PROJECT COUNT



Note: Graph shows only country-level projects and projects for which there is a rating, or which have been terminated.
Source: IFC EFI SSA Advisory Services project data, 2002–2020.

As shown in Figure 12, necessary projects in the most challenging environments could be unintentionally penalized by using similar metrics for success. Moreover, for enabling environment projects, there are inherent challenges in measuring changes in amorphous public good indicators that have complex causal relationships. Whereas a transaction-specific intervention can easily be judged on the success or failure of subsequent investment, the impact of a public-private dialogue that aligns stakeholders on policy reform ideas may be harder to judge.

Projects in more fragile environments are more expensive to implement

In addition to being more operationally difficult, the most challenging environments are also more expensive for implementing projects. This is largely due to higher security costs and the need for external consultants and specialists that can remain on the ground to support implementation. For example, in Somalia the cost to mobilize consultants increased project overhead costs by 25 percent; this was due to increased security costs and increased labor costs compared to a non-FCS environment.

Projects in fragile states take longer

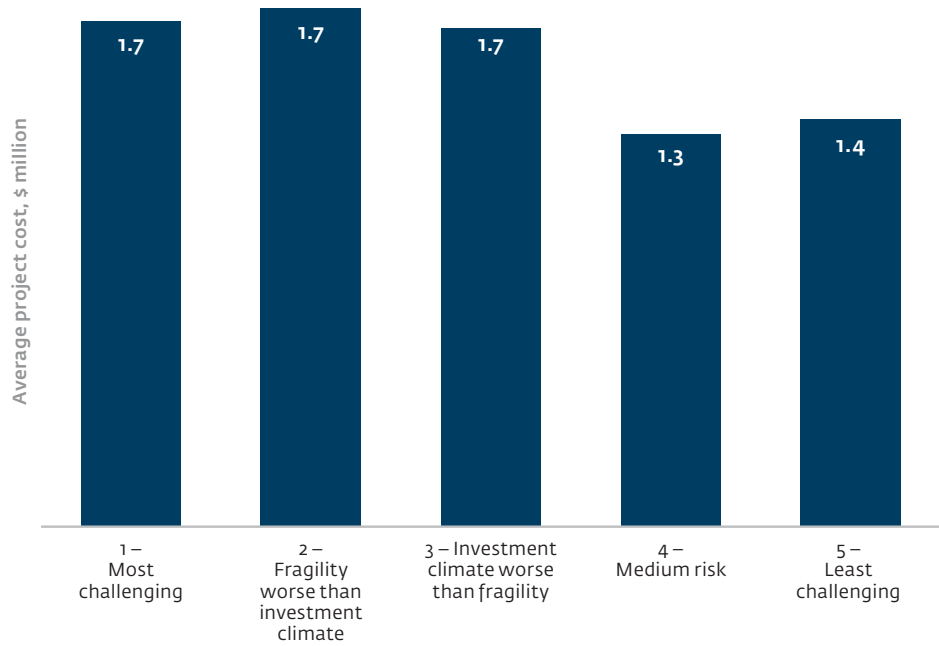
Fragility within a country also affects project timelines. On average, fragility is a more meaningful driver of long project timelines than simply having a poor investment climate. Fragility causes disruptions and delays in project implementation, whereas a poor investment climate does not necessarily affect project execution timelines (see Figure 14).

Higher spend, longer timelines, and increased government buy-in correlate with success

On average, the data shows that higher spend in combination with a longer project timeline tends to lead to more successful project outcomes. Projects targeting “starting a business” and “paying taxes” were consistently rated successful. These projects were also consistently given more funding and longer-than-average timelines (see Figures 15 and 16).

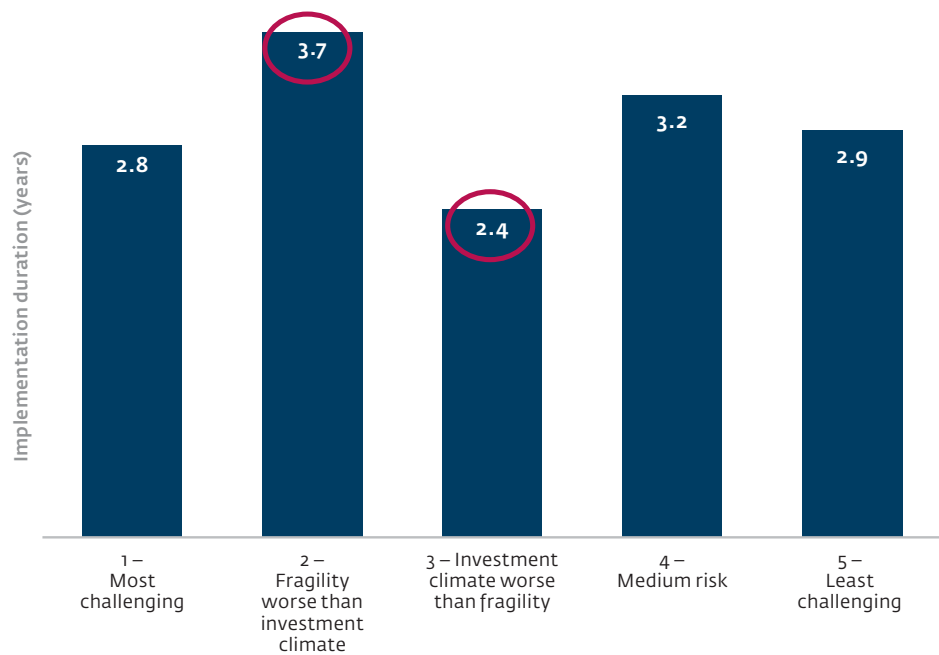
The most challenging environments are also more expensive for implementing projects.

FIGURE 13: AVERAGE PROJECT COST (\$ MILLION)



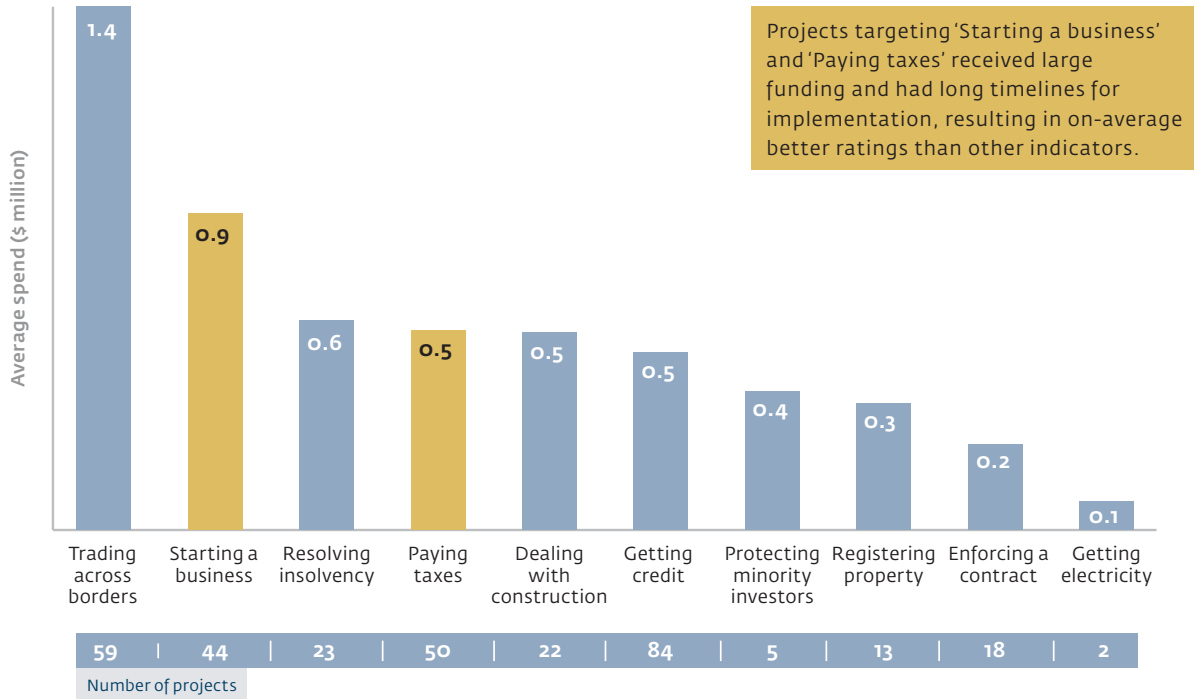
Note: Graph shows country-level projects only.
Source: IFC EFI SSA Advisory Services project data, 2002–2020.

FIGURE 14: AVERAGE PROJECT LENGTH BY FRAGILITY CLUSTER



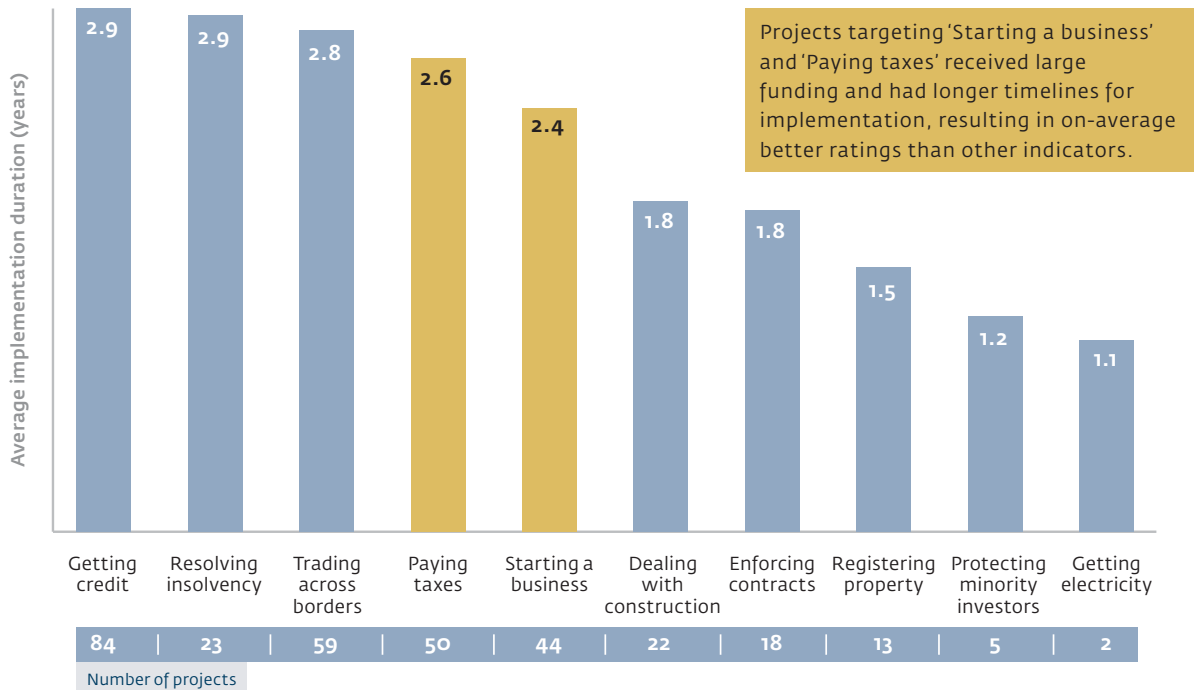
Note: The circled figures indicate that project timelines are required in countries where fragility is worse than the investment climate.
Source: IFC EFI SSA Advisory Services project data, 2002–2020.

FIGURE 15: AVERAGE SPEND ON PROJECT BY INDICATOR TYPE



Note: Data shows all EFI projects which targeted a Doing Business Indicator. For projects targeting multiple indicators, project funding and implementation time has been allocated evenly across indicator reform projects.
Source: IFC EFI SSA Advisory Services project data, 2002–2020.

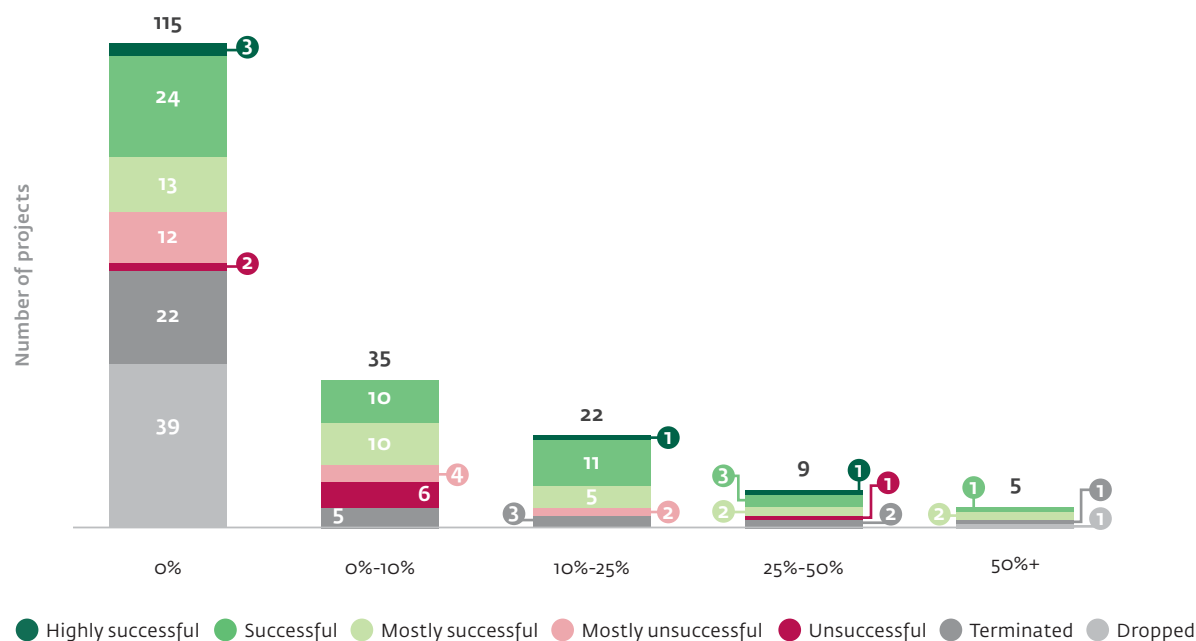
FIGURE 16: AVERAGE IMPLEMENTATION TIME OF PROJECT BY INDICATOR TYPE



Note: Data shows all EFI projects which targeted a Doing Business Indicator. For projects targeting multiple indicators, project funding and implementation time has been allocated evenly across indicator reform projects
Source: IFC EFI SSA Advisory Services project data, 2002–2020.

In terms of funding, successful projects typically have more government buy-in, whether in the form of shared dollar cost or in-kind commitments. Unsurprisingly, more financial buy-in typically means governments are more committed to a successful project outcome.

FIGURE 17: SUCCESS RATING BY PERCENTAGE OF GOVERNMENT CONTRIBUTION



Note: Data shows active and closed projects with success rating; 56 active and closed projects have no rating, and 14 meet the exclusion criteria or are 'too early to judge'. Government contribution is defined as client contribution (in-kind or cash contributions).

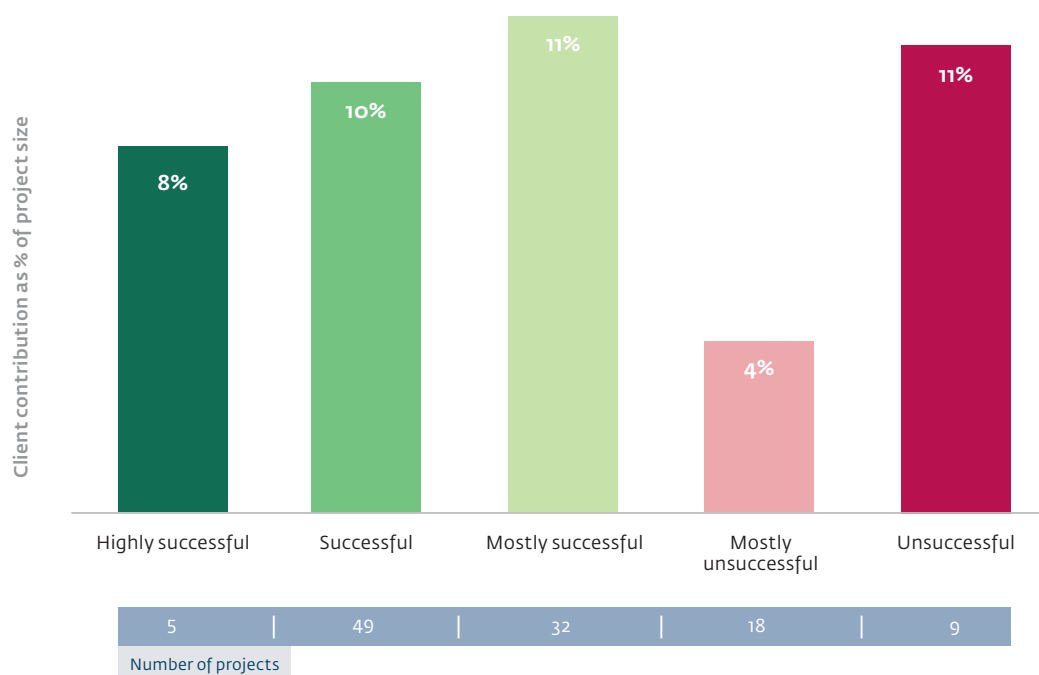
Source: IFC EFI SSA Advisory Services project data, 2002–2020.





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FIGURE 18: AVERAGE GOVERNMENT CONTRIBUTION BY PROJECT SUCCESS RATING



Note: Data shows active and closed projects with success rating; 56 active and closed projects have no rating, and 14 meet the exclusion criteria or are 'too early to judge'. Government contribution is defined as client contribution (in-kind or cash contributions) – client for regional projects still being determined.

Source: IFC EFI SSA Advisory Services project data, 2002–2020.

Best practices for government and stakeholder management

Governments were the primary clients for advisory projects reviewed for this report. The following best practices in managing government relationships were identified.

Align programs with national priorities

- This is beneficial for two main reasons: it helps donors gain buy-in from government stakeholders and it ensures that donors and the government are geared toward the same overarching goals.

Example

In Malawi, when working on the Credit Reference Bureau Act and subsequent Amendments, the speed and efficiency of project implementation was applauded by the client. In particular, the IFC team aligned with the national priority to develop a credit reporting system to expand access to finance and displayed significant technical knowledge and expertise, which built and sustained trust and momentum with the client and project stakeholders.

Secure momentum and buy-in with early wins

- Everyone wants to be part of a success story. Early wins can gain trust when it is needed most. Building on successful wins is easier than pursuing ambitious objectives that could take years to achieve.

Example

In 2005 there were a series of IFC EFI projects in Madagascar related to SME finance. The first of these was a study to understand the demand for leasing and other SME finance products. The project identified key areas where subsequent projects could open the sector for SMEs. This initial project's success built the foundation for subsequent work and gained the trust of the stakeholders involved.

Building on successful wins is easier than pursuing ambitious objectives that could take years to achieve.

Encourage government ownership of and responsibility for project success

- Lack of ownership can slow down the implementation of the project and fail to ensure sustainability of the results beyond the project period.
- More ground can be gained with fewer resources if the approach focuses on strong client ownership and building strong commitment to implementation.

Example

Under the Sudan Administrative Reform project, IFC aimed to reduce administrative barriers in two to three priority reform areas that would lead to a reduction in the cost of doing business in Sudan and gave additional support to implement the government's investment policy and promotion function. The IFC project team adopted an implementation approach that put the government of Sudan in the driver's seat through the Technical Committee system. Dialogue, therefore, focused largely on how the government would implement the proposed reforms without heavy involvement from IFC.

Champion reform agendas with high-level government support

- Clout gets things done. Projects work best if there is a clear, well-respected senior champion who owns the mandate.

Example

The government of the DRC is conscious about the risk of delay in implementing reforms. Therefore, the Prime Minister's Office drove the Investment Climate reform agenda and its implementation. This often speeds up the implementation of the reforms as the solution is driven at the highest level.

Diversify government counterparts, identify potential risks early, and engage mid-level technocrats who will remain in place regardless of elections

- A program strategy that incorporates many champions and constituencies of reform rather than just a couple tends to work better. In times of political uncertainty, mid-level civil servants may be more protected from general political pressures and can keep the program going.

Example

In Burundi, involvement of mid-level technocrats allowed the Investment Climate project to continue and maintain its momentum despite turmoil at senior political level.

Build capacity within the government to enable long-term stability

- The benefits of a program will not last unless there are counterparts within the government that can continue the momentum. It is paramount that donors play a role in building capacity within governments for sustainable results.

Example

In 2015 in Zimbabwe, the IFC EFI Investment Climate project on creating a business registry and the Financial Inclusion project on credit infrastructure development were successful due to the government's ability to be collaborative throughout the project, provide alternative solutions when the initial solutions proved ineffective, and ultimately own project implementation.

Furthermore, if the scope of stakeholder management is broadened, the following principles were found to contribute to project success:

- Building trust between all stakeholder groups by IFC acting as a neutral intermediary and honest broker.
- Setting expectations and clarifying what IFC can and cannot do.
- Establishing clear channels of communication and feedback channels to foster support and accountability.
- Maintaining support and pressure through difficult periods via face-to-face meetings maintains momentum.





Multi-country projects

Multi-country projects are often driven by targeted interest in specific countries. The locations are typically chosen for implementation by considering one or more of the following four factors:

- Existing regional structures: Common pre-defined legal or regulatory frameworks (such as being members of an economic union).
- Cultural and/or geographic ties: Clear cultural or geographic linkages (for example, Francophone FCS countries).
- Ease of implementation for pilot programs: "Pilot" locations that are deemed to have characteristics applicable to a broader set of countries.
- Donor interest and funding: Pre-existing donor interest for funding, such as addressing greater insecurity in the Sahel.

Successful multi-country programs often leverage existing institutions, focus on stakeholders' core competencies and interests, and occur after a successful pilot program. Leveraging existing institutions is critical because program implementation and management takes less time and effort when working with existing actors, especially if there are functional structures like a regional central bank

or legal framework, in addition to built-in enforceability. Multi-country institutions allow for greater economies of scale by reducing friction, especially for the private sector. One example of this is an IFC program around developing convertible bonds in West Africa. This was easier to implement given that the Central African Franc is used across multiple countries.

Designing programs that are of interest to partner governments increases those governments' support and buy-in for the project. For example, the governments of Cameroon, Ghana, Liberia, Senegal, and Sierra Leone were all interested in developing a leasing facility; these governments had a common interest and complementary competencies. They could benefit from implementing the program as a group and learning from each other. As a result, a multi-country Africa Leasing Facility was developed. Being realistic about what partners' core competencies are, with a focused corresponding set of goals, sets up the program for greater success.

FCS countries in Sub-Saharan Africa often look to each other as examples of what can be done successfully. However, many governments are reluctant to commit political or financial capital toward supporting a program or agenda without having more concrete or measurable program results. Hence, countries that often serve as role models for other countries can create a demonstration effect after a successful pilot.

Two main types of IFC advisory project lend themselves to multi-country mandates:

Trade facilitation

- Simplifies and harmonizes trade procedures, implements risk management, and synchronizes electronic systems across multiple countries
- Initiates industry-specific reforms
- Improves regional trade logistics and systems.



Financial sector

- Develops target critical financial sector infrastructure in various countries, such as leasing or microfinance sectors
- Leverages economies of scale for things like credit reporting, capital markets, and financial regulatory reform.



Successful multi-country programs often leverage existing institutions, focus on stakeholders' core competencies and interests, and occur after a successful pilot program

Case Studies: Côte d'Ivoire, DRC, Mali, and Somalia

The four case studies underscore the key observations and recommendations of this report.

TABLE 3: CASE STUDY OBSERVATIONS AND RECOMMENDATIONS

CÔTE D'IVOIRE	
Observations	Recommendations
<ul style="list-style-type: none"> • IFC's first economy-wide reform program in Côte d'Ivoire deployed many best practices learned from other IFC EFI advisory projects. • To dive deeper into specific reforms, the IFC project team drew on World Bank funding and broader resources. • To improve access to credit, IFC EFI's agribusiness project leveraged both real sector and financial sector expertise to develop a warehouse receipt system. 	<ul style="list-style-type: none"> • Finding high-level government champions at the Prime Minister's level is key to support the momentum of a project. • Leveraging expertise by building strong relationships with all relevant stakeholders, including other IFC teams, will improve project outcomes.

DRC	
Observations	Recommendations
<ul style="list-style-type: none"> • Client feedback from the Leasing Program suggests that IFC's advisory services are comprehensive, clear, and relevant, and that there are opportunities and appetite for continued partnership. • However, clients also suggested that IFC time constraints, limited technical support on financial modeling, and "success story" emphasis hampered program execution. 	<ul style="list-style-type: none"> • Longer post-program success timelines and flexible rating programs are critical for FCS programs that are subject to factors beyond IFC's control. • For projects that will require World Bank support, the World Bank should be incorporated earlier as part of the exit strategy and transfer of the project to the World Bank should be considered a success. • Leasing advisory projects should be driven by engagement with a financial institution's headquarters, not only local country teams. • Cooperation agreements should be signed with counterparts before the program is launched to determine realistic program focuses and objectives. • Projects aiming to facilitate a target number of loans should specify which types of loans and provide technical assistance.

MALI	
Observations	Recommendations
<ul style="list-style-type: none"> Through program sequencing, IFC successfully built on successive efforts to upskill Mali's Investment Promotion Agency (API-Mali) and set ambitious targets as the overall capabilities of counterparts increased. By focusing on one key counterpart for economy-wide reforms and consolidation, IFC enabled API-Mali to grow in importance, further securing government buy-in. 	<ul style="list-style-type: none"> Engagement with development partners can unlock key funding sources and give access to greater networks and legitimacy, allowing projects to leverage greater in-kind contributions (e.g. staff time). Being candid with stakeholders, involving them early on and working with them increases the likelihood of project success, but time is required to develop trust.

SOMALIA	
Observations	Recommendations
<ul style="list-style-type: none"> In countries with fragile governments, flexibility is needed to adapt program objectives as reform agendas and opportunities shift. Use of short-term consultants and funding government salaries is critical in countries with limited capacity, but are not long-term solutions. 	<ul style="list-style-type: none"> Projects and investments do not need to wait for "foundational" economy-wide projects to take place before progressing. Initiating dialogues between the public and private sector and aligning their priorities are key to the recovery process, but projects should quickly shift to a sector- and investment-focused approach. Future IFC work should focus on knowledge transfer to reduce government reliance on donor technical assistance programs.

COUNTRY CONTEXT

World Bank Group classification:	No longer FCS in 2021
FCS classification:	No longer FCS
Portfolio analysis archetype:	Cluster 5: Least challenging
2020 Doing Business ranking:	110 out of 190 countries

Home to the headquarters of the African Development Bank, Côte d'Ivoire has long been an attractive investment destination for foreign investors. The passage of the 2018 Investment Code governing investment conduct and providing incentives for key sectors was a major achievement; the government continues to implement major business climate structural reform under the 2016–2020 National Development Plan.

The largest economy in Francophone Africa, Côte d'Ivoire has strong government support for the private sector. As of this year, it is no longer considered a fragile and conflict-affected state. The following are key enabling environment elements that contributed to successful projects and are relevant to IFC EFI Advisory engagements:

Strong investment promotion networks

- The Center for the Promotion of Investment in Côte d'Ivoire (CEPICI) serves as a one-stop shop to attract and facilitate investment.
- Additional business networks like the Ivoirian Chamber of Commerce help to promote further dialogue with investors.

Established national investment regulations

- The 2018 Investment Code offers fiscal incentives for investors and clear laws for foreign investment, focusing on agribusiness, tourism, health, and education.
- Further incentives are provided in the Petroleum Code and Mining Code.

Fintech and digital lending services

- Côte d'Ivoire has 27 commercial banks and two credit institutions, and a robust alternative financial service system.
- An advanced fintech sector and digital lending have served as a catalyst for financial inclusion.

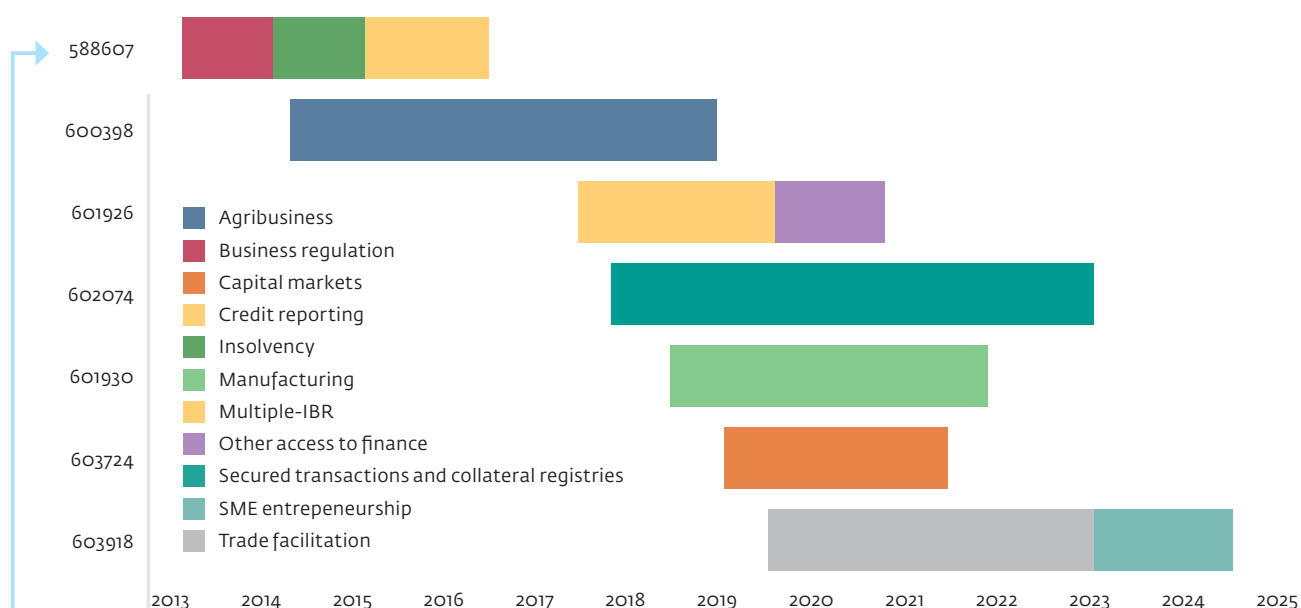
TABLE 4: COMPLETED EFI IFC ADVISORY PROJECTS IN CÔTE D'IVOIRE

PROJECT NUMBER	PROJECT NAME	IMPLEMENTATION PERIOD	PRODUCT TYPE
588607	Côte d'Ivoire Investment Climate Reform Program – Business Regulation	Mar 2013 – Jun 2016	<ul style="list-style-type: none"> • Business regulation • Insolvency • Multiple-Indicator-based reform
600398	Côte d'Ivoire – Investment Climate Agribusiness Project	Mar 2014 – Dec 2018	<ul style="list-style-type: none"> • Agribusiness

TABLE 5: ONGOING EFI IFC ADVISORY PROJECTS IN CÔTE D'IVOIRE

PROJECT NUMBER	PROJECT NAME	IMPLEMENTATION PERIOD	PRODUCT TYPE
601930	Invest West Africa: Côte d'Ivoire Light Manufacturing	Jun 2018 – Oct 2021	• Manufacturing
601926	Sub-Saharan Africa Financial Infrastructure Literacy Program	Apr 2017 – Sep 2020	• Credit reporting • Other access to finance
602074	Ivory Coast Secured Transactions and Collateral Registry	Oct 2017 – Dec 2022	• Secured transactions and collateral registries
603918	Trade Facilitation West Africa Corridor Côte d'Ivoire-Burkina Faso	Jul 2019 – Jul 2024	• Capital markets
603724	J-CAP WAEMU	Jan 2019 – Jun 2021	• Trade facilitation • SME entrepreneurship

FIGURE 19: TIMELINE OF PROJECTS IN CÔTE D'IVOIRE BY PRODUCT TYPE



Côte d'Ivoire stands out among FCS in Sub-Saharan Africa for having a high number of active projects, in addition to two "mostly successful" foundational investment climate reform projects. The Investment Climate Reform Program – Business Registration was the first EFI IFC advisory project in Côte d'Ivoire after a long period of conflict and was broad-based to test appetite for government reforms in a variety of areas that were aligned with the government's National Development Plan.

Project learnings

IFC's first economy-wide reform program in Côte d'Ivoire deployed many best practices learned from other IFC EFI advisory projects.

To dive deeper into specific reforms, the IFC project team drew on World Bank funding and broader resources.

- The World Bank's Small and Medium Enterprises Revitalization and Governance Project (PARE PME) program helped fund and provide physical infrastructure for the project.
- The project team was able to find Francophone Global Trade and Competitiveness experts from IFC headquarters, which significantly contributed to project success.

Finding high-level government champions at the Prime Minister's level is key to support the momentum of a project.

- Working with the Prime Minister, IFC created a unique institutional reform structure, comprising public and private representatives and chaired by the Prime Minister, to identify and implement key reforms. This structure created dedicated execution agencies for each project component.
- Strong high-level government support enabled client contributions that exceeded original targets and fostered buy-in and project sustainability.

To improve access to credit, IFC EFI's agribusiness project leveraged both real sector and financial sector expertise to develop a warehouse receipt system.

- Through robust public-private dialogue, the stakeholders and project team determined that a warehouse receipts system was a key priority and worked quickly to develop and enact the legal and regulatory framework needed.
- The project team also supported ARRE, the warehouse receipt system regulatory agency, to develop and implement the system in line with best practices and buy-in from financial institutions. This has led to a follow-on project, Invest West Africa Warehouse Receipt System.

Leveraging expertise by building strong relationships with all relevant stakeholders, including other IFC teams, will improve project outcomes.

- In Côte d'Ivoire, implementing the sector-wide program required IFC to successfully build relationships with groups like the Cotton Cashew Council and Banking Sector Association.
- IFC successfully leveraged the Manufacturing, Agriculture, and Services Industry Group and Environment and Natural Resources Global Practice, and other teams to deliver critical expertise.

CÔTE D'IVOIRE INVESTMENT CLIMATE REFORM PROGRAM – BUSINESS REGULATION

#588607

2013–2016

Project description:

IFC's first economy-wide advisory program in Côte d'Ivoire sought to improve the business environment for SMEs, specifically women-owned businesses. The project aimed to accomplish seven Doing Business reforms which were expected to reduce the cost of doing business, reduce the compliance cost for inspection and business licensing, reinforce commercial justice, and eliminate elements of the Family Code that discriminate against women. The program delivered on all its original objectives and helped accomplish additional legal and regulatory objectives, including operationalizing the one-stop shop for business registration. Côte d'Ivoire was a top performer in improving its Doing Business ranking as a result of the program.

Strong high-level government support enabled client contributions that exceeded original targets and fostered buy-in and project sustainability.

CÔTE D'IVOIRE – INVESTMENT CLIMATE AGRIBUSINESS PROJECT

#600398

2014–2018

Project description:

Côte d'Ivoire's Ministry of Commerce and Industry asked IFC for assistance in improving the value chain of the cashew sector by accomplishing the following objectives:

- Support the implementation of an inter-profession organization (later modified to setting up a public-private dialogue platform).
- Facilitate access to credit.
- Help attract investor interest to process cashew nuts in the country (component dropped and replaced by support to cashew-processing SMEs).

IFC worked closely with public and private sector stakeholders to achieve all three objectives. The project is a model for other West African countries looking to implement a warehouse receipt system.





Democratic Republic of the Congo

COUNTRY CONTEXT

World Bank Group classification:	Medium-intensity conflict
FCS classification:	Chronic FCS
Portfolio analysis archetype:	Cluster 1: Most challenging
2020 Doing Business ranking:	183 out of 190 countries

The DRC is projected to be the world's 11th most populous country by 2050, representing a huge potential market. While the DRC is a resource-rich country, it faces multiple challenges from its recent history and ongoing struggles. Although the DRC has one of the fastest-growing economies in Africa, its economy is dominated by mining and lacks diversification.

While the DRC is largely stable outside of certain areas of conflict in the east, lack of effective governance poses immense challenges for development. Major barriers for EFI work in the DRC include:

Weak governance system

- There is a high degree of policy uncertainty in the DRC, as well as increasing costs, and risks of doing business.
- Unclear decrees give import duty or exemptions to individual players.
- Government stakeholders can be influenced by other external parties.
- There are tax issues and lack of fiscal transparency; as a result, the taxation system is widely distrusted by the general population.

Fragmentation of economy and low regional integration

- There is a low level of integration among regions, which have different economic development needs. This, coupled with continued instability in the east, leads to unequal implementation of reforms.
- Poor digital and physical connectivity hamper the implementation of scalable solutions.

Limited access to finance and expensive cost of borrowing

- The heavily dollarized economy suffers from a lack of short- and medium-term lending to small businesses.
- There is a high cost of borrowing and most loans are associated with purchases of equipment and production materials.

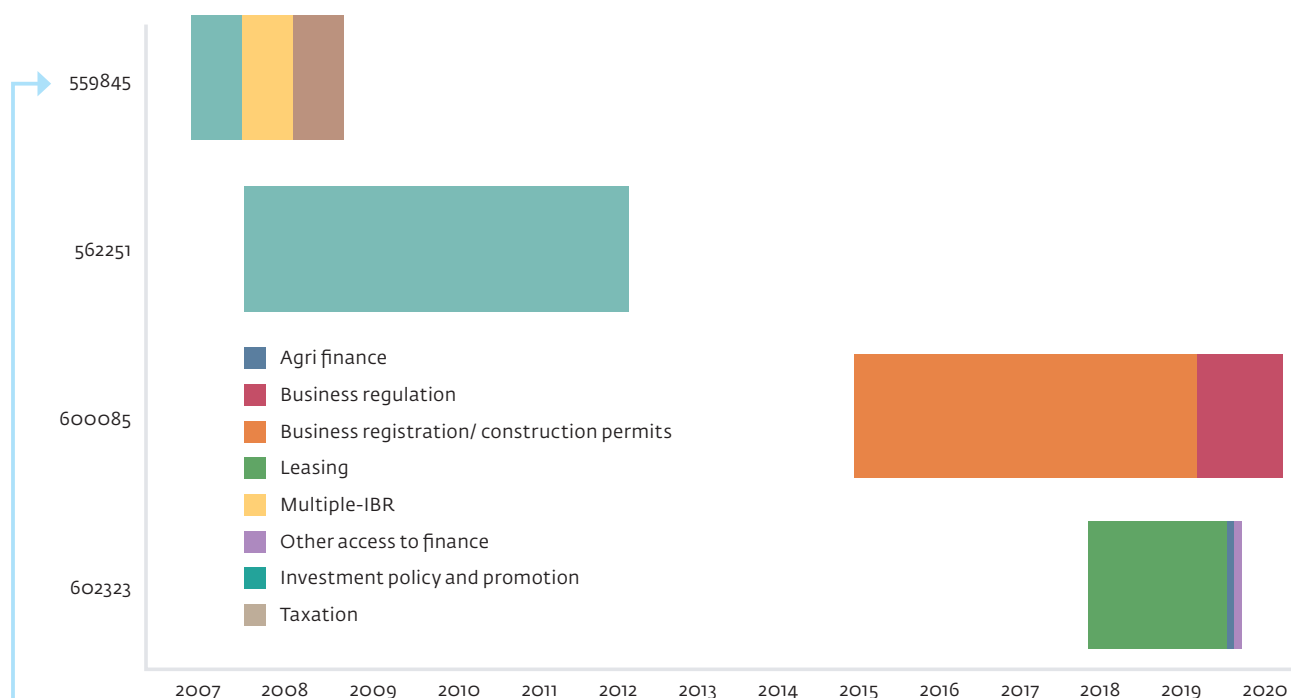


TABLE 6: COMPLETED EFI IFC ADVISORY PROJECTS IN THE DRC

PROJECT NUMBER	PROJECT NAME	IMPLEMENTATION PERIOD	PRODUCT TYPE
538707	Administrative Barriers Study	Jul 2005 – Sep 2005	<ul style="list-style-type: none"> Regulatory reform Taxation Trade facilitation
559845	Investment Promotion, Taxes, and Doing Business	Sep 2007 – Jun 2009	<ul style="list-style-type: none"> Multiple-Indicator-based reform Taxation Investment policy and promotion
562251	Developing a Framework for Special Economic Zones in DRC	Apr 2008 – Dec 2012	Investment policy and promotion
602323	DRC Leasing	Aug 2018 – Jun 2020	<ul style="list-style-type: none"> Leasing Agri finance Other access to finance

TABLE 7: ONGOING EFI IFC ADVISORY PROJECTS IN THE DRC

PROJECT NUMBER	PROJECT NAME	IMPLEMENTATION PERIOD	PRODUCT TYPE
600085	Improving DRC's Investment Climate at National and Provincial Levels	Sep 2015 – Dec 2020	<ul style="list-style-type: none"> Business registration Business regulation

FIGURE 20: TIMELINE OF PROJECTS IN THE DRC BY PRODUCT TYPE

As the first EFI IFC advisory project in the DRC, the DRC Investment Climate Promotion, Taxes, and Doing Business program (or "DRC BEE") ran from 2007 to 2009 and was designed to "test" the government's commitment and capacity. The government was not yet able to fully support an investment climate reform program, which resulted in a low IEG rating of the program. Given these constraints, EFI identified two areas for potential follow-on work: Doing Business reforms and special economic zones (SEZ), which were exemplified in the next two projects, Developing a Framework for Special Economic Zones in DRC and Improving DRC's Investment Climate at National and Provincial Levels.

Project learnings

Longer post-program success timelines and flexible rating programs are critical for FCS programs that are subject to factors beyond IFC's control.

- The Maluku Special Economic Zone (SEZ) should now be considered a success, despite initial setbacks.
- The project was rated "mostly unsuccessful" on conclusion in 2012 given that it only achieved one of its three original objectives; however, this rating did not consider political realities, and it seems the EFI team accomplished what was feasible.
- In August 2019, under the World Bank's Growth Pole Project, the SEZ project finally achieved all three objectives.

For projects that will require World Bank support, the World Bank should be incorporated earlier as part of the exit strategy and transfer of the project to the World Bank should be considered a success.

- While EFI was able to transfer outstanding SEZ deliverables to the World Bank's Growth Pole Project, initial collaboration was difficult and took considerable effort.
- For SEZs and other programs with long lead times and need for heavy government support, it should be considered whether EFI IFC is the proper implementer of such a program as opposed to the World Bank.

Leasing advisory projects should be driven by engagement with a financial institution's headquarters, not local country teams.

- Preliminary results from the DRC's Leasing Program suggest that leasing is driven more by financial institutions than government efforts.

- Given the in-house expertise from other branches of regional financial institutions, local financial institutions did not need custom IFC Advisory Services to launch or improve their leasing operations. Instead, EFI/the Financial Institutions Group should approach each financial institution from a headquarters perspective to understand what is needed company-wide, such as customized leasing software, local market assessments, and establishing supplier relationships.

Cooperation agreements should be signed with counterparts before the program is launched to determine realistic program focuses and objectives.

- After signing a cooperation agreement with IFC to establish a leasing department, Rawbank decided it made more sense to launch a separate leasing subsidiary, rendering some of the program's work moot.
- If a leasing program's objective is to drive firm-level engagement, that should be distinct from market creation work, given the difference in advisory services needed.

Projects aiming to facilitate a target number of loans should specify which types of loans and provide technical assistance.

- Financial sector programs aiming to increase access to finance benefit from focusing on specific types of loans, such as loans for leasing medical equipment or loans for agribusiness, rather than more general targets.

DRC SEZ PROGRAM	
#562251	2008–2012
Project description:	<p>The purpose of the program was to assist the government of the DRC in establishing an SEZ. By 2012, the Investment Climate Department's assistance was expected to:</p> <ol style="list-style-type: none"> 1. Provide a legal, institutional, and regulatory framework for SEZs in the country. 2. Assist in the identification of a pilot SEZ site. 3. Entice one or several international SEZ operators to develop the pilot site, by way of a public-private partnership. <p>The program was expected to result in the establishment of the first SEZ in the DRC by program completion. However, at the official conclusion of the program in 2012, only the site had been identified (Objective 2), while the regulatory framework (Objective 1) was halfway achieved. Objectives 1 and 3 were transferred to the World Bank Growth Pole Project.</p>

DRC LEASING PROGRAM

#602323

2018–2020

Project description:

The objective of the DRC Leasing Program was to facilitate access to finance for micro, small, and medium enterprises (MSMEs) through the development of a sustainable leasing industry by working at the regulatory, market, and firm levels. The program aimed to:

- Support the Central Bank of the DRC to update and develop leasing regulation.
- Attract additional players into the local leasing market.
- Provide leasing technical assistance and capacity-building support to financial institutions and/or leasing companies to expand leasing to MSMEs.

Client feedback from the Leasing Program suggests that IFC's advisory services are comprehensive, clear, and relevant, and that there are opportunities and appetite for continued partnership.

- Clients appreciated the knowledge and expertise that IFC brings from implementing similar projects (for example, leasing) in various country contexts and offering unique insights based on experience.
- A pre-existing roster of experts and internal research ensured questions on technical matters were rapidly addressed.
- An overall positive experience meant that EFI clients were optimistic about future collaboration with IFC, even when projects did not progress.
- Ideas for future collaboration mentioned by clients include:
 - Financial education for MSMEs
 - Banking sector coordination between different commercial banks
 - Financing facility to expand coverage beyond MSMEs
 - Guarantees for early-stage MSMEs
 - Co-financing for large projects
 - Farmer input credit-lending facilities
 - COVID-19 and Ebola have underscored the importance of digital projects – more EFI IFC work could be done on ICT legislation and reform.

However, clients also suggested that IFC time constraints, limited technical support on financial modeling, and “success story” emphasis hampered program execution.

- Some clients suggested that timelines for projects were too tight. Particularly with a new product such as leasing, it may take additional time and support for financial institutions to understand and properly implement the project.
- While IFC advisory teams were very strong on leasing technical expertise, the IFC team struggled to provide the advanced financial modeling and finance services that financial institution clients needed.
- IFC's focus on the “success story” and environmental, social, and governance impacts can lead to friction when compared to what is realistic and a priority in the fragile context. In one instance, IFC's pressure to increase lending to women entrepreneurs who bear high financial risks caused the deal to fall through while negotiating the financing facility term sheet with the bank.

An overall positive experience meant that EFI clients were optimistic about future collaboration with IFC, even when projects did not progress.

IFC INVESTMENT IN THE DRC

IFC investments in the DRC include its \$18 million investment in a maize farm and mill, and its funding and advisory support to large banks like Rawbank, Procredit, and Advans. IFC is also active through its partnership with XSML Capital (“KingKuba”). XSML Capital raised the \$19.2 million Central African SME Ventures Fund, which invested in 32 small and medium-sized enterprises in the DRC and the Central African Republic, as well as the African Rivers Fund III, which invests in SMEs across the DRC and Uganda.

COUNTRY CONTEXT

World Bank Group classification: Medium-intensity conflict

FCS classification: Entered FCS

Portfolio analysis archetype: Cluster 5: Least challenging

2020 Doing Business ranking: 148 of 190 countries

Despite major strides in government reform and overall macroeconomic growth, Mali suffers from ongoing instability and extremist violence. Most recently, the military coup throws into question the progress made by prior reform programs and challenges the commitment of foreign investors to continue operating during this period of uncertainty.

Following the military coup in August 2020, Mali's new transitional government faces many challenges ahead. Continued barriers for EFI work in Mali include:

Weak governance system

- From 2016 to 2019, the Prime Minister and Cabinet changed multiple times, making government client programs like EFI challenging.
- Decentralized government has limited ability to implement needed structural reforms, especially in priority sectors, and collect tax revenue.

Non-diversified, donor-dependent economy

- Mali's economy is heavily dependent on extractives, as gold accounts for 65 percent of all exports, while climate change threatens the agricultural sector.
- Government is dependent on donors for public investment (i.e. infrastructure projects), the viability of which is threatened by recent political unrest.

Ongoing security issues

- Terrorism, drug trafficking, human trafficking, and illicit trading have expanded from northern to central Mali, continuing to affect program implementation.
- Increased public spending on security (22 percent) has diminished budget for other critical programs.

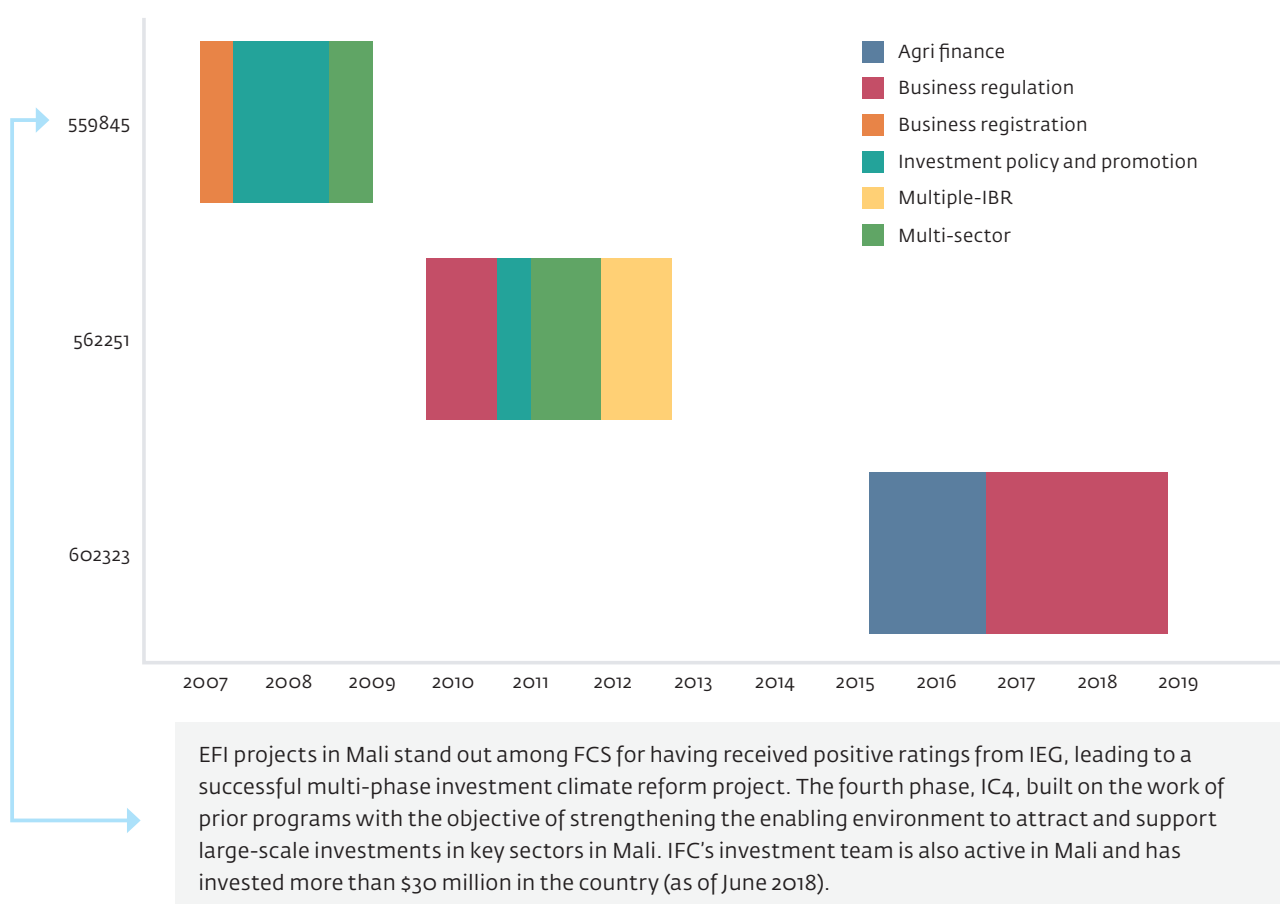
TABLE 8: COMPLETED EFI IFC ADVISORY PROJECTS IN MALI

PROJECT NUMBER	PROJECT NAME	IMPLEMENTATION PERIOD	PRODUCT TYPE
537685	Business Association Mali-US	Jun 2006 – to be determined	<ul style="list-style-type: none"> • Small and medium-sized enterprise entrepreneurship
555605	Investment Climate Reform in Mali	Sep 2007 – Jun 2009	<ul style="list-style-type: none"> • Investment policy and promotion • Multi-sector • Business registration
570427	Investment Climate Reform Program in Mali, Phase 2	Dec 2009 – Dec 2012	<ul style="list-style-type: none"> • Business regulation • Multiple-Indicator-based reform • Multi-sector • Investment policy and promotion
600985	Mali Investment Climate Program Economy Wide	May 2015 – Dec 2018	<ul style="list-style-type: none"> • Business regulation • Agribusiness

TABLE 9: ONGOING EFI IFC ADVISORY PROJECTS IN MALI

PROJECT NUMBER	PROJECT NAME	IMPLEMENTATION PERIOD	PRODUCT TYPE
603755	Mali Investment Climate, Phase 4	Jul 2019 – Sep 2022	<ul style="list-style-type: none"> • Multiple-Indicator-based reform • Agribusiness • Investment policy and promotion

FIGURE 21: TIMELINE OF PROJECTS IN MALI BY PRODUCT TYPE



Being frank with a stakeholder about what can and cannot be accomplished allows for greater program efficiency

Project learnings

Through program sequencing, IFC successfully built on successive efforts to upskill API-Mali and set ambitious targets as the overall capabilities of counterparts increased.

- After restructuring API-Mali during Phase 1 of the Investment Climate Reform program, subsequent phases were able to adopt ambitious goals based on improved capabilities, such as generating \$50 million in investment specifically linked to API-Mali within five years during Phase 2, then following the coup in 2012, shifting slightly to focus on agribusiness and generating \$30 million in investment during Phase 3.
- Following the crisis in 2012, Phase 3 centered on supporting and strengthening API-Mali to help improve Mali's image with foreign investors and investment climate post-crisis.

By focusing on one key counterpart for economy-wide reforms and consolidation, IFC enabled API-Mali to grow in importance, further securing government buy-in.

- The establishment of the Guichet Unique One-Stop Shop within API-Mali streamlined processes by serving as the point of entry for all investors in Mali, simplifying administrative procedures for starting a business, and reducing the cost and time for obtaining licenses and approval.

- Consolidation of functions within API-Mali unlocked additional support. For example, the one-stop shop generated revenue for API-Mali to help fund its activities.

IFC engagement with development partners unlocked key funding sources and gave it access to greater networks and legitimacy, allowing it to leverage greater in-kind contributions from the government of Mali (e.g. staff time).

- Some of API-Mali's staff were funded by the World Bank's Mali PACAM (Projet d'Appui à la Compétitivité Agro-industrielle au Mali) program. Additionally, USAID, the Dutch Embassy, and the Danish Embassy helped phases of the investment climate reform program. These donors had major convening power, which assisted in attracting investment and hosting successful investor conferences.

Being candid with stakeholders, involving them early on, and working with them increases the likelihood of project success, but time is required to develop trust.

- Being frank with a stakeholder about what can and cannot be accomplished allows for greater program efficiency, but only comes after years of partnership and trust-building.
- Working with, not around, stakeholders early on and involving them in the pre-implementation phase enables buy-in and increases likelihood of project success.





Somalia

COUNTRY CONTEXT

World Bank Group classification:	High-intensity conflict
FCS classification:	Chronic FCS
Portfolio analysis archetype:	Cluster 1: Most challenging
2020 Doing Business ranking:	190 out of 190 countries

Since the elections in 2012, major regulatory reforms covering the private sector have been passed. For example, after three years of IFC support, the Company Law of Somalia was passed in December 2019. This law provides a positive signal for investors that the federal government of Somalia is committed to private sector formalization and investment.

Somalia's young federal government has made major strides toward reform, but still faces formidable challenges, including:

Weak federal government institutions

- Poor government-to-business services are provided, if any.
- The country lacks a central agency to promote investment as well as capacity to facilitate investment.
- No coordination between the federal government and Federal Member States leads to duplicated efforts.

Poor public sector capacity, recruitment, and retention

- The country has experienced a "brain drain" and has limited educational infrastructure for training.

- Public sector counterparts have a low degree of competency to drive reforms.
- Frequent turnover, low salaries, and continued political instability affect the morale and retention of public sector employees.

Limited capacity to implement reforms

- The country has inadequate technical and managerial capacity to support the implementation of reforms.
- Government counterparts have limited ability to understand and appreciate the rationale, objectives, and potential benefits of reforms.

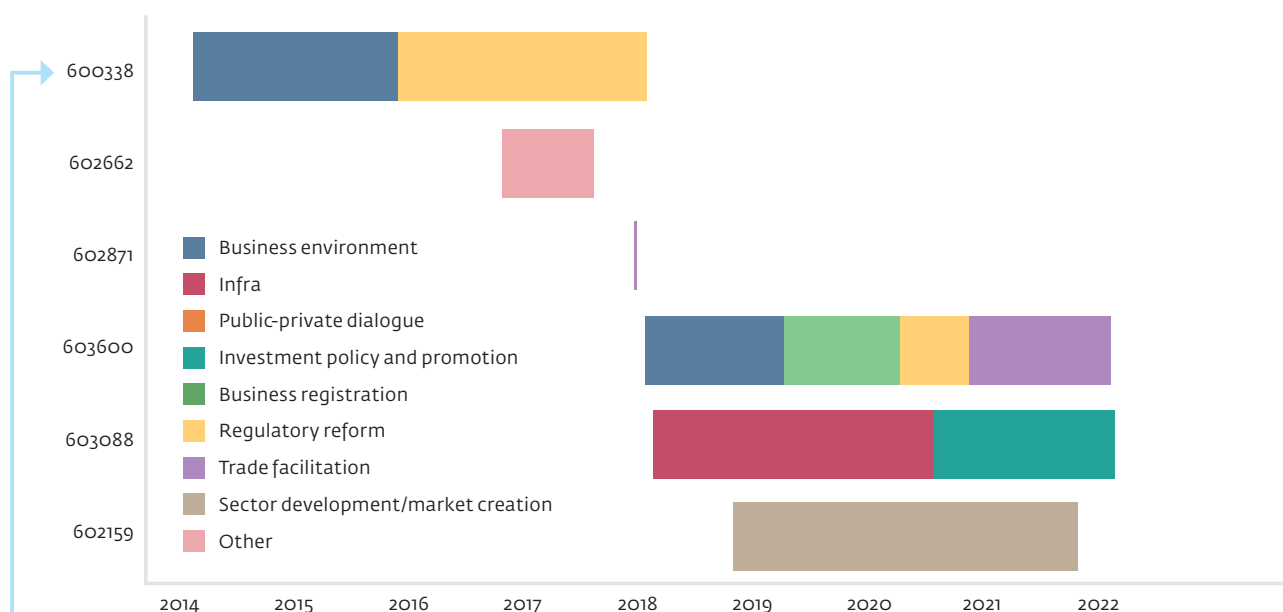
TABLE 10: COMPLETED EFI IFC ADVISORY PROJECTS IN SOMALIA

PROJECT NUMBER	PROJECT NAME	IMPLEMENTATION PERIOD	PRODUCT TYPE
600338	Somalia Investment Climate Reform Program 1	Jan 2015 – Dec 2018	<ul style="list-style-type: none"> • Public-private dialogue • Business environment
602871	Analysis of the Role of Somali Women Traders	Nov 2018 – Jan 2019	<ul style="list-style-type: none"> • Trade facilitation

TABLE 11: ONGOING EFI IFC ADVISORY PROJECTS IN SOMALIA

PROJECT NUMBER	PROJECT NAME	IMPLEMENTATION PERIOD	PRODUCT TYPE
602159	Financial Institutions Development Program – Somalia	Sep 2019 – Aug 2022	<ul style="list-style-type: none"> • Sector development /market creation
603088	Somalia Unlocking Sectoral Investment	Jan 2019 – Jan 2023	<ul style="list-style-type: none"> • Investment policy and promotion • Infrastructure
603600	Somalia Investment Climate Reform Project Phase 2	Dec 2018 – Dec 2022	<ul style="list-style-type: none"> • Business environment • Trade facilitation • Business registration • Regulatory reform

FIGURE 22: TIMELINE OF PROJECTS IN SOMALIA BY PRODUCT TYPE



As the first EFI IFC advisory project in a challenging FCS environment like Somalia, Somalia Investment Climate Reform 1 laid the foundation for follow-on work by building trust and capacity in the immediate post-conflict context. EFI played a key role in bringing the private sector, government, and development community to the same table. IFC worked with the federal government and Chamber of Commerce counterparts to facilitate the passing of two key commercial legal reforms, which had both been stalled in Parliament for over three years. IFC Advisory also helped to operationalize the foreign investment law and began to implement business procedural improvements.

Source: SICRP1 Project Completion Report

Project learnings

Projects and investments do not need to wait for “foundational” economy-wide projects to take place before progressing.

- The Telecommunications Act, focusing on the information and communications technology (ICT) sector, was formally passed in 2017, while the foundational Companies Act was passed in December 2019.
- The ICT sector in Somalia is relatively advanced and therefore provided specific feedback for critical regulation which expedited its reforms under the Communications Act, reflecting private sector interest and investment in ICT.

Initiating dialogues between the public and private sector and aligning their priorities are key to the recovery process, but projects should quickly shift to a sector- and investment-focused approach.

- Public-private dialogues tend to be expensive. During initial public-private dialogues, sector-specific working groups (if possible) should be established to accelerate the priority regulatory or EFI-related support needs of each sector and to assign a relevant IFC investment team coverage person.
- Public-private dialogue secretariats are needed to ensure that different parts of government are cooperating.

In countries with fragile governments, flexibility is needed to adapt program objectives as reform agendas and opportunities shift.

- When designing the project, there should be multiple objectives so the team has the flexibility to shift program activities and resources to what can realistically be accomplished and incorporate new opportunities that arise.

Use of short-term consultants and funding government salaries is critical in countries with limited capacity but aren't long-term solutions.

- Given security restrictions and limited local talent, IFC depends on expensive short-term consultants, and government counterpart salaries are paid inconsistently.
- Paying salaries and deploying short-term consultants are key temporary fixes, but IFC needs to develop a permanent presence and emphasize government salary payment and retention for long-term solutions. Funding from the World Bank for counterpart salaries has been critical in many FCS like Somalia but cannot be counted on as a consistent source of funding.

Future IFC work should focus on knowledge transfer to reduce government reliance on donor technical assistance programs.



Public-private dialogue secretariats are needed to ensure that different parts of government are cooperating.

Recommendations and Way Forward

The work completed by the IFC EFI team is critical, particularly in FCS. Despite the inherent challenges in measuring success, the results of these projects serve the public good. Furthermore, this enabling environment work can be done simultaneously with investments.

The recommendations can be categorized into the three phases of any project: planning, implementation, and assessment.



RECOMMENDATIONS FOR PROJECT PLANNING

- Clusters of successful projects suggest that implementing programs in parallel or in close succession leads to better outcomes. In the project planning phase, it is important to consider which other projects could occur simultaneously or consecutively, both to reduce overall project costs (from shared services) and to increase the likelihood of project success.
- Specific budget should be allocated toward implementing new or innovative products. Due to the underdeveloped nature of systems in FCS, new products may take several iterations before they become successful.
- To help inform project design, in the absence of Country Private Sector Diagnostics or other formal ways of prioritizing IFC involvement, teams should establish and diligently maintain contact with current and potential investors to track their sentiments, sourcing pipeline, and appetite to deploy capital. Simply developing a more investment-friendly environment is not sufficient to lead to a transaction. What matters most is the right specific deal/investor match. "Economy-wide" projects can be strengthened by having a good grasp of the most likely investments.
- Current incentives push investments teams to focus on bigger deals and in sectors that are already developed; IFC EFI teams can be used as a tool to help unlock the regulatory blocks and open new sectors.

Simply developing a more investment-friendly environment is not sufficient to lead to a transaction. What matters most is the right specific deal/investor match.



RECOMMENDATIONS FOR PROJECT IMPLEMENTATION

- Project implementers need to set clear expectations and discuss the specific roles that the various stakeholders are expected to take on. Alignment on roles and responsibilities at the start of each project will provide direction and clarity throughout implementation.
- Particularly in FCS environments, local and on-the-ground presence supports project momentum.
- Multi-country projects should have tailored country implementation plans reflecting the potentially different political and financial structures in individual countries.
- Documentation of lessons learned can be useful for implementing similar projects in the future.
- The enabling environment does not need to be fully “ready” to successfully deploy capital. Most FCS need immediate help and engagement. Investments can provide insights on the bottlenecks in a sector and serve as a catalyst for pushing for reforms, testing newly implemented policies, and demonstrating success.

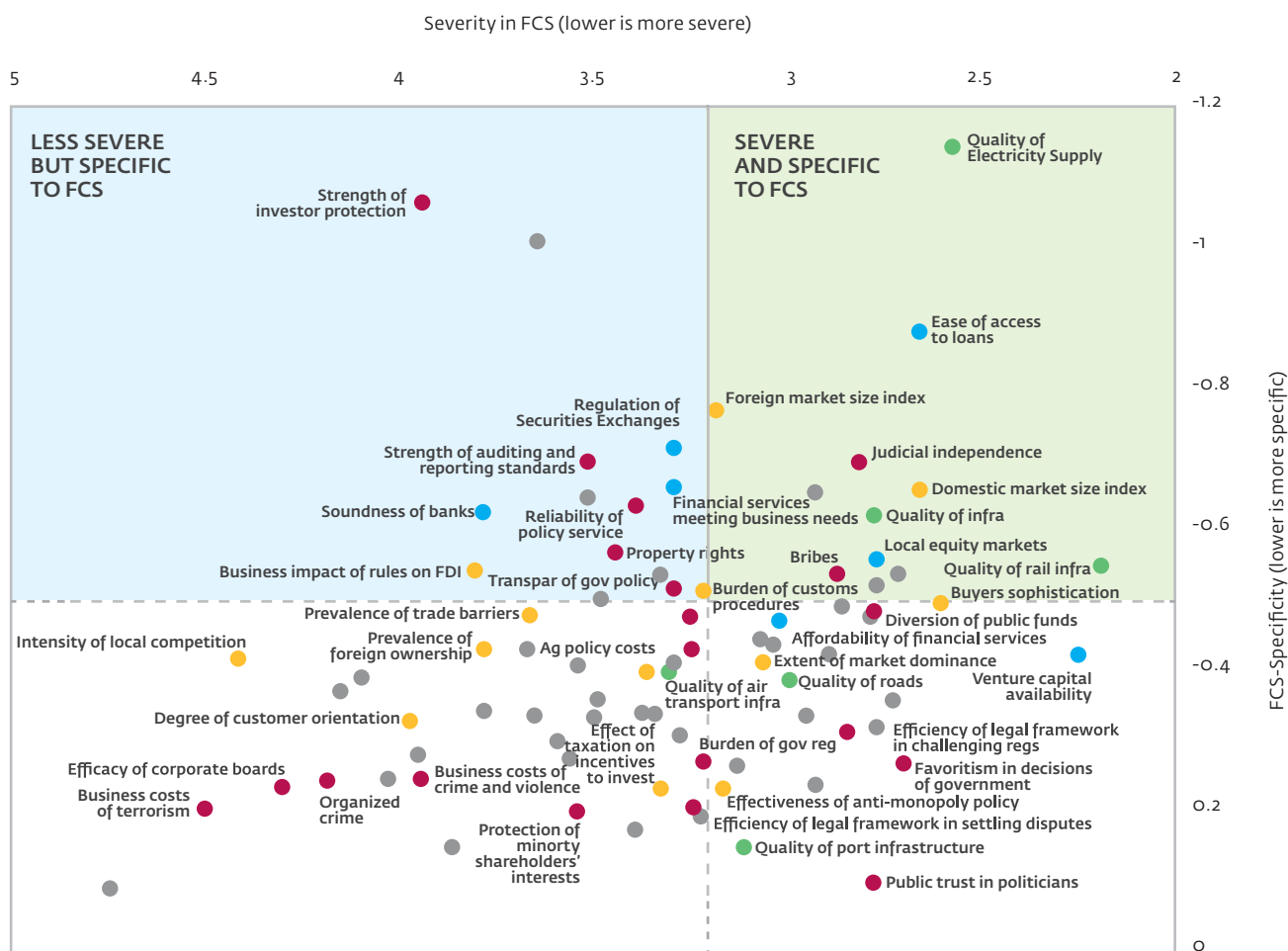


RECOMMENDATIONS FOR ASSESSING PROJECT SUCCESS

- FCS countries should be given more than three years to evaluate project success, with the option of re-evaluating the project five years after completion to determine whether objectives have been accomplished.
- Assessments of projects in FCS should include a periodically updated metric on “strategic relevance”. This can be measured by systematically and regularly tracking client feedback as well as changes in the political and macro operating context.
- Metrics are needed to track how a broader set of FCS-specific constraints to investment are being mitigated. Figure 23 shows the results of the World Economic Forum Executive Opinion Survey, which tracks perceptions of market challenges that firms face in FCS. Observing these metrics over time can inform the long-term success of projects in FCS.
- Maintaining a standardized categorization of projects and nomenclature over a desired period of analysis will enhance the quality of the data and better inform strategic decisions.

Particularly in FCS environments, local and on-the-ground presence supports project momentum.

FIGURE 23: WORLD ECONOMIC FORUM SURVEY RESULTS ON PERCEPTIONS OF MARKET CHALLENGES FOR FIRMS IN FCS



Source: World Economic Forum Executive Opinion Survey.

● Institutions ● Infrastructure ● Financial markets ● Market size and efficiency ● Other

IFC's government-facing advisory services will continue to build positive momentum and create a better environment for investments in the most challenging environments across Sub-Saharan Africa. These recommendations aim to improve the project planning, implementation, and evaluation phases, and ultimately improve IFC's public sector advisory work in FCS in Africa.

Continuous research must be conducted on the most effective interventions and projects must continue to adapt to their changing environments to stay relevant to the

government and private sector alike. Additional research to be conducted is also to be focused on the impact of the pandemic crisis on project efficiency, duration and methods of delivery. Measuring the success of this work will remain a challenge; however, a more flexible monitoring and evaluation approach that takes into account the reality and uncertainty of FCS will bring greater clarity to results, increase the impact of the work, and help practitioners learn better from the past.



Appendix: Data and Methodology

Data collection process

This report is based on a study conducted using three sources of information:

- **Project data.** Analysis was done of 234 advisory projects, encompassing \$324 million worth of IFC advisory work (from FY2002 to FY2020). These projects cover economy-wide projects (such as projects to develop an enabling environment for investment), real sector projects (for example, on reforms to improve access to investment in target sectors), and financial sector projects (for example, focusing on financial inclusion, financial infrastructure, and leasing).
- **Documentation.** About 180 documents were reviewed on FCS countries from a variety of sources. These include project completion reports, public IFC documents, country reports, evaluations by the Independent Evaluation Group, and industry reports (for example, by the African Development Bank, the Brookings Institute, the Centers for Disease Control and Prevention, and The Economist).
- **Interviews.** Over 40 stakeholders were interviewed on IFC's advisory work in FCS. Internal stakeholders included individuals from a variety of World Bank Group teams (for example, IFC Advisory, IFC Investment, World Bank, IFC's Conflict Affected States in Africa Initiative, Financial Institutions Group, and EFI), while external stakeholders included clients and end users of advisory products and services, specifically in the case study countries.

Selection of case studies

Côte d'Ivoire, the DRC, Mali, and Somalia were chosen as case studies because of their relevance and applicability to broader FCS contexts, as determined by:

- Level of IFC Advisory involvement in the country (such as funding amounts, number of projects, and completed engagements).

- Variety of engagements from which lessons can be extracted.
- Amount of existing literature on IFC operations, with a preference for underrepresented countries.
- References in initial stakeholder interviews.

To complete the case studies, interviews were conducted with relevant internal and external stakeholders and numerous materials were reviewed. The sources consulted include internal IFC documents such as project completion reports and country strategy documents such as Country Partnership Frameworks and Country Private Sector Diagnostics.

Research limitations

- **Nomenclature.** Over the FY2002–FY2020 period there were frequent changes in IFC advisory project nomenclature. Similar projects are listed under different taxonomies and categories over time. Without a common taxonomy, the data is difficult to analyze as well as reference internally (within IFC) and externally (with clients). For this study, a standardized taxonomy for products was developed across economy-wide, real sector, and financial sector projects.
- **Classification of countries within FCS.** The World Bank already classifies countries based on fragility in five groups: chronically FCS, entered FCS, recurrent FCS, escaped FCS, and rarely FCS. For this study, relevant datasets such as on ease of doing business and access to credit were used to enhance these five categories.
- **Measuring the success of advisory projects.** Project success was evaluated from four different angles: IFC internal metrics, IEG ratings, linkages to investments, and linkages to external indicators.



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