What is the **IDA18 IFC-MIGA Private Sector Window**?

The International Development Association (IDA) is the World Bank's fund for the world's 77 poorest countries, constituting the single largest source of concessional finance for economic development and basic social services in these countries. Overseen by 173 shareholder nations, IDA aims to reduce poverty by providing loans and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions. IDA delivers long-term financing through three-year capital replenishments from its development partners, credit repayments from IDA clients and the World Bank Group's own resources.

The 18th Replenishment (IDA18) received a record $75 billion commitment, the largest in IDA's 56-year history. The groundbreaking package represents a paradigm shift, for the first time blending donor contributions and credit reflows with funds raised on capital markets, as well as introducing policy innovations that will help IDA clients on a path to achieving the Sustainable Development Goals (SDGs) by investing in growth, resilience and opportunity.

As part of the IDA18 replenishment, a US$2.5 billion IDA18 IFC-MIGA[1] Private Sector Window (PSW) was created to mobilize private sector investment in IDA-only countries, with a focus on fragile and conflict-affected states (FCS). The creation of the PSW is based on the recognition that the private sector is central to achieving the SDGs and IDA18 objectives, while also recognizing the need to help mitigate the uncertainties and unpredictabilities that impede private sector investment and prevent it from happening at the necessary scale.

Addressing the challenges in attracting foreign investment and growing the domestic private sector in frontier IDA and FCS markets require de-risking at both the country and transaction levels. Country-level interventions entail continued strengthening of the business environment—already a hallmark of IDA's long-established engagement in low-income countries. Similarly, IFC's Advisory Services project preparation and other capacity-building activities are essential to the overall effort. At the same time, de-risking at the transaction level can mobilize pioneering investments that generate substantial positive externalities.[2] Successful pioneering investments can help reduce investor risk perceptions and open up these countries to more domestic and foreign capital—especially if well-coordinated and sequenced with policy reforms that propel governments to establish regulations, develop business and consumer markets, and generate externalities that overcome market failures.

The addition of the PSW to the World Bank Group's toolbox enables IDA to deep its work in the space where public policy and private investment meet. The PSW is a key pillar of IFC's 3.0 strategy, which aims to tackle difficult development challenges by creating markets and mobilizing private investors, and MIGA's FY18-20 Strategy focusing on IDA countries. The PSW builds on the World Bank Group's robust support for private sector investment in IDA countries, totaling more than $100 billion in the past decade. It provides an opportunity for IDA to make strategic use of public resources to catalyze private investments in these challenging markets, by leveraging IFC's and MIGA's business models and client relationships, and complements IDA's existing support for policy and business climate reforms.

[1] The International Finance Corporation (IFC) is the largest global development institution focused on the private sector in developing countries, providing and mobilizing scarce capital, knowledge, and partnerships that can help address critical constraints to private sector development. The Multilateral Investment Guarantee Agency (MIGA) promotes foreign direct investment (FDI) into developing countries to help support economic growth, reduce poverty, and improve people's lives.

[2] In the PSW context, "de-risking" a transaction means that through the PSW a portion of the risk in individual transactions will be transferred from private sector participants, as well as IFC and MIGA, to IDA in order to make otherwise risk-prohibitive, yet impactful, projects viable.

Four Facilities

The PSW will be deployed through four facilities:

(1) a Risk Mitigation Facility (RMF) to provide project-based guarantees without sovereign indemnity to crowd-in private investment in large infrastructure projects and public private partnerships (PPPs) supported by IFC;

(2) a MIGA Guarantee Facility (MGF) to expand the coverage of MIGA guarantees through shared first-loss and risk participation akin to reinsurance;

(3) a Local Currency Facility (LCF) to provide long-term local currency investments through IFC in countries where capital markets are not developed and market solutions are not sufficiently available; and

(4) a Blended Finance Facility (BFF) to blend PSW support with pioneering IFC investments across sectors with high development impact, including small and medium enterprises (SMEs), agribusiness, health, education, affordable housing, infrastructure, climate change mitigation and adaptation, among others. See the table below for an overview of the four facilities.

Work is underway to ensure that the PSW is fully operational by July 1, 2017. To achieve the PSW objectives, the World Bank Group has developed PSW eligibility and prioritization criteria, governance arrangements, and a performance and results framework to monitor the performance and outcome of the PSW. As a pilot to be operated in challenging markets, the PSW will be implemented with rigor and flexibility.

Table: PSW Facilities

Facility	Instruments offered to end-use clients	Sector(s)	Additionality	Indicative Allocation (US$ M)
Risk Mitigation Facility	Project-based guarantees without sovereign indemnity, to private sector transactions with IFC origination and participation	Infrastructure (power, water & sanitation, transport & logistics, municipal infrastructure, telecom, and natural resource-related infrastructure) & PPPs	Increased investment in PSW-eligible countries above IFC's baseline. Expanded uses for existing guarantee products	$1,000
MIGA Guarantee Facility	MIGA political risk insurance products to private sector	Infrastructure (power, water & sanitation, transport & logistics, municipal infrastructure, telecom and natural resource-related infrastructure), agribusiness, manufacturing and services, financial markets & PPPs	Increased MIGA-supported investment and risk participation in PSW-eligible countries above MIGA's baseline	$500
Local Currency Facility	Local currency denominated loans to private sector clients (e.g., financial intermediaries that lend to SMEs) who operate in markets where there are limited currency hedging capabilities	Sectors will be linked to the underlying loans	Enables local currency financing for clients in PSW-eligible countries (e.g., SMEs) who operate in markets where there are limited currency hedging capabilities Development of local currency financing instruments, risk mitigation, and capacity building	$400
Blended Finance Facility	Loans, subordinated debt, equity, guarantees and risk sharing (to private sector)	High-impact pioneering investments across sectors (e.g., SMEs, access to finance, infrastructure, agribusiness & manufacturing, health & education, affordable housing, telecom and technology, climate change, municipal finance, etc.)	Increased investment in PSW-eligible countries above IFC's baseline Blended finance investments in new sectors and to underserved client base (e.g., early-stage and women-owned SMEs) Expanded uses for existing products (e.g., longer tenors)	$600