Creating Markets to Leverage the Private Sector for Sustainable Development and Growth:
An Evaluation of World Bank Group’s Experience through 16 Case Studies
and Draft Management Response

Report to the Board from the Committee on Development Effectiveness
Subcommittee Report*

Meeting of March 22, 2019


The Subcommittee welcomed the evaluation as a timely report to inform upcoming Strategy and Business Outlook discussions for the World Bank Group, as well as a valuable input vis-à-vis the implementation of IFC 3.0 and subsequent organizational changes in IFC. They underscored the usefulness of the Report, noting that impact analysis should represent a bigger share of IEG’s work program. Members were encouraged to learn that the WBG institutions had already contributed to creating markets through their distinct roles and by deploying a range of tools and services, even before articulating the notion of creating markets in the Forward Look in 2015 or introducing the proactive strategic approach in IFC’s 3.0. They stressed the relevance of markets and the private sector role to achieve the SDGs.

Praising the engagement and broad agreement between IEG and Management, Members enquired about specific Management plans to address the evaluation’s findings and recommendations. In particular, they asked about actions aiming to (i) strengthen the analytical base and articulate more systematically the approach to creating markets in the Country Partnership Frameworks (CPFs); (ii) enhance access to markets for the underserved groups, including the poor; and (iii) implement a regular assessment on IFC’s risk-taking capabilities in IDA and FCS countries.

Members highlighted the important role of CPFs to support the evaluation’s recommendation on achieving stronger country-level understanding of creating markets. Members deemed CPFs as a key tool to integrate the findings of Country Private Sector Diagnostics (CPSDs) and to inform the Board on strategic priorities. They were pleased to hear about Management’s plans to improve consistency and coordination between WBG institutions, and to expand the use of CPSDs as critical inputs to Systematic Country Diagnostic (SCD) processes and CPFs. In response to members request to provide a forecast of the incremental resource requirements needed to mainstream the CPSD’s, Management noted that rather than budgetary constraints, Management would have to address staff and managerial capacity limitations which would have significant organizational implications to mainstream CPSDs.

While acknowledging Management’s explanations about the broad development impact of initiatives that did not directly benefit underserved communities, Members underscored the need to enhance diagnostic tools to measure projects “second-round” effects on the poor. Members encouraged Management to regularly assess IFC’s risk-taking capabilities to carry out its market creation activities in IDA and other structurally weak economies in a financially sustainable way. They pointed out that such assessment should consider both the portfolio approach and staff performance and insisted on the prevalence of additionality over profitability.

* This report is not an approved record.