



**World Bank Group Strategy for Fragility, Conflict and Violence (FCV)
Consultation Meeting with the Private Sector**

Feedback Summary

Date: 7/18/19

Location: London, UK – IFC London Office

Audience: Private Sector

Overview and Key Issues Discussed: The World Bank Group (WBG) held a Consultation Meeting with private sector representatives regarding investing in fragility, conflict, and violence (FCV) countries, chaired by Tracy Washington, Program Manager for IFC’s Fragile and Conflict Situations (FCS) and International Development Association (IDA) Unit. Participants were then invited to ask questions and to express their views. The following summary highlights key points, recommendations, comments, and feedback raised during the meeting.

Specific Feedback from Stakeholders
1. Theme: The Role of Development Finance Institutions (DFIs)
The private sector representatives agreed that DFIs have a significant role to play regarding investments in FCV. More specifically, DFIs can provide local currency solutions, blended finance, and act as a matchmaker between local and international players for knowledge-sharing. There were also several requests for the WB/IFC to develop capital markets in these regions to improve liquidity in local exchanges. In addition, one participant expressed a need for DFIs to increase their risk appetite and improve their agility in providing financing. It was also noted that blended/concessional finance can be a key tool, but it needs to be applied carefully: where there is effectively no market and if no one is willing to betake the risk, then it’s certainly needed, but DFIs also need to be wary of crowding-out other potential investors. The participants also recognized that many DFIs were not set up to operate in FCV markets and are best equipped to do larger volume deals in big markets. Operating in FCV markets requires a certain skill and mindset, that DFIs need to nurture. One participant mentioned that DFI’s usage of a minimum investment amount policy is ill-suited for FCV contexts, as in many cases small investments are the only viable options. Rather, it was suggested that in FCV, DFIs should focus on return on investment over amount invested. Lastly, the group agreed that DFIs need to coordinate to come up with a better way to measure impact so as to guide the types of investments they should support in order to help development of FCV countries.
2. Theme: Challenges for the private sector in FCV markets

WBG Strategy for FCV - Phase 1 Consultations Feedback Summary

Many challenges were highlighted by the group. In particular, firms need access to local currency at reasonable rates. In the agribusiness sector for example, these challenges include: land security, land rights, water rights, water security, and water irrigation. One participant noted that underdevelopment of local standards, such as food safety regulations, meant exporting food products to an accredited country in order to allow exporting to the US and EU. The WBG was asked to continue to work on these issues to unlock potential investment.

3. Theme: Opportunities

Despite the challenges, many of the firms explained the desire to work in challenging environments over less-risky locations as a part of the corporate mission to have a development impact. In addition, some participants indicated that the challenges are often less severe than perceptions of FCV markets, and in fact it may be easier to invest in some FCV markets than in certain more stable middle-income countries, but most investors are not aware of it.

4. Theme: Importance of Understanding Local Context

Participants noted the importance of a local presence for financial institutions in order to find the right partners and understand the local context. In some instances, finding the right partner is the most important aspect of the success of an investment. Investors need to spend a significant amount of time and resources on the ground, understand the markets and identify the potential partners. Lack of understanding of the local context can lead to misinformed investment decisions. In this vein, the WBG and IFC are large institutions that will need to rely on intermediaries to reach people on the ground. Lastly, DFIs will need to do deep due diligence both for integrity reasons and to ensure that entrepreneurs know how to run a business in a challenging market.

5. Theme: Operating structures

Participants encourage IFC to consider structures more appropriate for smaller FCV businesses that take time to build up and generate lower returns such as supporting non-banking financial institutions and permanent capital vehicles as opposed to vehicles with a term, i.e. private equity funds

6. Theme: Greenfield vs. Brownfield Investments and Regional Expansion

One participant expressed a strong preference for choosing brownfield over greenfield investments, explaining that scaling-up and adding value to existing businesses can be a more successful strategy than investing in greenfield businesses, which tends to have a high probability of failure. Another promising approach is to leverage businesses that are already present in the region and expand them to the FCV markets.

7. Theme: Sponsors

There is difficulty finding quality sponsors in FCV countries that have all the requirements of the WBG/IFC. In particular, the Environmental, Social, and Governance (ESG) standards are demanding for companies operating in FCV, and it's challenging to secure adequate financing to complete the project cost.

8. Theme: Value Addition in FCV Countries

One participant pointed out the importance of creating value added over simply producing commodities in FCV countries. One example provided was instead of exporting commodities (e.g. tea in sack), companies can focus on export of value-added products (e.g. tea in tea bag), which sells for a premium.

9. Theme: Investing in Local Capacity Building

The group highlighted the importance of working and developing local talent, which tends to be very valuable to investors and should be nurtured to help build local capacity to support the country's private sector development.

WBG Strategy for FCV - Phase 1 Consultations Feedback Summary

10. Theme: Standardization – One Size Does Not Fit All

Participants approved of the idea of categorizing fragile states into different typologies to help with investment decisions. The group cautioned against standardization and ‘one-size-fits-all’ models, explaining that the policies that work for Africa will not necessarily work for other countries. This is especially true for FCV countries.

List of Participants:

Details	
Date	July 18 th , 2019
Location	IFC London Office
Attendants	
1.	Mike Scholey (Globeleq)
2.	Lily Collins (Dfid)
3.	Matt – Dfid
4.	Cyrielle Auffray (CDC)
5.	Colin Buckley (CDC)
6.	Felix von Schubert (InFrontier PE Fund)
7.	Ameel Somani (Si-Ad)
8.	Nadeem (Global Tea)
9.	Joanne Yoo (DPI)
10.	Priyanka Fouda (DPI-LLP)
11.	Jonathan Berry (Greencell, Westfalia)
12.	Pierre Van Hoeylandt (CDC)
13.	Tracy K. Washington (IFC)
14.	Sadia Sajjad (IFC)
15.	Jakob Kopperud (IFC)

Prepared by: Kurt Hagemann, FCV Strategy Consultant, FCS/IDA Coordination Unit, khagemann@worldbank.org, with inputs from Sadia Sajjad, Country Manager, ssajjad@ifc.org, Silvia Irrisari, Operations Analyst, sirisarrigomez@ifc.org, and Joanna Kata-Blackman, Sr. Operations Officer, FCS/IDA Coordination Unit, jkata@ifc.org.