

SCALABLE SOLUTIONS

Mobilizing Private Capital through FAB-Anchored Performance-Based Financing

OVERVIEW

Job creation is central to the World Bank’s mission and depends on policies that enable private firms to invest, scale, and hire. Performance-Based Financing (PBF), anchored in the Feasibility and Ambitiousness (FAB) methodology, links sovereign financing to credible, data-driven reform outcomes that unlock private investment in job-rich sectors such as energy, forestry, agriculture, healthcare, infrastructure, housing, and manufacturing, strengthening policy credibility and supporting private-sector-led growth and quality job creation, particularly for youth and women.

PERFORMANCE-BASED FINANCING

PBF is a financing instrument in which interest rates are explicitly linked to the achievement of pre-agreed performance targets, embedding incentives for reform delivery and results directly into sovereign financing. Unlike use-of-proceeds instruments, PBFs do not constrain how funds are spent, preserving budget flexibility while reinforcing accountability for outcomes. This results-based design aligns with the World Bank Group’s emphasis on financing for results, institutional strengthening, and policy credibility, and provides emerging market and developing economies (EMDEs) with a mechanism to signal reform commitment to markets, anchor policy actions in national development strategies, and engage private investors around measurable outcomes rather than labels.

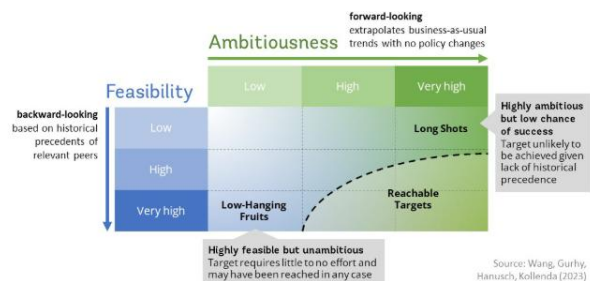
THE CHALLENGE: CREDIBILITY OF TARGETS

Despite growing interest in PBF, sovereign participation among EMDEs remains constrained by

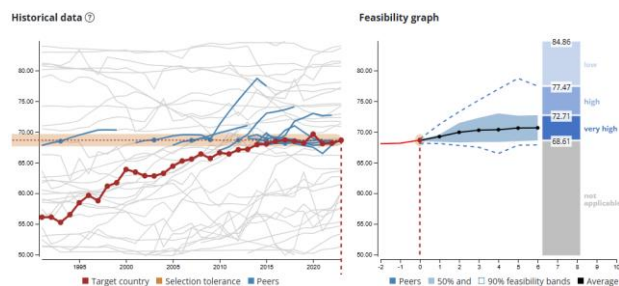
investor concerns regarding the credibility of the performance targets underpinning financing terms. Weakly specified or poorly calibrated targets represent a significant reputational risk for the issuer, undermine confidence in reform trajectories and limit PBF’s effectiveness as a signaling instrument, leaving policy uncertainty high. When investors question the ambition, feasibility, or verifiability of reform commitments, private investment decisions are delayed or scaled back, reducing the overall impact of performance-linked financing.

THE FAB METHODOLOGY

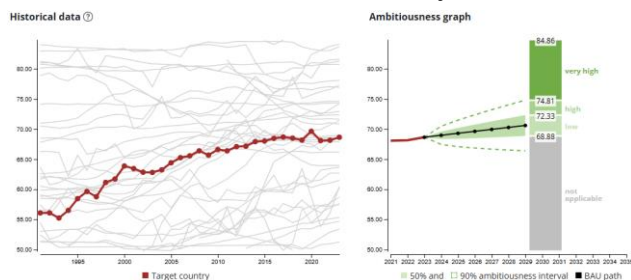
The FAB Dashboard is an innovative tool that supports the development of performance targets that



are both ambitious and realistically achievable, strengthening the credibility and readiness of PBF. Fully compliant with ICMA/LMA Principles and the highest market standards, the FAB Dashboard is built on a transparent, data-driven methodology that evaluates performance targets along two dimensions: (i) feasibility, based on historical trends, peer performance, and country capacity;



and (ii) ambitiousness, as measured relative to historical and business-as-usual trajectories.



By combining these dimensions, FAB helps issuers define targets aligned with national priorities, enhancing transparency, comparability, and accountability.

THE IMPACT

[Direct Link to PCM](#)

The combination of PBF and World Bank Group credit-enhancement instruments is mutually reinforcing and central to effective Private Capital Mobilization (PCM). While PBF strengthens reform credibility and policy signaling, credit enhancement instruments address residual risk perceptions that continue to constrain sovereign access to private capital. Together, they de-risk sovereign transactions, improve financing terms, and broaden the investor base, including long-term institutional investors, while ensuring that improved financing conditions remain explicitly linked to reform delivery and performance.

Côte d'Ivoire: Mobilizing PCM through a Sustainability-Linked Loan supported by a Policy Based Guarantee and MIGA

Côte d'Ivoire's Energy and Forestry-linked loan (€433.3 million) clearly shows how PBF, using the FAB Framework, can create a credible enabling framework for private investment. The operation anchors sovereign financing in clearly defined, measurable performance targets in priority reform areas, including non-hydropower renewable energy, deforestation prevention, and reforestation. By linking financing conditions directly to progress against these targets, the structure strengthens policy credibility, improves transparency, and reinforces accountability for reform delivery. This result-based approach sends a clear signal to markets that reforms are embedded in national policy frameworks, monitored over time, and backed by political commitment, thereby reducing policy uncertainty and information asymmetries that often deter private investors.

Building on this strengthened enabling environment, WBG credit enhancement was then deployed to crowd in private capital at scale. The loan is provided by a commercial lender to the government and is backed by a layered guarantee structure under the WBG Guarantee Platform: An IBRD Policy-Based Guarantee provides a first-loss layer, complemented by a MIGA guarantee providing second-loss coverage for non-honoring of sovereign financial obligations. This integrated structure reduces credit risk for private lenders, improves financing terms, and enables longer tenors for the sovereign.

Taken together, the transaction demonstrates a sequenced approach to enabling private capital: high-quality PBF frameworks establish reform credibility and market confidence, while WBG credit enhancement amplifies these signals by de-risking the transaction and mobilizing private capital. Côte d'Ivoire's experience provides a replicable and scalable model for PBF that supports economic transformation, resilience, and job-rich growth.